MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST QUARTER 2023

Dear Shareholders,

We report below on Lectra group's (the "Group") business activity and consolidated financial statements for the first quarter ending March 31, 2023.

Comparisons between 2023 and 2022 are based on 2022 exchange rates unless otherwise stated ("like-for-like"). As the impact of the acquisition of TextileGenesis (see press release dated December 8, 2022) on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

Orders for new systems are reported using two indicators: on the one hand, the value of software sold separately under perpetual software licenses, equipment and accompanying software (also sold in the form of perpetual licenses) and non-recurring services; and on the other hand, the annual value of new subscriptions for software sold in Software-as-a-Service (SaaS) mode.

The detailed tables of orders for new systems, of revenues, and of the income statements for the first quarter of 2023 are provided in the additional information of this report, starting on page 6.

1. RESULTS OF OPERATIONS FOR Q1 2023

Strong decline in new system orders

Against the backdrop of slower global growth, persistent inflation, and rising interest rates, the first quarter of 2023 was marked by a wait-and-see attitude on the part of the Group's customers around the world with regard to their investment decisions. This situation is reflected in a sharp slowdown in new system orders.

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (35.7 million euros) were down 32% (-31% at actual exchange rates). Orders for perpetual software licenses (3.7 million euros), and equipment and accompanying software (26.9 million euros) decreased by 29% and 37%, respectively. Those for training and consulting (3.8 million euros) increased by 6%.

Geographically, orders for perpetual software licenses, equipment and accompanying software, and non-recurring services decreased by 14% in Europe, 39% in the Americas, 45% in Asia-Pacific and 25% in the rest of the world (including Northern Africa, South Africa, Turkey, and the Middle East).

They decreased by 32% in the automotive market, 27% in the fashion market and by 31% in the furniture market.

Orders for new software subscriptions continued to rise. Their annual value came to 2.7 million euros, increasing by 13% compared to 2022 (+14% at actual exchange rates).

Stable revenues and decline in EBITDA before non-recurring items

With an average exchange rate of $1.07/€1 in Q1, the dollar was up 5% compared to Q1 2022 and the yuan declined by 3% against the euro. Currency changes mechanically increased revenues by 1.8 million euros (+1%) and EBITDA before non-recurring items by 0.7 million euros (+4%) at actual exchange rates, compared to like-for-like figures.

In its financial report on the fourth quarter and full year 2022, the Group indicated that Q1 revenues in 2023 were expected to be slightly lower due to the decline in order backlog at January 1, 2023 compared to the one at January 1, 2022, which was exceptionally high, and that this decrease in revenues, combined with the increase in overhead costs, would also lead to a decline in EBITDA before non-recurring items.

Despite the low order intake, Q1 revenues in 2023 amounted to 123.7 million euros, stable compared to the same period of 2022, due to strong growth in revenues from recurring contracts, which benefited in particular from the growth in software subscription orders and the acceleration of synergies from the Gerber acquisition.

At actual exchange rates, revenues increased by 1%.

Revenues from software licenses, equipment and accompanying software, and non-recurring services

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (43.8 million euros) were down 11%. This item contributed 35% of revenues (40% in 2022), and included mainly:

- perpetual software licenses (4.1 million euros), which decreased by 14% and accounted for 3% of revenues (4% in 2022);
- equipment and accompanying software (33.8 million euros), which decreased by 15% and accounted for 27% of revenues (32% in 2022);
- training and consulting (4.7 million euros), which increased by 30% and accounted for 4% of revenues (3% in 2022).

At March 31, 2023, the order backlog for perpetual software licenses, equipment and accompanying software, as well as training and consulting amounted to 36.2 million euros. It decreased by 8.6 million euros at actual exchange rates and by 8.3 million euros like-for-like, compared to December 31, 2022.

Revenues from recurring contracts, consumables and parts

Revenues from recurring contracts, which represented 36% of revenues (32% in 2022), amounted to 44.0 million euros, a 11% increase:

- software subscriptions (6.7 million euros), up 52%, represented 5% of revenues (4% in 2022);
- software maintenance contracts (13.4 million euros), up 4%, represented 11% of revenues (11% in 2022);
- equipment and accompanying software maintenance contracts (23.9 million euros), up 7%, represented 19% of revenues (18% in 2022).

In parallel, revenues from consumables and parts (35.9 million euros) were up 3% and represented 29% of revenues (28% in 2022).

Overall, recurring revenues (79.9 million euros) were up 8% (+9% at actual exchange rates).

Gross profit

Gross profit amounted to 84.8 million euros, up 4% compared to 2022.

The gross profit margin came to 68.5%, up 2.7 percentage points. This increase stems from the evolution of the product mix, with a larger share of recurring contract revenues, and from the strong improvement in the gross margin on equipment and accompanying software revenues.

Personnel expenses and other operating expenses incurred in the execution of service contracts or in training and consulting are not included in the cost of goods sold but are accounted for in overhead costs.

Overhead costs

Overhead costs were 72.6 million euros, up 9% compared to 2022. The breakdown is as follows:

- 67.9 million euros in fixed overhead costs (+11%);
- 4.8 million euros in variable costs (-9%).

Research and development costs (13.6 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 11.0% of revenues (12.7 million euros and 10.4% of revenues in Q1 2022). After deducting the research tax credit applicable in France and grants received, net research and development costs totaled 12.7 million euros (10.9 million euros in 2022).

EBITDA before non-recurring items, income from operations before non-recurring items and net income

EBITDA before non-recurring items totaled 19.7 million euros, down 12% (-8% at actual exchange rates) and the EBITDA margin before non-recurring items was 16.0%, down 2.1 percentage points (-1.7 percentage points at actual exchange rates).

Income from operations before non-recurring items amounted to 12.1 million euros, down 20%. This included a 3.2-million-euro charge for amortization of intangible assets arising from the acquisitions carried out since 2021.

Net financial income and expenses represented a net charge of 1.4 million euros. Foreign exchange gains and losses generated a net loss of 0.5 million euros.

After an income tax expense of 3.0 million euros, net income amounted to 7.3 million euros, down 21% at actual exchange rates.

Net earnings per share were €0.20 on basic capital and on diluted capital (€0.25 on basic capital and €0.24 on diluted capital in Q1 2022).

Increase in free cash flow

Free cash flow before non-recurring items came to 9.2 million euros (7.1 million euros in Q1 2022). It is higher than net income.

After disbursement of 0.2 million euros in Q1 in respect of fees and other related expenses in connection with the acquisition of Gerber, free cash-flow came to 9.1 million euros.

A particularly robust balance sheet

At March 31, 2023, the Group had a particularly robust balance sheet with a consolidated shareholders' equity of 417.9 million euros and a positive net cash position of 7.8 million euros, consisting in financial debt of 119.0 million euros and cash of 126.8 million euros.

In Q1, the Company paid 15.2 million euros in respect of the acquisition of the majority of the capital of TextileGenesis.

The working capital requirement at March 31, 2023 was a negative 5.0 million euros.

2. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At March 31, 2023, the share capital came to €37,794,445, divided into 37,794,445 shares with a par value of €1.00.

Share capital increased by €5,496 (with a total share premium of €74,784) due to the creation of 5,496 shares since January 1, 2023, resulting from the exercise of stock options.

Main shareholders

No crossing of statutory thresholds has been reported to the Company since January 1, 2023.

At the date of publication of this report, and to the Company's knowledge:

- Daniel Harari holds 14.6% of the capital and 14.5% of the voting rights;
- AIPCF VI LG Funding (United States), Brown Capital Management (United States), Fidelity Management and Research (United States) and Kempen Oranje Participaties (The Netherlands) each hold more than 5% (and less than 10%) of the share capital and voting rights.

No other shareholder has reported holding more than 5% of the share capital and voting rights.

Treasury shares

At March 31, 2023, the Company held 0.07% of its own shares in treasury shares, within the framework of the liquidity agreement contracted with Natixis ODDO BHF.

Share price performance and trading volumes

The Company's share price at March 31, 2023 was €36.35, up 3% compared to December 31, 2022 (€35.20). During Q1, it reached a low of €32.95 on March 13 and a high of €41.30 on January 18.

The market capitalization amounts to 1.37 billion euros at March 31, 2023 (1.33 billion euros at December 31, 2022).

For the first three months of 2023, the Euronext Tech Leaders index increased by 11% and the CAC 40, CAC All-Tradable and the CAC Mid & Small indexes increased by 13%, 12% and 6% respectively.

According to Bloomberg, 4.0 million shares were traded on all platforms in Q1 2023 (6.0 million in Q1 2022), including 47% on Euronext.

In its press release of April 11, 2023, the Company confirmed that it is eligible for inclusion in French SME ("PEA-PME") equity savings plans. As a consequence, investment in Lectra shares can be made through PEA-PME savings accounts, a scheme specifically applicable to investments in small and mid-cap companies, benefiting from the same tax advantages as the traditional Equity Savings Plan (PEA).

The Company's shares are eligible for the Euronext Deferred Settlement Service (SRD), which allows French investors to defer settlement or delivery of shares.

3. SIGNIFICANT POST-CLOSING EVENTS

No significant event has occurred.

4. FINANCIAL CALENDAR

The 2022 Annual Financial Report was published on Lectra's website on March 30, 2023.

The Annual Shareholders' Meeting will be held on April 28, 2023, in the Company's offices.

The first-half 2023 financial results will be published on July 27, 2023, after the close of trading on Euronext.

5. BUSINESS TRENDS AND OUTLOOK

In its financial report on the third quarter and first nine months of 2022, published October 25, 2022, Lectra reiterated its 4.0 strategy, initiated in 2017, and presented an assessment of the 2020-2022 roadmap, specifying that the progress made during the period, as well as the acquisitions of 2021, and the Gerber acquisition in particular, had given the Group a new dimension and increased opportunities for continued growth.

Then, in its 2022 Financial Report, published February 8, 2023, Lectra presented its new roadmap for 2023-2025.

The Group also specified that 2023 remained unpredictable given the degraded macroeconomic and geopolitical environment, which lead to numerous uncertainties that could continue to weigh upon the investment decisions of its customers.

The business activity and results in Q1 2023 confirmed this situation.

Revised 2023 outlook due to wait-and-see attitude of customers

At the beginning of the year the Group set itself objectives of achieving, in 2023, revenues in the range of 522 to 576 million euros and EBITDA before non-recurring items in the range of 90 to 113 million euros. These scenarios were prepared on the basis of the closing exchange rates on December 30, 2022, and particularly $1.07/€1.

While visibility remains low on the level of new system orders for the coming quarters, it is high on recurring revenues, which should represent 65% of total revenues in 2023 and are expected to grow significantly. The weight and increase in recurring revenues, combined with the measures taken by the Group in April to reduce certain overheads, will mitigate the impact of low new order intake on revenues and EBITDA before non-recurring items.

Therefore, the Group now anticipates revenues in the range of 485 to 525 million euros (-5% to +3% at constant exchange rates relative to 2022) and EBITDA before non-recurring items in the range of 78 to 95 million euros (-15% to +3% at constant exchange rates relative to 2022). These new scenarios were prepared on the basis of the closing exchange rates on April 27, 2023, for the remaining nine months of the year, and particularly $1.10/€1. The mechanical impact of the evolution in exchange rates compared to those used at the beginning of the year is a decline in revenues of 4.5 million euros and in EBITDA before non-recurring items of 2.5 million euros.

Because the Group's customers operate in a highly competitive environment that demands they continue to improve performance, their investments will pick up as soon as the macroeconomic situation improves. Lectra's roadmap for 2023-2025, which was launched on January 1, will enable the Group to take full advantage of the upturn and accelerate its growth.

The Board of Directors
April 27, 2023

ADDITIONAL INFORMATION – FIRST QUARTER 2023

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE [1]

Perpetual software licenses, equipment and accompanying software and non-recurring services	Three Months Ended March 31						
	2023			2022		Changes 2023/2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Perpetual software licenses	3,691	10%	3,648	5,151	10%	-28%	-29%
Equipment and accompanying software	26,923	76%	26,553	41,878	81%	-36%	-37%
Training and consulting services	3,821	11%	3,793	3,587	7%	+7%	+6%
Miscellaneous	1,221	3%	1,210	1,257	2%	-3%	-4%
Total	35,658	100%	35,204	51,873	100%	-31%	-32%
€ / $ average parity	*1.07*		*1.12*	*1.12*			

New software subscriptions	Three Months Ended March 31						
	2023			2022		Changes 2023/2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Annual value of new software subscriptions	2,667	na	2,644	2,336	na	+14%	+13%
€ / $ average parity	*1.07*		*1.12*	*1.12*			

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE [1]

Revenue distribution by geographical market is reported on an indicative basis. Trends for the fiscal year cannot be extrapolated based on one single quarter.

Revenues by region	Three Months Ended March 31						
	2023			2022		Changes 2023/2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Europe, of which:	40,001	32%	40,130	40,834	33%	-2%	-2%
- France	6,640	5%	6,640	6,392	5%	+4%	+4%
Americas	45,552	37%	43,591	41,879	34%	+9%	+4%
Asia-Pacific	29,170	24%	29,145	29,097	24%	0%	0%
Other countries	8,930	7%	9,032	10,147	8%	-12%	-11%
Total	123,653	100%	121,898	121,958	100%	+1%	0%
€ / $ average parity	*1.07*		*1.12*	*1.12*			

Revenues by type of business	Three Months Ended March 31						
	2023			2022		Changes 2023/2022	
(in thousands of euros)	Actual	%	At 2022 exchange rates	Actual	%	Actual exchange rates	Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	43,757	35%	43,047	48,613	40%	-10%	-11%
- Perpetual software licenses	4,085	3%	4,039	4,683	4%	-13%	-14%
- Equipment and accompanying software	33,764	27%	33,142	39,088	32%	-14%	-15%
- Training and consulting services	4,687	4%	4,656	3,585	3%	+31%	+30%
- Miscellaneous	1,221	1%	1,210	1,257	1%	-3%	-4%
Recurring revenues, of which:	79,896	65%	78,851	73,345	60%	+9%	+8%
- Software subscriptions	6,677	5%	6,634	4,360	4%	+53%	+52%
- Software maintenance contracts	13,415	11%	13,344	12,820	11%	+5%	+4%
- Equipment and accompanying software maintenance contracts	23,889	19%	23,573	21,999	18%	+9%	+7%
- Consumables and parts	35,915	29%	35,300	34,167	28%	+5%	+3%
Total	123,653	100%	121,898	121,958	100%	+1%	0%
€ / $ average parity	*1.07*		*1.12*	*1.12*			

(1) As the impact of the acquisition of TextileGenesis on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE [1]

(in thousands of euros)	2023 Actual	2023 At 2022 exchange rates	2022 Actual	Changes 2023/2022 Actual exchange rates	Changes 2023/2022 Like-for-like
	Three months ended March 31				
Revenues	123,653	121,898	121,958	+1%	0%
Cost of goods sold	(38,891)	(38,382)	(41,701)	-7%	-8%
Gross profit	84,762	83,516	80,257	+6%	+4%
(in % of revenues)	68.5%	68.5%	65.8%	+2.7 points	+2.7 points
Research and development	(12,670)	(12,544)	(10,939)	+16%	+15%
Selling, general and administrative expenses	(59,962)	(59,429)	(54,868)	+9%	+8%
Income from operations before non-recurring items	12,130	11,543	14,449	-16%	-20%
(in % of revenues)	9.8%	9.5%	11.8%	-2.0 points	-2.3 points
Non-recurring expenses	-	-	(474)	-100%	-100%
Income from operations	12,130	11,543	13,976	-13%	-17%
(in % of revenues)	9.8%	9.5%	11.5%	-1.7 points	-2.0 points
Income before tax	10,298	9,725	12,871	-20%	-24%
Income tax	(2,961)	na	(3,590)	-18%	na
Net income	**7,337**	**na**	**9,281**	**-21%**	**na**
of which, Group share	**7,627**	**na**	**9,375**	**-19%**	**na**
of which, Non-controlling interests	(290)	na	(94)	na	na
Income from operations before non-recurring items	12,130	11,543	14,449	-16%	-20%
+ Net depreciation and amortization of non-current assets	7,613	7,469	7,121	+7%	+5%
EBITDA before non-recurring items	19,744	19,012	21,571	-8%	-12%
(in % of revenues)	16.0%	15.6%	17.7%	-1.7 points	-2.1 points
€ / $ average parity	*1.07*	*1.12*	*1.12*		

(1) As the impact of the acquisition of TextileGenesis on the financial statements for 2023 is not material, like-for-like changes exclude only the variations in exchange rates.

Company certification of the first quarter 2023 report

We certify that, to our knowledge, the financial statements have been prepared in accordance with currently applicable accounting standards and provide a fair view of the assets, financial condition, and financial results of the Company and of its consolidated companies. We further certify that the first quarter report on operations presents a true and sincere view of the significant events that occurred during the first three months of the fiscal year and their impact on the financial statements, and a description of the main risks and uncertainties for the coming nine months.

Paris, April 27, 2023

Daniel Harari
Chairman and Chief Executive Officer

Olivier du Chesnay
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2023[1]	December 31, 2022	March 31, 2022
Goodwill	299,725	292,626	278,748
Other intangible assets	139,518	137,108	137,799
Leasing rights-of-use	27,193	28,083	27,108
Property, plant and equipment	27,095	27,900	27,838
Other non-current assets	16,586	18,443	25,063
Deferred tax assets	13,068	12,212	9,120
Total non-current assets	523,184	516,372	505,676
Inventories	75,086	75,479	65,839
Trade accounts receivable	85,963	88,185	81,781
Other current assets	27,236	24,227	19,098
Cash and cash equivalents	126,759	130,634	136,260
Total current assets	315,045	318,525	302,978
Total assets	**838,228**	**834,897**	**808,654**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2023[1]	December 31, 2022	March 31, 2022
Share capital	37,794	37,789	37,762
Share premium	140,209	140,134	139,735
Treasury shares	(945)	(1,037)	(415)
Currency translation adjustments	23,074	30,346	18,501
Retained earnings and net income	210,922	242,269	218,667
Non-controlling interests	6,821	2,719	2,630
Total equity	417,875	452,220	416,880
Retirement benefit obligations	9,633	9,580	11,402
Non-current lease liabilities	23,878	25,321	24,840
Minority shares purchase commitments	49,341	10,450	9,500
Deferred tax liabilities	2,796	1,278	-
Borrowings, non-current portion	97,554	97,492	118,331
Total non-current liabilities	183,202	144,121	164,073
Trade and other current payables	96,941	99,786	106,328
Deferred revenues	90,635	88,755	79,711
Current income tax liabilities	5,671	5,674	5,135
Current lease liabilities	9,183	9,048	8,396
Minority shares purchase commitments	-	-	2,165
Borrowings, current portion	21,409	21,784	21,090
Provisions for other liabilities and charges	13,312	13,509	4,876
Total current liabilities	237,151	238,556	227,701
Total equity and liabilities	**838,228**	**834,897**	**808,654**

(1) The 2023 amounts integrate TextileGenesis (see note 3 hereafter).

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2023[(1)]	Three months ended March 31, 2022
Revenues	123,653	121,958
Cost of goods sold	(38,891)	(41,701)
Gross profit	84,762	80,257
Research and development	(12,670)	(10,939)
Selling, general and administrative expenses	(59,962)	(54,868)
Income from operations before non-recurring items	12,130	14,449
Non-recurring expenses	-	(474)
Income from operations	12,130	13,976
Financial income	490	98
Financial expenses	(1,871)	(745)
Foreign exchange income (loss)	(451)	(458)
Income before tax	10,298	12,871
Income tax	(2,961)	(3,590)
Net income	**7,337**	**9,281**
of which, Group share	**7,627**	**9,375**
of which, Non-controlling interests	(290)	(94)

(in euros)		
Earnings per share, Group share:		
- basic	0.20	0.25
- diluted	0.20	0.24
Shares used in calculating earnings per share:		
- basic	37,762,752	37,738,619
- diluted	38,213,044	38,276,173

(in thousands of euros)		
Income from operations before non-recurring items	12,130	14,449
+ Net depreciation and amortization of non-current assets	7,614	7,121
EBITDA before non-recurring items	19,744	21,571

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [(2)]

(in thousands of euros)	Three months ended March 31, 2023[(1)]	Three months ended March 31, 2022
Net income, Group share	7,627	9,375
Currency translation adjustments	(7,228)	6,286
Tax effect	(44)	83
Other comprehensive income to be reclassified in net income	(7,272)	6,369
Remeasurement of the net liability arising from defined benefits pension plans	57	-
Tax effect	(14)	-
Other comprehensive income not to be reclassified in net income	43	0
Total other comprehensive income	(7,229)	6,369
Comprehensive income, Group share	**398**	**15,744**

(1) The 2023 amounts integrate TextileGenesis since January 9 (see note 3 hereafter).

(2) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (for Retviews, Neteven, Gemini CAD Systems, Glengo Lectra Teknoloji and TextileGenesis see note 3 hereafter) and thus only presents the comprehensive income of the Group share.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Three months ended March 31, 2023[1]	Three months ended March 31, 2022
I - OPERATING ACTIVITIES		
Net income	7,337	9,281
Net depreciation and amortization (non-current assets)	7,614	7,121
Net depreciation and provisions (current assets)	941	360
Non-cash operating expenses	(404)	436
Loss (profit) on sale of fixed assets	(5)	(2)
Changes in deferred income taxes	(1,087)	226
Changes in inventories	(1,100)	(6,368)
Changes in trade accounts receivable	4,887	3,086
Changes in other current assets and liabilities	(5,028)	(5,125)
Changes in other operating non-current assets	-	(441)
Net cash provided by (used in) operating activities	13,154	8,574
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(1,247)	(596)
Purchases of property, plant and equipment	(614)	(913)
Proceeds from sales of intangible and tangible assets	1	-
Acquisition cost of companies purchased [2]	(12,046)	-
Purchases of financial assets [3]	(5,224)	(3,521)
Proceeds from sales of financial assets [3]	5,671	3,637
Net cash provided by (used in) investing activities	(13,459)	(1,393)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares by the parent company	80	243
Change in share of interests in controlled entities [4]	(482)	(299)
Purchases of treasury shares	(5,089)	(3,479)
Sales of treasury shares	5,203	3,419
Repayment of lease liabilities	(2,653)	(2,252)
Proceeds from long term and short term borrowings	-	-
Repayments of long-term and short-term borrowings	-	-
Net cash provided by (used in) financing activities	(2,941)	(2,368)
Increase (decrease) in cash and cash equivalents	**(3,246)**	**4,813**
Cash and cash equivalents at opening	130,634	130,586
Increase (decrease) in cash and cash equivalents	(3,246)	4,813
Effect of changes in foreign exchange rates	(629)	861
Cash and cash equivalents at closing	126,759	136,260
Net cash provided by (used in) operating activities	13,154	8,574
+ Net cash provided by (used in) investing activities	(13,459)	(1,393)
- Acquisition cost of companies purchased	12,046	-
- Repayment of lease liabilities	(2,653)	(2,252)
Free cash flow	9,088	4,929
Non-recurring items of the free cash flow	(160)	(2,122)
Free cash flow before non-recurring items	9,248	7,051
Income tax (paid) / reimbursed, net	(1,146)	(956)
Interest (paid) on lease liabilities	(530)	(124)
Interest (paid)	(1,163)	(298)

(1) The 2023 amounts integrate TextileGenesis since January 9 (see note 3 hereafter).
(2) This amount corresponds to the acquisition cost, net of cash acquired, of TextileGenesis (see note 3 hereafter).
(3) These amounts mainly correspond to the valuation of purchases and sales of treasury shares made through the liquidity agreement, and for which the counterpart is shown in the corresponding cash flows arising from financing activities.
(4) The 2023 amount corresponds to the purchase of the part of one Neteven's co-founder after his departure. The 2022 amount corresponds to the payment of the remainder of the staggered purchases of 10% of Retviews.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros, except for par value per share expressed in euros)	Share capital: Number of shares	Share capital: Par value per share	Share capital: Share capital	Share premium	Treasury shares	Currency translation adjustments	Retained earnings and net income	**Equity, Group share**	Non controlling interests	**Total equity**
Balance at December 31, 2021	37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income							9,375	9,375	(94)	9,281
Other comprehensive income						6,369	-	6,369	-	6,369
Comprehensive income						6,369	9,375	15,744	(94)	15,650
Exercised stock options	18,806	1.00	19	224				243		243
Fair value of stock options							282	282		282
Sale (purchase) of treasury shares					(144)			(144)		(144)
Profit (loss) on treasury shares							63	63		63
Balance at March 31, 2022	37,761,765	1.00	37,762	139,735	(415)	18,501	218,667	414,249	2,630	416,880
Balance at December 31, 2021	37,742,959	1.00	37,743	139,511	(271)	12,132	208,947	398,062	2,724	400,786
Net income							44,386	44,386	(558)	43,828
Other comprehensive income						18,215	1,371	19,586	11	19,597
Comprehensive income						18,215	45,757	63,972	(547)	63,425
Exercised stock options	45,990	1.00	46	623				669		669
Fair value of stock options							1,340	1,340		1,340
Sale (purchase) of treasury shares					(766)			(766)		(766)
Profit (loss) on treasury shares							18	18		18
Minority shares purchase for Retviews(1)							837	837	(87)	750
Revaluation of non controlling interests in Gemini								0	47	47
Glengo operation and minority shares purchase commitment(2)							(1,941)	(1,941)	92	(1,850)
Shares issued to non controlling interests(2)								0	490	490
Discounting of minority shares purchase commitments							900	900		900
Dividend paid							(13,588)	(13,588)		(13,588)
Balance at December 31, 2022	37,788,949	1.00	37,789	140,134	(1,037)	30,346	242,269	449,501	2,719	452,220
Net income							7,627	7,627	(290)	7,337
Other comprehensive income						(7,272)	43	(7,229)	15	(7,214)
Comprehensive income						(7,272)	7,670	398	(275)	123
Exercised stock options	5,496	1.00	5	75				80		80
Fair value of stock options							313	313		313
Sale (purchase) of treasury shares					92			92		92
Profit (loss) on treasury shares							16	16		16
Minority shares purchase for Neteven							379	379	(27)	352
Integration of Textilegenesis and minority shares purchase commitment(3)							(45,416)	(45,416)	4,404	(41,012)
Discounting of minority shares purchase commitments							5,692	5,692		5,692
Balance at March 31, 2023	**37,794,445**	**1.00**	**37,794**	**140,209**	**(945)**	**23,074**	**210,922**	**411,055**	**6,821**	**417,875**

(1) These amounts stem from the staggered purchases of additional shares of Retviews in July 2022 (see note 3 hereafter).

(2) These amounts stem from the business combination with Glengo Teknoloji on June 1, 2022 (see note 3 hereafter).

(3) These amounts stem from the takeover of TextileGenesis on January 9, 2023. The note 3 hereafter details the impacts of this operation on Group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2023

1. BUSINESS ACTIVITY

A French high technology company, Lectra has developed privileged and long-term relationships with its customers in over 100 countries. They all have operational excellence in common and the soft materials they use – fabrics and leather, but also technical textile and composite materials – to manufacture their products (garments, car seats and interiors, airbags, sofas…).

In order to increase customers' competitiveness, Lectra creates premium technologies specifically for its customers' markets – mainly fashion, automotive and furniture. Lectra's solutions, combining software, automated cutting equipment, data and associated services, enable customers to automate and optimize product design, development and manufacturing, and to digitalize their processes.

Lectra's offer supports customers to achieve their strategic objectives: to boost productivity; to reduce cutting costs; to reduce time-to-market; to meet the challenges of globalization; to enhance product quality; to increase production capacity; and to develop their brands. In addition, customers now face challenges specific to Industry 4.0, such as securing digital communications along an extended supply chain, and making the factory more agile.

Established in 1973, Lectra has been listed on Euronext since 1987.

Business model

Lectra's business model is based on three pillars:

- the distribution of business activity over market sectors and geographical markets with cycles that are different from each other, and the very large number of customers throughout the world;
- a balanced revenue mix between revenue from software licenses, equipment and non-recurring services, and recurring revenue;
- the generation of significant annual free cash flow.

Worldwide presence

Since the mid-1980s Lectra, with headquarters located in France, has established its global footprint.

Since the acquisition of Gerber Technology ("Gerber") in June 2021, Neteven in July 2021, Gemini CAD Systems ("Gemini") in September 2021 and TextileGenesis in January 2023, the Group has an unrivalled network of 64 subsidiaries, from which Lectra generates nearly 85% of its revenue.

Lectra welcomes customers from around the world in its International Advanced Technology & Conference Centers in Bordeaux-Cestas (France), Atlanta and New York (USA) and Shanghai (China). The Group has twelve international Expertise Centers, based in Bordeaux-Cestas (France), Atlanta and Tolland (USA), Blumenau (Brazil), Hô Chi Minh (Vietnam), Istanbul (Turkey), Madrid (Spain), Milan (Italy), Osaka (Japan), Porto (Portugal), Seoul (South Korea) and Shanghai (China).

Customers

From global or national corporations to smaller companies, Lectra's customers are, for the most part, fashion and apparel brands, manufacturers and retailers, automotive equipment manufacturers and subcontractors, and furniture brands and manufacturers.

Products and services

Lectra designs, manufactures and markets end-to-end integrated technology solutions, which combine software, automated cutting equipment, data and associated services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. The services include technical maintenance, support, training and consulting. The Group also sells consumables and parts for its automated cutting equipment.

The automated cutting equipment manufactured by the Group in France is assembled from parts produced by a network of subcontractors and tested in the Company's industrial facilities in Bordeaux-Cestas (France). Cutting machines on the market since 2007 incorporate hundreds of sensors which connect them to Lectra's Expertise Centers, enabling preventive and predictive maintenance.

The manufacturing of the automated cutting equipment developed by Gerber is subcontracted, essentially to two companies, one in China and the other in the United States.

People

Lectra's strength lies in the skills and experience of more than 2,500 employees worldwide. Thanks to Lectra's global presence, the Group is close to all its customers, wherever they are in the world.

2. SUMMARY OF ACCOUNTING RULES AND METHODS

The consolidated financial statements are compliant with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board as adopted within the European Union, and available for consultation on the European Commission website:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The condensed consolidated financial statements at March 31, 2023, have been prepared in accordance with IAS 34 – Interim Financial Statements. They do not comprise all the financial disclosures required in the complete financial statements and should be read in conjunction with the Group's consolidated financial statements and corresponding notes for the fiscal year 2022, available on lectra.com.

The consolidated financial statements have been prepared in accordance with the same rules and methods as those applied in the preparation of the 2022 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of April 27, 2023 and have not been reviewed by the Statutory Auditors.

The standards, amendments and interpretations adopted by the European Union whose application is required for fiscal years starting from January 1, 2023 have no impact on the Group's financial statements. The Group has not early adopted any standard, amendment or interpretation whose application is not required for fiscal years starting from January 1, 2023.

Seasonality

Comparability of the Group's interim and annual accounts may be affected by the slightly seasonal nature of the Group's business, which mostly achieves a higher level of revenue during the fourth quarter of the year. This, in particular, applies to new systems sales. Moreover, overhead costs are reduced during the third quarter due to the summer holidays in France and in European subsidiaries. These two items have a positive impact on income from operations in these quarters.

Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS demands that certain critical accounting estimates be made. Management is also required to exercise its judgment in applying the Group's accounting policies.

The areas involving a higher degree of judgment or complexity, or requiring material assumptions and estimates in relation to the establishment of the consolidated financial statements, relate to the calculation of the recoverable amount of goodwill and fixed assets, and the evaluation of deferred tax assets.

Revenue

Contracts with customers comprise multiple obligations such as: equipment and accompanying software, perpetual software licenses, consumables and parts, training and consulting, installation, maintenance, evolution and online services contracts for equipment and software.

Software sales are only recognized separately when the customer can benefit from the software independently from the other goods and services promised in the contract. In particular, the software accompanying automated cutting equipment (called pilots) are not recognized separately from these, as they are an inseparable part of the equipment: without the pilot, the equipment would be useless, and without the equipment, the pilot has no use either. On the other hand, specialized software (for instance, software for collection management, pattern-making, simulation), sold under perpetual license separately from the equipment and usually installed on the clients' computers are considered separate performance obligations.

The other obligations are considered as separate under IFRS 15 and are thus accounting for based on the following elements among others:

- installation of equipment and specialized software is made in a few days, easy to implement, and does not modify their characteristics;
- training is short-term and had no interdependence relationship with the other obligations;
- consulting usually regards the optimization of clients' design and production processes and is very often sold separately to clients;
- regarding maintenance of software and equipment, these are mostly yearly contracts in which the Group's commitment is a stand-ready type, or an obligation to make future not-yet-developed versions of the software available. The solutions (equipment and software) are distinct from maintenance since they are entirely ready to work upon delivery and since maintenance services are not critical for the client in order to use the solution. Equipment is sold most often with one or two years of maintenance, and the client holds renewal options that are not discounted compared to the initial price for subscribing maintenance. Renewal options are thus not considered as significant rights that would require separate accounting under IFRS 15.

The Group determines stand-alone selling prices of the multiple elements by using observable data as much as possible. For elements which are not sold separately on a customary basis, stand-alone selling prices are estimated based on the Company's pricing policy, reflecting expected costs plus an appropriate margin.

Revenue from sales of equipment (including pilot software) is recognized when the control has been transferred to the purchaser. These conditions are fulfilled upon physical transfer of the equipment in accordance with the contractual sale terms.

Software sold as perpetual licenses is regarded as right-of-use licenses under IFRS 15, for which revenue is booked at a certain date, generally the time of installation of the software on the customer's computer (either by USB flash drive or downloading).

Revenue from subscription sales of software (granting the customer with an access right the said software licenses) is spread over the duration of the customer's commitment.

Revenue from training and consulting is recognized based on the completion of hours or days of work.

Revenue from equipment and specialized software installation is recognized when these services are rendered.

Revenue from software and equipment maintenance contracts is spread linearly over the duration of the contracts, as they are 'stand-ready obligations'.

Lectra acts as principal in the sale of equipment insofar as parts and sub-ensembles assembled by the Group in France only constitute inputs used in the manufacturing of finished goods sold to customers.

Cost of goods sold

Cost of goods sold comprises all purchases of raw materials included in the costs of manufacturing, the net change in inventory and inventory write-downs, all labor costs included in manufacturing costs which constitute the added value, freight out costs on equipment sold, and a share of depreciation of the manufacturing facilities.

Cost of goods sold does not include salaries and expenses associated with service revenue, which are included under 'Selling, General and Administrative Expenses'.

Research and development costs

The technical feasibility of software and hardware developed by the Group is generally not established until a prototype has been produced or until feedback is received from its pilot sites, setting the stage for their commercialization. Consequently, the technical and economic criteria requiring the recognition of development costs in assets at the moment they occur are not met, and these, together with research costs, are therefore fully expensed in the period in which they are incurred.

The French research tax credit (*crédit d'impôt recherche*) and innovation tax credit (*credit d'impôt innovation*), as well as grants linked to R&D projects, if any, are deducted from R&D expenses.

Earnings per share

Basic net earnings per share are calculated by dividing net income by the weighted-average number of shares outstanding during the period, excluding the weighted-average number of treasury shares.

Diluted net earnings per share are calculated by dividing net income by the weighted-average number of shares adjusted for the dilutive effect of stock options outstanding during the period and excluding the weighted-average number of treasury shares held solely under the liquidity agreement.

The dilutive effect of stock options is computed in accordance with the share repurchase method provided by IAS 33. The assumed proceeds from exercise of stock options are regarded as having been used to repurchase shares at the average market price during the period. The number of shares thus obtained is deducted from the total number of shares resulting from the exercise of stock options.

Only options with an exercise price below the said average share price are included in the calculation of the number of shares representing the diluted capital.

Performance indicators

The Group uses performance indicators such as income from operations, EBITDA before non-recurring items, free cash flow, and the security ratio, as defined below; it considers these aggregates appropriate for management of the Group and for measurement of the implementation of its strategy.

Income from operations before non-recurring items and income from operations

The Group uses an intermediate balance referred to as 'Income from operations', defined as income excluding financial operations, companies accounted for by the equity method, discontinued operations or those held for sale, and income tax.

When the Group identifies non-recurring items, it tracks its operating performance by means of an intermediate balance referred to as 'Income from operations before non-recurring items'. This financial metric reflects income from operations less non-recurring income and plus non-recurring expenses, as set forth in CNC (French National Accounting Council) recommendation 2009-R.03.

Where applicable, non-recurring items are presented on a specific line and reflect the impact on the financial statements of events that are either unusual, abnormal or infrequent. There are very few of these and their amounts are significant.

EBITDA before non-recurring items

The Group defines EBITDA before non-recurring items (Earnings Before Interest, Tax, Depreciation and Amortization) as the addition of operating income before non-recurring items and net depreciation and amortization of non-current assets.

This indicator allows the Group to monitor its operating performance directly related to business activity, excluding the impacts of capitalized investments.

Free cash flow before non-recurring items and free cash flow

Free cash flow is equal to net cash provided by operating activities minus cash used in investing activities, excluding cash used for acquisitions of companies (net of cash acquired), and minus repayments of lease liabilities according to IFRS 16.

Within free cash flow, the Group isolates non-recurring cash-ins and -outs, corresponding to the income and expenses of the same nature in the income from operations. Restated from these elements presented on a specific line, the Group thus identifies the free cash flow before non-recurring items.

The Group considers this definition of free cash flow as a performance indicator of its work on cash management.

Security ratio

The security ratio is defined by the Group as the percentage of annual fixed overhead costs covered by gross profit on recurring revenue.

This ratio is used by the Group to measure the coverage of annual fixed-overheads costs by revenues that do not depend on customer's investment decisions from one year to the next.

Operating segments

Operating segment reporting is based directly on the Group's performance tracking and review systems. The segments disclosed in note 4 are identical to those covered by the information regularly communicated to the Executive Committee, in its capacity as the Group's 'chief operating decision maker'.

Reported segments refer to the major marketing regions. The regions concerned are: the Americas; Northern and Eastern Europe, Middle East and South Africa; Southern Europe and North Africa; and Asia-Pacific. These regions are involved in sales and the provision of services to their customers. They do not perform any industrial activities or R&D. They draw on centralized competencies and a wide array of functions that are pooled among all of the regions, including marketing, business development, logistics, procurement, production, R&D, finance, legal affairs, human resources, information systems. All of these cross-divisional activities are reported as an additional column referred to here as 'Corporate' and which allows for reconciliation with the amounts presented in the Group's financial statements.

Performance is measured by the segment's EBITDA before non-recurring items and impairment of assets, if any. Marketing regions derive their revenue from external customers; all inter-segment billings are excluded from this item. The gross profit margin rates used to determine operating performance are identical for all regions. They are computed for each product line and include added value supplied by Corporate. Consequently, for products or services supplied in full or in part by Corporate, a percentage of consolidated gross profit is retained in the income computed for Corporate in order to cover its costs. Since most of Corporate's general overheads are fixed, its profit margin and consequently its EBITDA before non-recurring items depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At March 31, 2023, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 60 fully-consolidated companies, 24 of which come from the acquisition of Gerber. Three companies are not consolidated.

Acquisition of TextileGenesis

On December 8, 2022, Lectra announced the signature of an agreement to acquire the majority of the capital and voting rights of the Dutch company TextileGenesis.

The transaction, which involves the acquisition of 50.5% of TextileGenesis for 15.2 million euros – part of which was an increase in working capital of 2.0 million euros subscribed solely by Lectra – was finalized on January 9, 2023. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in January 2026 and in January 2028 and will bring the total cost of the acquisition to 60.6 million euros.

The purchase price accounting is in the process of being finalized, and the main impacts on the Group financial statements to date are as follows:

- Recording of tangible assets and customer relationships for the respective amounts of 2.6 and 4.9 million euros, generating a deferred tax liability of 1.6 million euros. Those new assets are added to 3.1 million euros of net equity at the acquisition;
- Recording of non-controlling interests, valued at their share in the net assets of the company ("partial goodwill" method), for 4.4 million euros;
- Recording of a goodwill of 10.7 million euros;
- Recording of a debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 45.4 million euros (classified as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra, net of cash acquired, has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, for an amount of 12.0 million euros.

TextileGenesis has been fully consolidated since January 9, 2023.

Cease of the activity in Russia

As soon as the conflict began in 2022, the Company decided to cease its operations in Russia, by suspending the activity of its subsidiary Lectra Russia and stopping all deliveries of products or services.

The Group recorded an impairment of its net assets in Russia, for an approximate 0.9 million euros; the Lectra Russia subsidiary remains fully consolidated in the Group's scope.

Business combination with Glengo Teknoloji

On June 1, 2022, the Group signed a business combination between its subsidiary Lectra Turkey and Glengo Teknoloji ("Glengo"), the exclusive distributor of Gerber solutions in Turkey. The transaction involved the acquisition by Lectra Turkey of Glengo's assets (and the onboarding of most of its employees), for 5.0 million euros, and the acquisition by Glengo's shareholders of 25% of Lectra Turkey's shares; the company becomes Glengo Lectra Teknoloji. The transaction also includes a mid-term minority shares purchase commitment (with cross puts and calls).

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 1.9 million euros (classified as non-current liabilities).

Glengo Teknoloji had been fully consolidated since June 1, 2022.

Acquisition of Gemini

In September 2021, the Group acquired 60% of the capital and voting rights of the Romanian company Gemini for 7.6 million euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in two installments in September 2024 and September 2026, and will bring the total cost of the acquisition between 13 and 20 million euros.

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 6.4 million euros (classified as non-current liabilities).

Gemini had been fully consolidated since September 27, 2021.

Acquisition of Neteven

In July 2021, the Group acquired 80% of the capital and voting rights of the French company Neteven for 12.6 million euros. The acquisition of the remaining capital and voting rights (minority shares purchase commitment – with cross puts and calls) will take place in June 2025 for an amount between 0.6 and 0.9 times the 2024 recurring revenue.

The purchase price accounting was finalized. The debt to recognize the minority shares purchase commitment, measured at fair value, is recorded for a total amount of 2.3 million euros (classified as non-current liabilities). Following the departure in 2022 of one of the Neteven's co-founders, the Group proceeded to the purchase of his shares in the company.

Neteven had been fully consolidated since July 28, 2021.

Acquisition of Gerber

On June 1, 2021, Lectra had finalized the acquisition of all outstanding shares of Gerber, for 173.9 million euros (after final determination of the transaction price) – financed through a 140-million-euro loan and the Group's available cash – plus 5 million newly issued Lectra shares to AIPCF VI LG Funding LP, Gerber's sole shareholder.

This strategic combination has led to the creation of a leading global Industry 4.0 player for the fashion, automotive and furniture markets.

Acquisition of Retviews

In July 2019, the Group acquired the Belgian company Retviews and its Romanian subsidiary Retviews Bucharest SRL. The transaction involved the immediate acquisition of 70% of the capital and voting rights of Retviews for 8.0 million euros.

As initially planned, Lectra acquired in July 2020 an additional 10% of Retviews, for an amount of 1.0 million euros: 0.9 million euros paid out in July 2020 and the remainder in January 2021. Similarly, Lectra acquired in July 2021 another additional 10% of Retviews, for an amount of 1.5 million euros: 1.2 million euros paid out in July 2021 and the remainder in January 2022. Finally, in July 2022, Lectra acquired the remaining 10% of Retviews, for an amount of 1.4 million euros.

According to IAS 7, the payments appear in the statement of cash-flows, within the financing activities, under the caption "Change in share of interests in controlled entities".

Moreover, the revaluation of the amount paid out for the remaining 10% in July 2022 against the amount outstanding in the statement of financial position until then (minority share purchase commitment) was made against equity – Group share.

Retviews and its Romanian subsidiary had been fully consolidated since July 15, 2019.

There was no other change in the scope of consolidation in 2022, nor in 2021.

Non-consolidated entities

Three sales and service subsidiaries are not consolidated, their revenue being immaterial both separately and combined. At December 31, 2022, their combined revenue totaled 1.0 million euros, and their combined assets totaled 2.2 million euros. They had no financial debt outside of the Group. Most of the sales activity of these subsidiaries is billed directly by Lectra SA.

Transactions with these subsidiaries mainly concern purchases from Lectra SA for the purposes of their local operations, or charges and commissions billed to Lectra SA in order to cover their overheads when they act as agents. The amount concerned by these transactions was not significant at December 31, 2022.

4. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2023 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	22,252	26,679	45,552	29,170	-	123,653
EBITDA before non-recurring items	2,322	4,674	2,847	2,193	7,708	19,744

Three months ended March 31, 2022 (in thousands of euros)	Northern Europe[1]	Southern Europe[2]	Americas	Asia-Pacific	Corporate	Total
Revenues	25,355	25,627	41,879	29,097	-	121,958
EBITDA before non-recurring items	3,416	4,710	1,818	2,328	9,299	21,571

(1) This segment covers the following regions: Germany and Eastern Europe, United Kingdom, Benelux, Scandinavia, Baltic countries, Turkey, Middle East and South Africa.
(2) This segment covers the following regions: France, Italy, Spain, Portugal and North Africa.

The 'Corporate' column allows for the reconciliation with the amounts in the Group's financial statements.

5. CONSOLIDATED CASH FLOW SUMMARY

Three months ended March 31, 2023 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow before non-recurring items	9,248	-	9,248
Non-recurring items included in free cash flow	(160)	-	(160)
Proceeds from issuance of ordinary shares[1]	80	-	80
Sale and purchase of treasury shares[3]	114	-	114
Acquisition cost of companies purchased[2]	(12,046)	-	(12,046)
Change in share of interests in controlled entities[4]	(482)	-	(482)
Amortized cost of borrowings	-	313	313
Impact of currency variations	(629)	-	(629)
Change in cash position for the period	(3,875)	313	(3,562)
Cash position at December 31, 2022	130,634	(119,276)	11,358
Cash position at March 31, 2023	126,759	(118,963)	7,796
Change in cash position for the period	(3,875)	313	(3,562)

(1) Resulting solely from the exercise of stock options.
(2) This amount corresponds to the acquisition cost, net of cash acquired, of TextileGenesis (see note 3).
(3) Carried out solely under the liquidity agreement administered by Natixis Oddo BHF since September 2022 (see note 7).
(4) Payments for the complementary shares of Neteven (see note 3).

Free cash flow before non-recurring items at March 31, 2023, was 9.2 million euros. When adding non-recurring cash-outs for 0.2 million euros, incurred for costs relating to the acquisition of Gerber in 2021, free cash flow amounted to 9.1 million euros.

This figure results from a combination of 13.2 million euros in cash flows provided by operating activities (including an increase in working capital of 1.2 million euros) and capital expenditures of 1.4 million euros. The research tax credit for 2023, was fully deducted from the corporate income tax due by Lectra SA – see note 6 hereafter. Finally, the repayment of lease liabilities (according to IFRS 16), for 2.7 million euros, was taken into account.

The variation in working capital is explained as follows:

- +5.0 million euros arising from the payment of the variable portion of salaries for the Group in respect of fiscal year 2022 paid mainly in 2023, net from the accrual recognized in 2023 that will be paid in 2024;
- −4.9 million euros corresponding to the decrease in trade accounts receivable;
- +1.1 million euros corresponding to the increase in inventories;
- −0.1 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital at March 31, 2023 was negative at 5.0 million euros. It comprised the current portion (8.8 million euros) of the 21.6 million euros receivable on the French tax administration in respect of the research and innovation tax credits, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT AND INNOVATION TAX CREDIT

When the research tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax for Lectra, it is treated as a receivable on the French tax administration. If unused in the ensuing three years, it is repaid to the Company in the course of the fourth year. For Neteven, the research tax credits are treated as a receivable on the French tax administration, repaid to the company in the course of the following year.

The Group presents separately the current and non-current (to be repaid in over a year, and time-discounted) part of the income tax receivable related to the French research tax credit.

The research tax credit (0.9 million euros) for the first quarter of 2023 was accounted for but not received.

Thus, at March 31, 2023, the Group held a 21.6 million euros receivable on the French tax administration (of which 12.8 million euros classified within other non-current assets), comprised of:

- the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra in the same year: for the first quarter of 2023 as for 2022 (0 euros since the research tax credit was fully deducted from the corporate income tax of those periods), 2021 (6.0 million euros), 2020 (6.8 million euros), 2019 (3.4 million euros) and 2018 (5.0 million euros);
- the remaining amount of the research tax credits (0.3 million euros) of Neteven.

Besides, the previous amounts due in more than one year have been discounted by an amount of €0.5 million.

The Group has also recorded a provision for risk of 2.0 million euros in 2022, taking into account ongoing discussions with the French administration concerning the Lectra SA research tax credit.

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, Lectra does not expect to make any payment in respect of corporate income tax, from which will be deducted in full the research tax credit of each fiscal year. Thus, it should receive the reimbursement of the outstanding balance of these non-deducted tax credits as follows: 2023 (in respect of the 2018 and 2019 tax credits), 2024 (in respect of the 2020 tax credit) and 2025 (in respect of the 2021 tax credit). This situation will last for as long as the amount of the annual tax credits exceeds the amount of income tax payable.

If the income tax expense were to rise above the amounts of tax credit for the year, the Company would continue to not pay corporate income tax until the corresponding receivable is deducted in full. Thereafter it would deduct these tax credits each year from the income tax expense for the same year in full and would be required to pay the residual amount.

7. TREASURY SHARES

Since January 1, 2023, the Company has purchased 139,948 shares and sold 142,978 shares at an average price of €36.36 and €36.39 respectively under the liquidity agreement administered by Exane BNP Paribas until September 2022 and then Natixis Oddo BHF.

At March 31, 2023, the Company held 26,879 Lectra shares (i.e. 0.07% of the share capital) with an average purchase price of €35.15 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2023	December 31, 2022
Available cash	114,759	118,634
Cash equivalents	12,000	12,000
Borrowings and financial debts	(118,963)	(119,276)
Net cash / (net debt)	7,796	11,358

Lease liabilities, accounted for under IFRS 16, and minority shares purchase commitment are not considered as financial debts here.

The Group subscribed on June 1, 2021 a loan with a five-year maturity, payable by four yearly instalments of 15% and 40% *in fine*. It bears interest at the 3-month or 6-month Euribor rate (with a 0% floor), to which a margin is added, depending on a leverage ratio and set at 85 base points for the first year and 75 base points for the second one. A first instalment of 21.0 million euros was paid back on June 1, 2022.

The costs related to the set-up of the loan were deducted from the initial amount recorded in the balance sheet, and will be amortized over the duration of the loan (amortized cost under IFRS 9). This loan was not hedged by any cash-flow hedge.

At March 31, 2023, the maturity of the loan was as follows:

(in thousands of euros)	March 31, 2023	December 31, 2022
Short term – less than one year	21,409	21,784
Long term – more than one year, and less than five years	97,554	97,492
Total	118,963	119,276

9. FOREIGN EXCHANGE RISK

In Q1 2023, the average parity between the US dollar and the euro was $1.07/€1.

Exchange risk hedging instruments

For Lectra's legacy entities, the Group's currency risk hedging policy is unchanged relative to December 31, 2022. Since July 2022, the Company also hedges the inter-company balance sheet positions between Gerber's legacy entities.

Exchange risk hedging instruments at March 31, 2023 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (purchases minus sales) of 17.0 million euros, intended to hedge existing balance sheet positions. Thus, the Company has hedged almost all its balance sheet positions.

Moreover, the Company has not hedged its exposure to currency rates for 2023.

10. SENSITIVITY ANALYSIS

Sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates

The sensitivity of revenues and EBITDA before non-recurring items to a change in exchange rates was based on the December 31, 2022, exchange rates for the relevant currencies, in particular $1.07/€1. The sensitivity to a change in exchange rates takes past acquisitions into account.

In view of the estimated share of revenues and costs denominated in US dollars or in currencies correlated with the US dollar, a 5-cent fall in the euro against the US dollar (leading to an annual average exchange rate of $1.02/€1) would mechanically increase 2023 annual revenues by approximately 12.3 million euros and annual EBITDA before non-recurring items by 5.4 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.12/€1) would mechanically reduce annual revenues and EBITDA before non-recurring items by the same amounts.