



JULY 07, 2022

Q2-22 Results Presentation



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This document contains alternative performance measures (APMs) which are further specified on page 23.

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Today's Presenters



Melissa
Di Donato

CEO



Andy
Myers

CFO



Jonathan
Atack

Investor Relations Director

AGENDA

1. Business Update

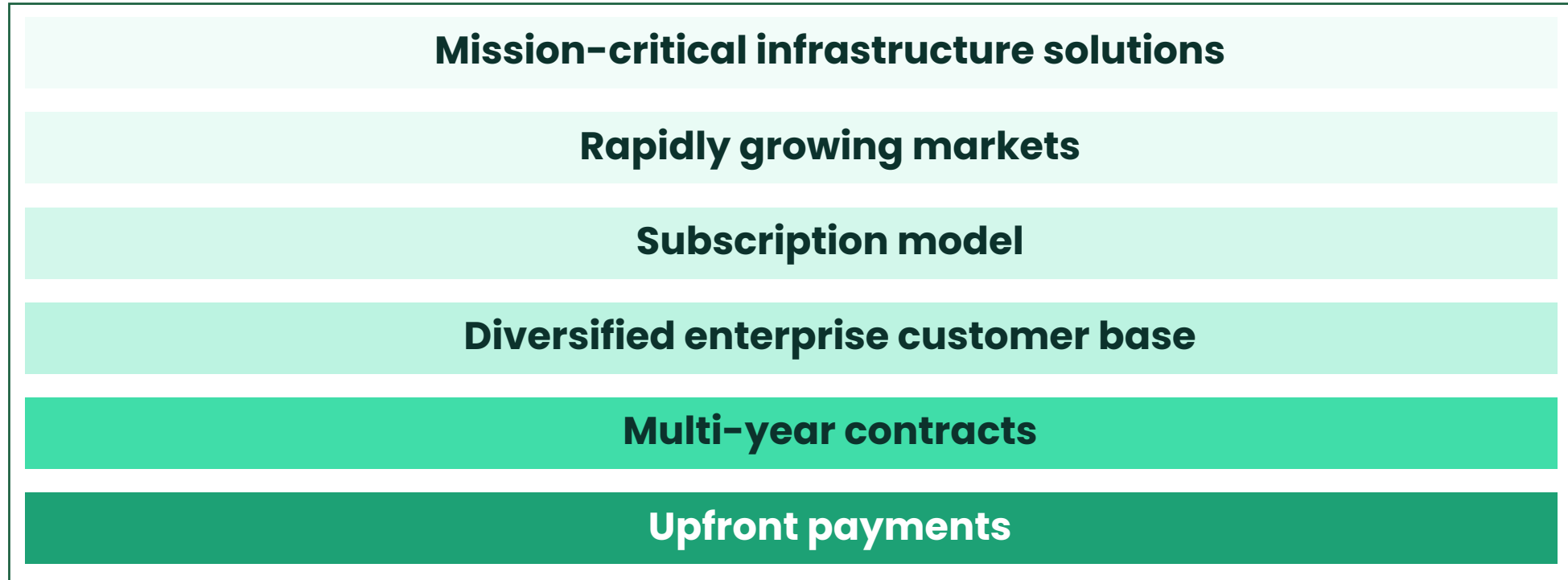
2. Financial Update



Business Update

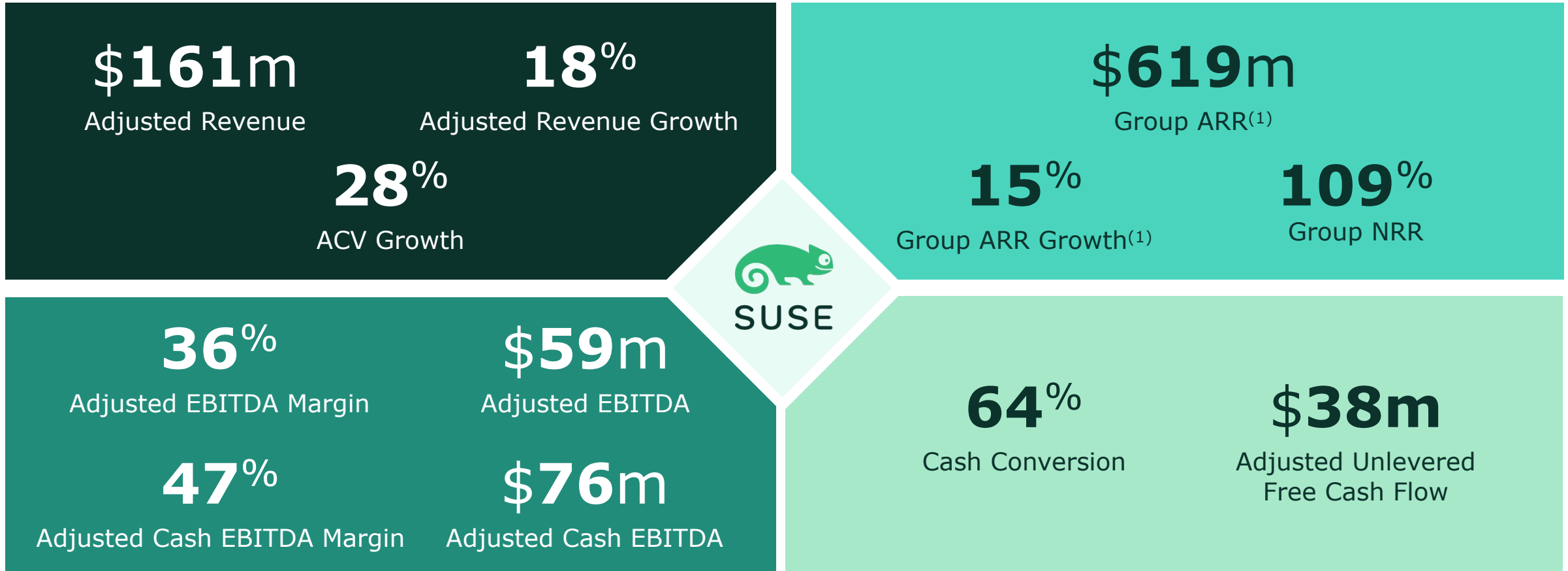
Melissa Di Donato, CEO

Highly Profitable Business Model With Recurring Earnings










Resilient business model drives long-term sustainable growth with high profitability and high cash conversion

Q2-22 Financial Highlights – Another Strong Quarter



Full year expected to be broadly in line with previous guidance

Q2-22 Continued Momentum In Contract Wins

	 Fortune 500 US Tech Giant	 Prestigious and Globally Renowned NGO	 Global Leader in Info Tech and Research	 Forbes Global 2000 Banking Leader
 Overview	<p>Large-value win, signifying further expansion into this global leader in the semiconductor, software and services sector</p>	<p>Net-new win for SUSE Rancher in one of the most respected NGOs, responsible for shaping the global economic agenda</p>	<p>Net-new win for SUSE Rancher in leading info tech, research and intelligence organization</p>	<p>Nearly 10x ACV expansion into this top 100 banking customer</p>
 Products	<p>SUSE Linux Enterprise Server, SLE and SUSE Support</p>	<p>SUSE Rancher</p>	<p>SUSE Rancher</p>	<p>SUSE Linux Enterprise Server, SUSE Linux Enterprise Desktop and SUSE Support</p>
 Why SUSE	<ul style="list-style-type: none"> ✓ Long-standing relationship with SUSE since 2004 ✓ Enterprise-grade, reliable and stable product ✓ Strong relationship with SUSE support and engineering; the customer views SUSE as a critical partner 	<ul style="list-style-type: none"> ✓ Flexibility, lack of vendor lock-in and ease of use were highly attractive to customer's leadership ✓ Enabled automation and efficiency gains ✓ Enabled a small internal DevOps team to be highly productive and scale effectively 	<ul style="list-style-type: none"> ✓ Flexible business model supports cost-effective scalability ✓ Access to 24/7 container management expertise and support through critical technology implementation phase ✓ Market-leading container management technology 	<ul style="list-style-type: none"> ✓ Secure and stable custom-built OS image for ATMs and branch office desktops ✓ Open approach, enabling higher customization and lower TCO ✓ Highly skilled professionals providing unrivaled support

Strategy Continues To Deliver On Long Term Growth



Industry's Most Secure Open Source Infrastructure



Rapid innovation has recently delivered major new updates to SUSE products across the whole infrastructure stack

All updates, including NeuVector 5.0 with enhanced Rancher integration, come with a clear focus on security capabilities

Infrastructure Stack	Example SUSE Product	Product Security Capability
Developer Services	EPINIO June	Provides pre-configured secure environments for cloud-native developers.
Container Security, Policy Auditing	NeuVector May	The world's first open source, zero-trust, full lifecycle container security platform.
Kubernetes Cluster Management	RANCHER May	Integrates with all popular authentication tools and added enterprise-grade RBAC functionality.
Kubernetes Distributions	RKE2 May	FIPS 140-2 compliant with enhanced authentication.
Cloud-Native Storage	LONGHORN May	Persistent block storage protects sensitive data including PII, financial data, & enterprise assets.
HCI & Virtualization	HARVESTER January	Provides advanced virtual machine security and isolation.
OS Management	SUSE Manager June	Ensures secure operating system deployment at massive scale.
Enterprise Linux OS	SUSE Linux Enterprise June	The world's most secure and compliant Enterprise Linux operating system.

Continuously expanding our stack through acquisitions and organic product development, working with the open source community



ESG: Key Progress On Our Commitments



Climate Action

On track to set 'near term' emission targets & develop a workplan, having analysed our key emission drivers; our commitment to set these has been recognised by the Science Based Targets initiative.



Information Security

Great progress towards strengthening our information security and data privacy, in line with ISO27k standards, enhancing our policies based on the first internal audit in May.



Disclosure

Improved the quality of data collected and metrics across focus areas, through several stakeholder workshops, preparing for the next annual disclosure in line with GRI standards and EU directives.



External Assessment

Preparing for a sustainability assessment with EcoVadis, an independent rating agency, to evaluate our material ESG impact.



The background features a collection of 3D-rendered spheres in various shades of green and black, some with reflective surfaces. These spheres are scattered across the left and bottom portions of the frame. On the right side, there are several thick, horizontal, rounded rectangular bars in a solid green color, stacked vertically. The overall aesthetic is clean and modern.

Financial Update

Andy Myers, CFO

Financial Results Summary



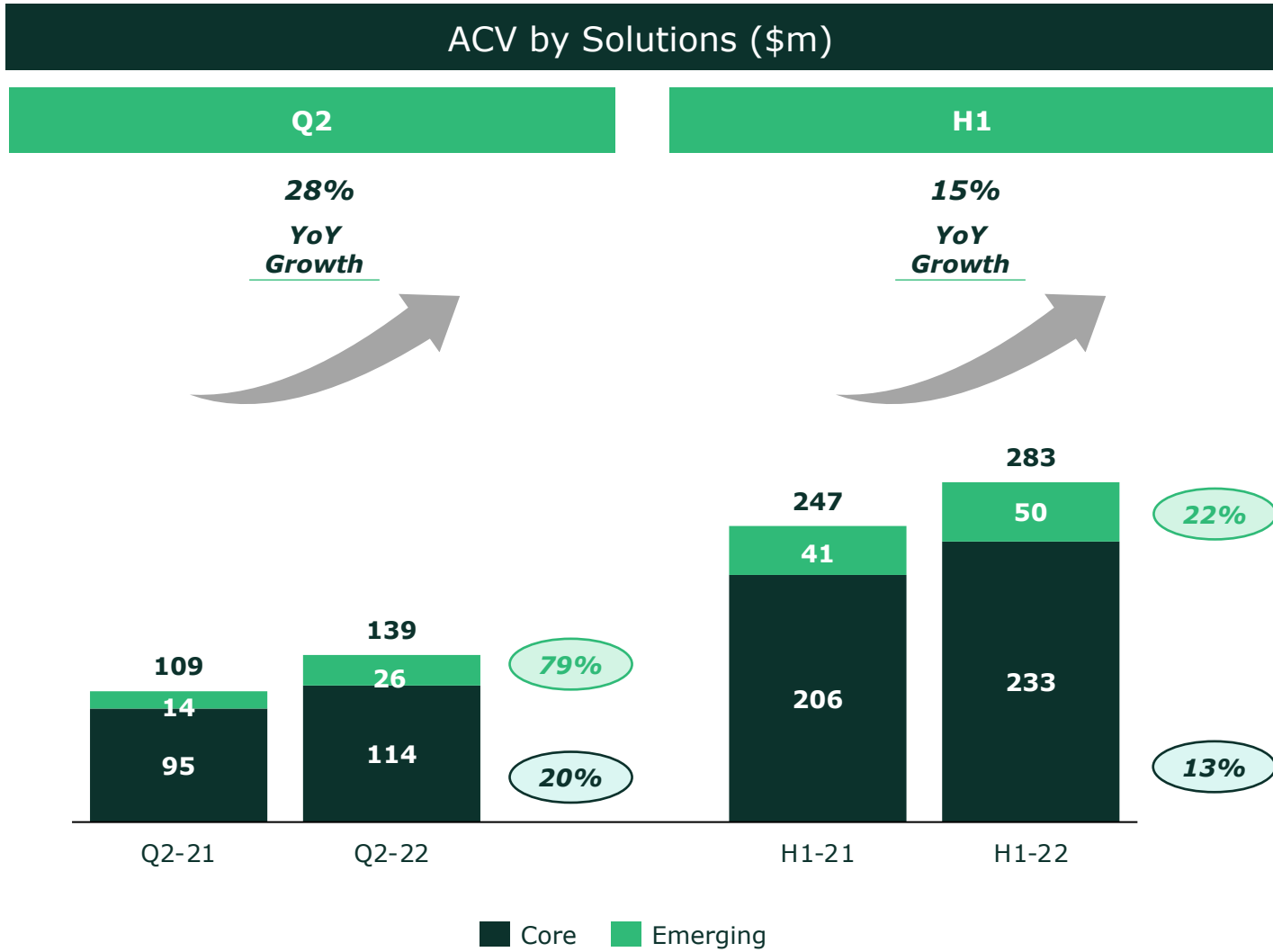
Q2-22 Highlights

- ➔ **ACV \$139 million, up 28% (32% at constant currency)**
- ➔ **Adjusted Revenue up 18% (19% at constant currency)**
- ➔ **ARR⁽¹⁾ up 15%**
- ➔ **NRR of 109%**
- ➔ **Adjusted EBITDA Margin of 36%**
- ➔ **Cash Conversion of 64%**

Q2 Results Demonstrate the Strength of SUSE's Mission-Critical Subscription Business



ACV By Solutions – Continued Strong Growth



Group ACV growth of 28% (32% in CCY) in Q2-22

- **Core up 20%**, positively impacted by pricing improvements, growth in CSP and increase in End User upsell / renewals
- **Emerging up 79%**, driven by strong growth in renewals, which more than doubled from the prior year, benefitting from the increasing customer base

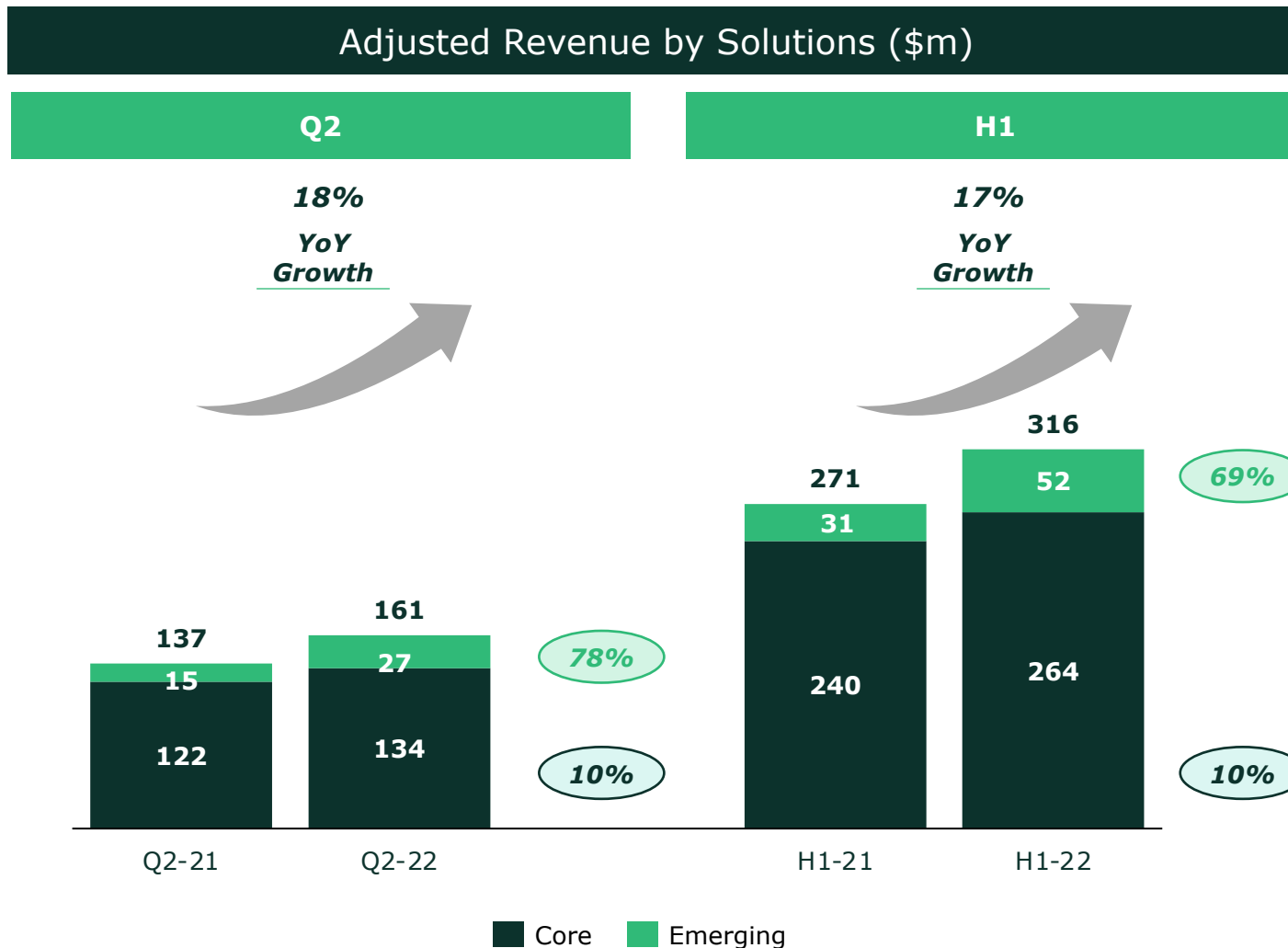
Highlights by geography

- **EMEA up 18% and Asia Pacific up 17%**, driven by upselling and growth in consumption through CSPs
- **North America up 34%**, driven by SUSE Rancher renewals on a growing customer base, and higher sales to Embedded customers
- **Latin America up 197%**, thanks to our pricing strategies which took effect during the quarter

Highlights by RTM

- **End User growth of 28%**, was primarily driven by upsell and renewals across both Core and Emerging product lines. Within this, the CSP route to market continued to grow
- **IHV/Embedded ACV grew 27%**, driven by strong performances from embedded customers

Adjusted Revenue By Solutions – Consistent Growth



Q2-22 Adjusted Revenue of \$161m, up 18% YoY (19% in CCY)

- **Core up 10%**, driven by continued growth of CSPs and renewals with upsell, including positive benefits of pricing
- **Emerging up 78%**, with upsell and renewals from existing customers and significant growth in Consulting Services

Q2-22 Annual Recurring Revenue and Net Retention Rate

- **ARR of \$619m**, up 15% YoY⁽¹⁾, driven by continued demand for our subscription-based products and services
- **NRR of 109%**, demonstrating a consistent ability to build on and expand existing customer relationships

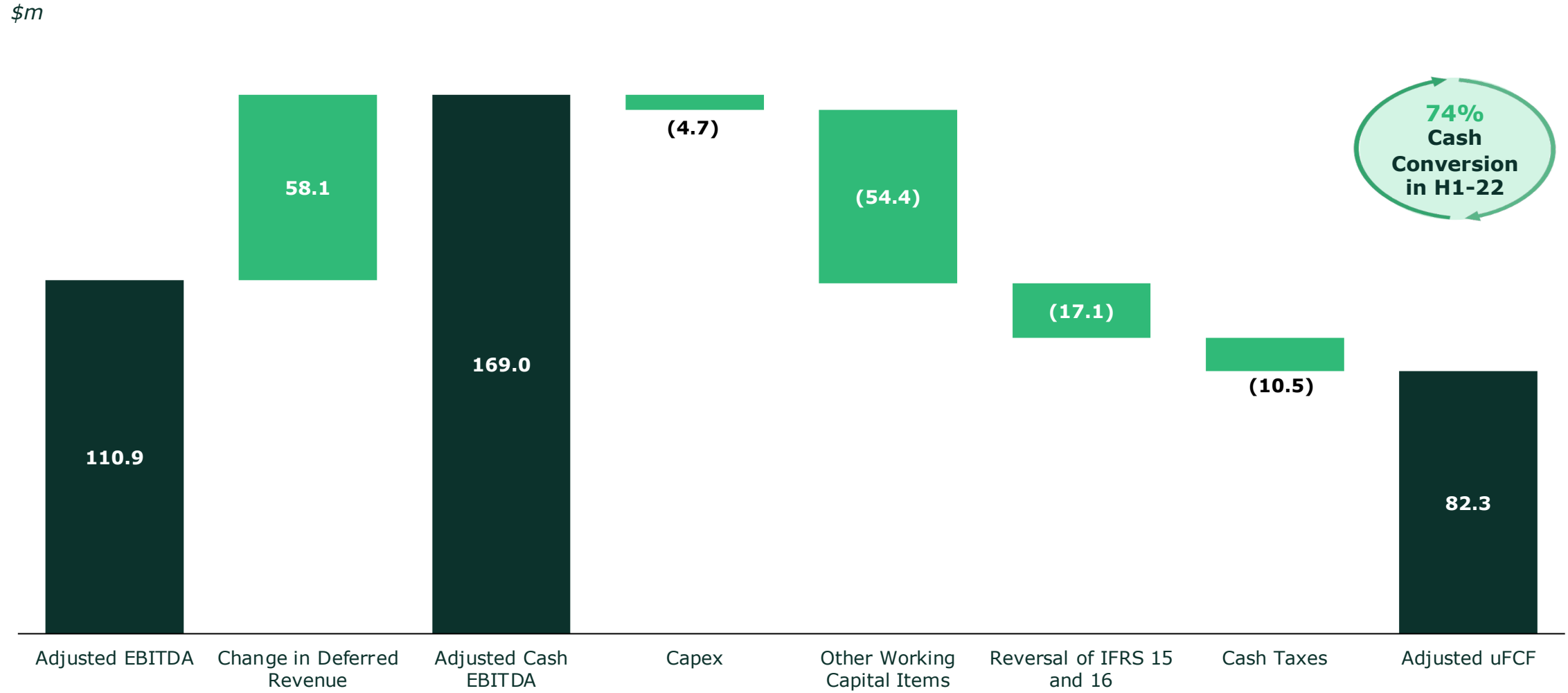


Operating Costs Evolution – Investing For Growth

(\$m)	Q2-22	Q2-21	H1-22	H1-21
Adjusted Revenue	161.3	136.8	316.3	270.9
Cost of Sales	(13.1)	(10.5)	(24.9)	(18.6)
<i>As % of Revenue</i>	8%	8%	8%	7%
1 Gross Profit	148.2	126.3	291.4	252.3
<i>% Margin</i>	92%	92%	92%	93%
2 Sales, Marketing & Operations	(46.3)	(35.9)	(89.3)	(67.4)
3 Research & Development	(27.1)	(22.4)	(54.1)	(44.4)
4 General & Administrative	(16.2)	(19.8)	(37.1)	(31.6)
Total Operating Costs	(89.6)	(78.1)	(180.5)	(143.4)
5 Adjusted EBITDA	58.6	48.2	110.9	108.9
<i>% Margin</i>	36%	35%	35%	40%

- 1 Gross Profit Margin:**
 - Gross margin maintained at 92%
- 2 Sales, Marketing & Operations:**
 - **29% increase** reflecting headcount investment, and increase in marketing spend
- 3 Research & Development:**
 - **21% increase** reflecting continuous investment in R&D headcount and SUSE Rancher development capabilities
- 4 General & Administrative:**
 - **18% decrease**, as the insourcing of several key roles in cybersecurity, business applications and IT operations were more than offset by favourable realised FX
- 5 Adjusted EBITDA margin:**
 - **Strong level of profitability**, with investments in sales teams across all regions and product development partly offset by favourable realised FX and timing differences

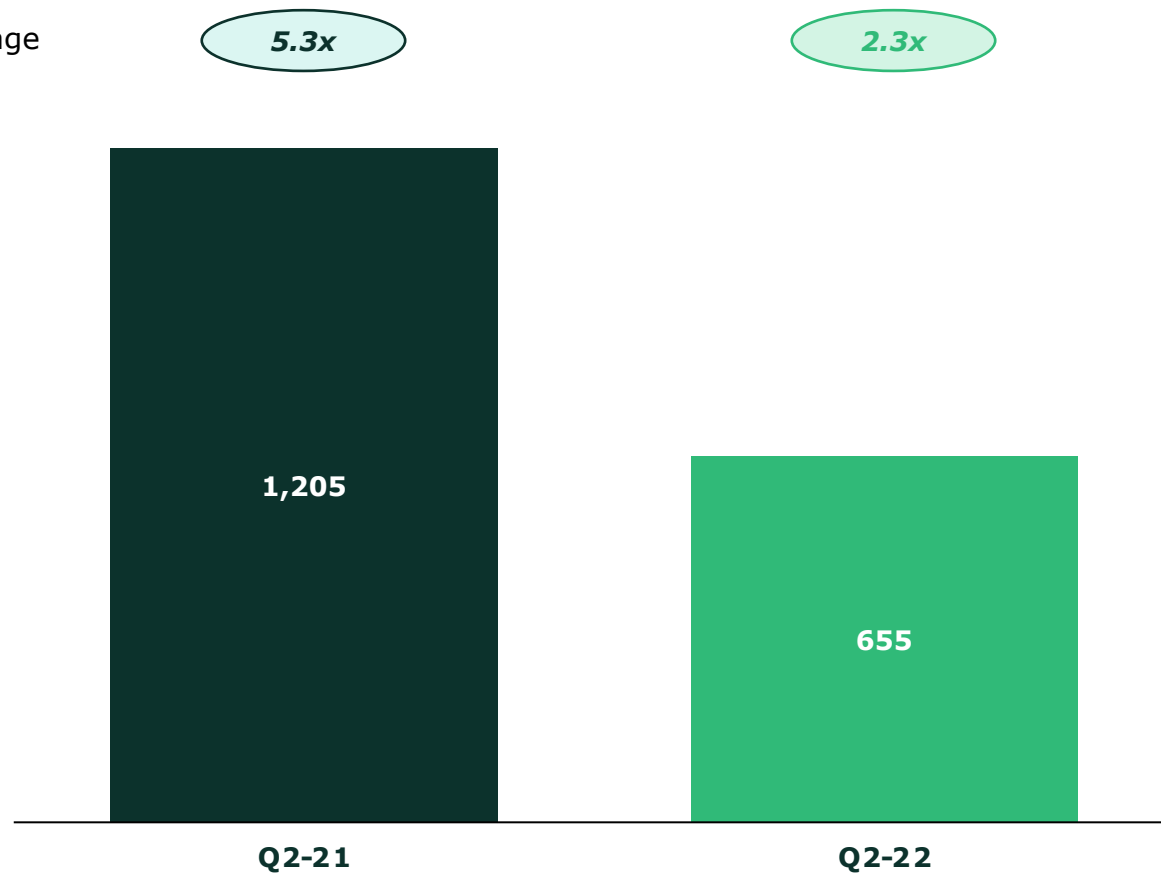
High Profitability And Cash Conversion In H1



Continued De-Leveraging

Net Debt (\$m)

Leverage



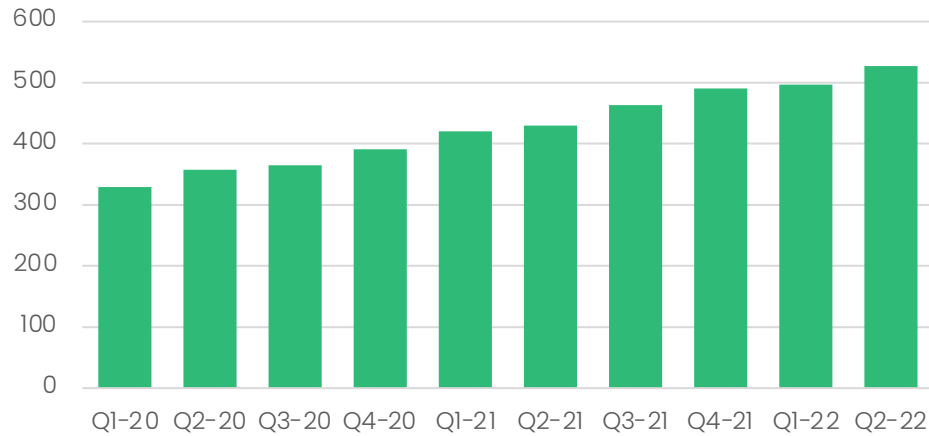
\$655m Net Debt at Q2-22, significantly below the prior year

Leverage ratio of 2.3x, down from 2.6x at Q1-22

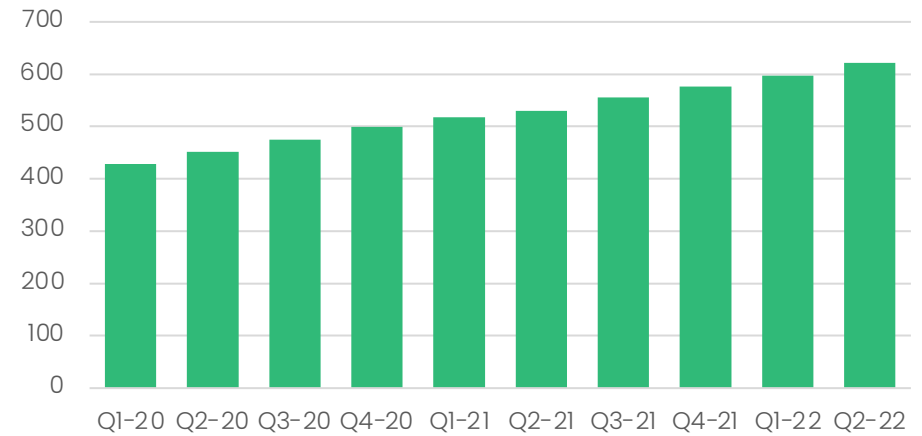
SUSE is committed to **keeping leverage below 3.5x LTM Adjusted Cash EBITDA over the medium term**, whilst retaining flexibility for any potential M&A

Consistent Growth In LTM Metrics

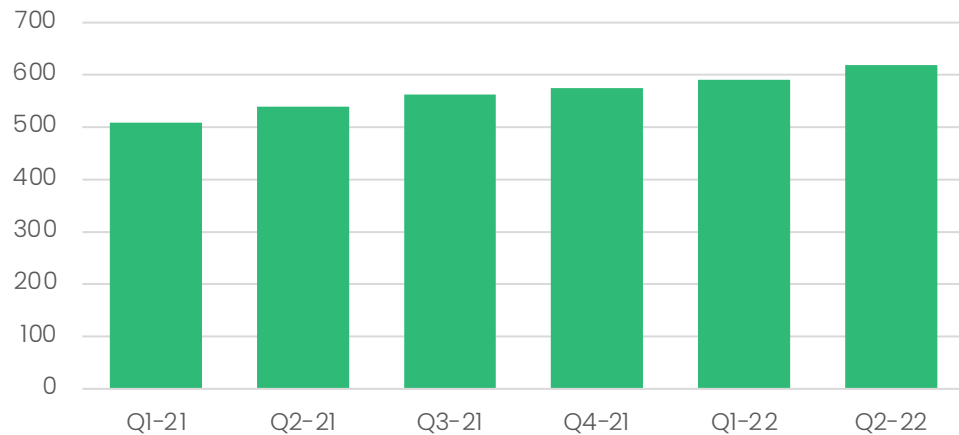
LTM ACV (\$m)



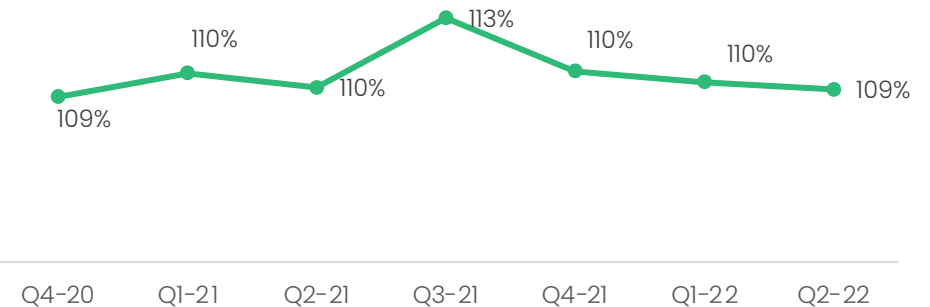
LTM Revenue (\$m)



ARR⁽¹⁾ (\$m)



NRR

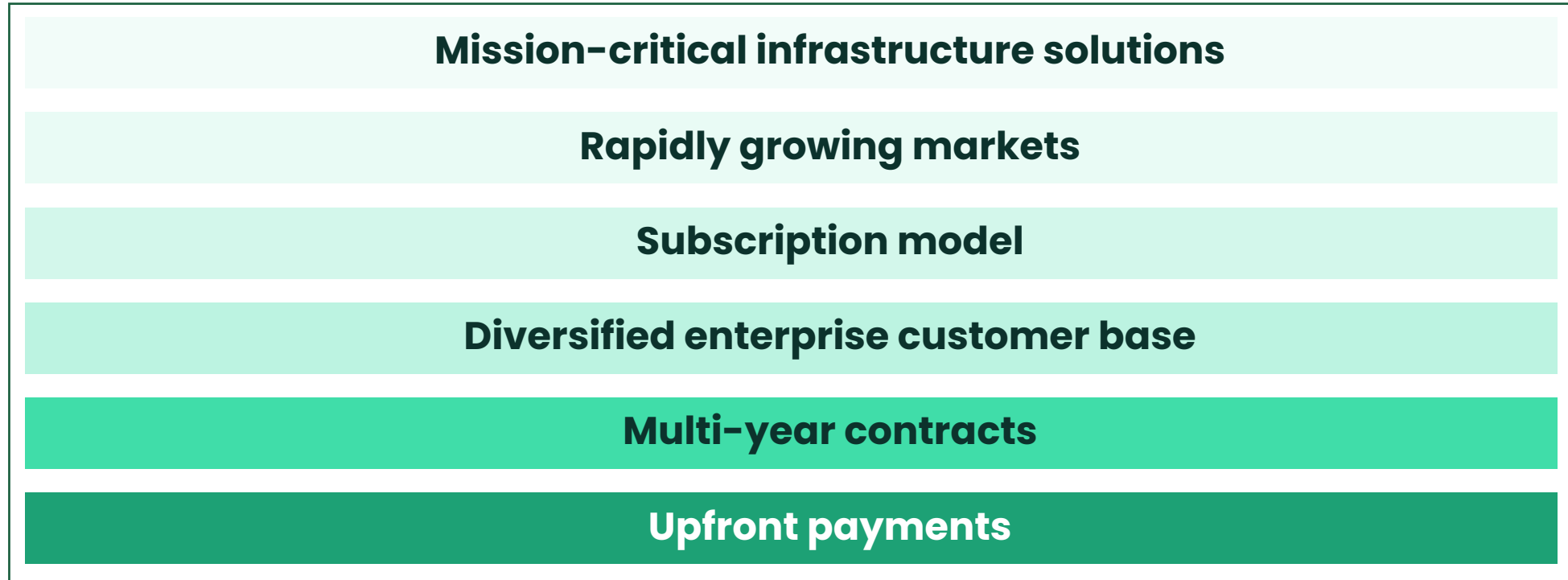


FY22 Guidance: Mid-year Update

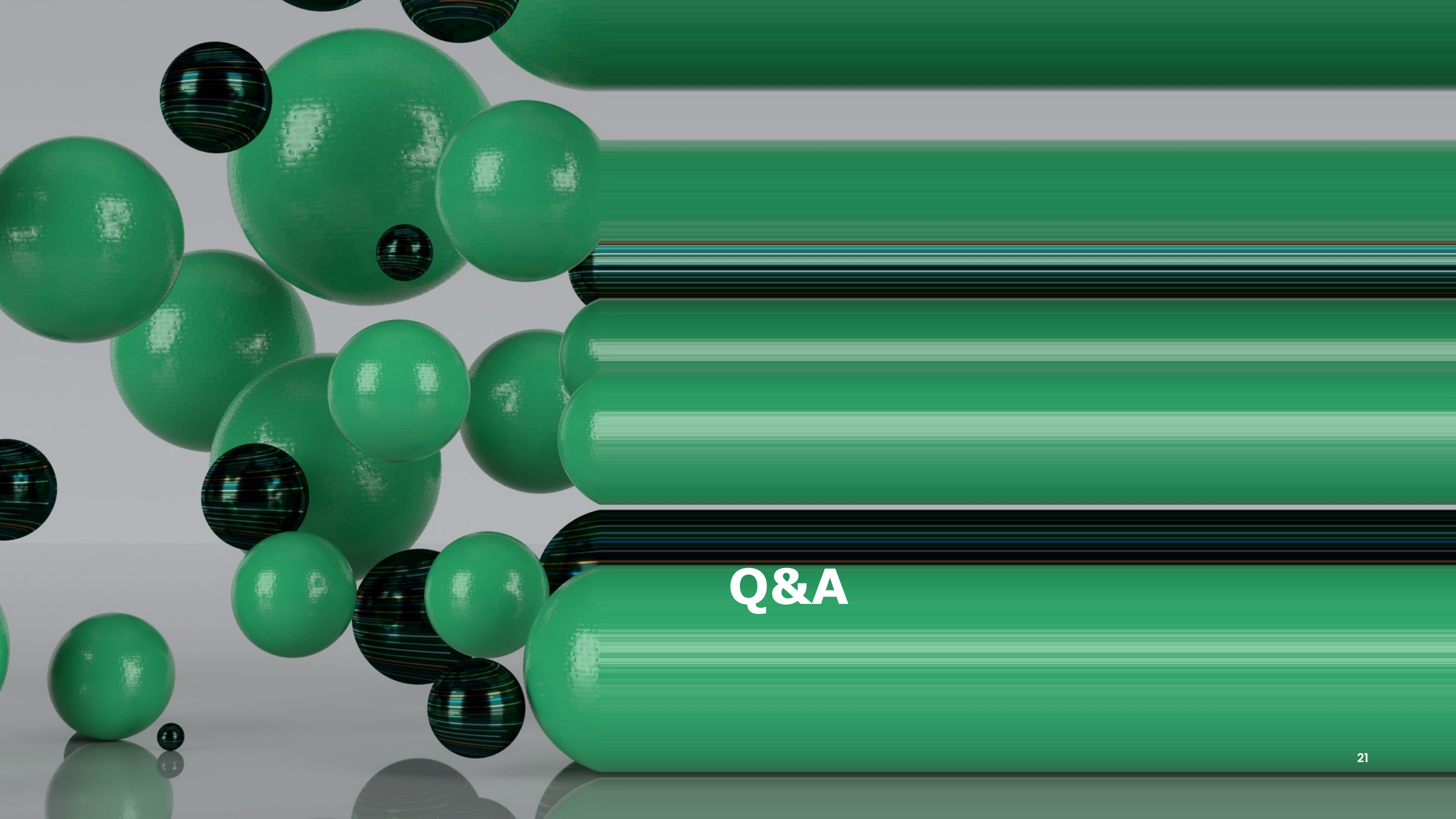
		FY22 Guidance			Medium Term Outlook
		Original	Revised	Estimated Full Year FX Impact ⁽¹⁾	
Annual Contract Value	Core	Mid-to-high teens growth	Mid-teens	c. (4) ppt	Mid-to-high teens growth
	Emerging	In excess of 60% growth	c.50% growth	c. (3) ppt	In excess of 50% growth
Total Adjusted Revenue		Mid-to-high teens growth	No change	c. (2) ppt	Growth around 20%
Adjusted EBITDA margin		Around mid-thirties percent	No change	Slight positive	Gradual increase towards 40%
Adjusted uFCF Conversion		Stable-to-slight increase from FY21 levels as % of Adjusted EBITDA	No change	Slight negative	Stable-to-slight increase from FY22 levels as % of Adjusted EBITDA



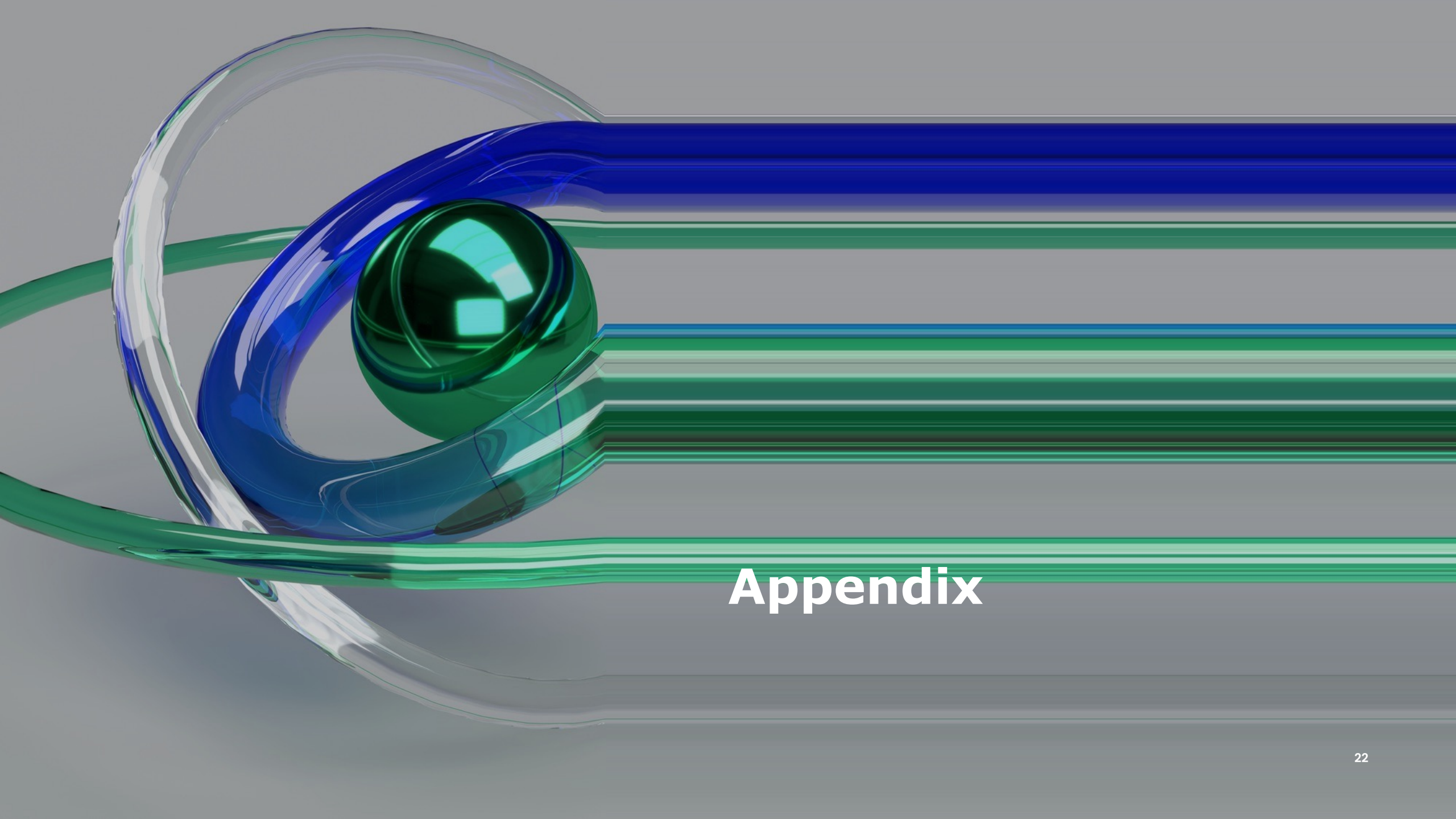
Highly Profitable Business Model With Recurring Earnings



Resilient business model drives long-term sustainable growth with high profitability and high cash conversion



Q&A



Appendix

Alternative Performance Measures (APMs)

This document contains certain alternative performance measures (collectively, "APMs") including ACV, ARR, NRR, , Adjusted Revenue, Adjusted EBITDA, Adjusted EBITDA Margin Adjusted Cash EBITDA, Adjusted Cash EBITDA margin, Adjusted uFCF, Cash Conversion, and Net Debt and Leverage that are not required by, or presented in accordance with, IFRS, Luxembourg GAAP or any other generally accepted accounting principles. Certain of these measures are derived from the IFRS accounts of the Company and others are derived from management reporting or the accounting or controlling systems of the Group.

SUSE presents APMs because they are used by management in monitoring, evaluating and managing its business, and management believes these measures provide an enhanced understanding of SUSE's underlying results and related trends. The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of SUSE's operating results as reported under IFRS or Luxembourg GAAP. APMs such as ACV, ARR, NRR, Adjusted Revenue, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Cash EBITDA, Adjusted Cash EBITDA Margin, Adjusted uFCF, Cash Conversion, RPO and Net Debt and Leverage are not measurements of SUSE's performance or liquidity under IFRS, Luxembourg GAAP or German GAAP and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, Luxembourg GAAP, German GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

SUSE has defined each of the following APMs as follows:

"Annual Contract Value" or "ACV": ACV represents the first 12 months monetary value of a contract. If total contract duration is less than 12 months, 100% of invoicing is included in ACV;

"Annual Recurring Revenue" or "ARR": ARR represents the sum of the monthly contractual value for subscriptions and recurring elements of contracts in a given period, multiplied by 12. ARR is calculated three months in arrears, given backdated royalties relating to IHV and Cloud, and hence reflects the customer base as of three months prior;

"Net Retention Rate" or "NRR": expressed as a percentage, NRR indicates the proportion of ARR that has been retained over the prior 12-month period, which is inclusive of up-sell, cross-sell, down-sell, churn and pricing. It excludes ARR from net new logo end-user customers. The NRR is calculated three months in arrears, aligned to the calculation of ARR;

"Adjusted Revenue": Revenue as reported in the statutory accounts of the Group, adjusted for fair value adjustments;

"Adjusted Gross Profit": this APM represents Adjusted Revenue less operating costs adjusted for non-recurring items;

"Adjusted Gross Profit Margin" expressed as a percentage, this APM represents Adjusted Gross Profit divided by Adjusted Revenue

"Adjusted EBITDA": this APM represents earnings before net finance costs, share of loss of associate and tax, adjusted for depreciation and amortization, share-based payments, fair value adjustment to deferred revenue, statutory separately reported items, specific non-recurring items and net unrealized foreign exchange (gains)/losses;

"Adjusted EBITDA margin": expressed as a percentage, this APM represents Adjusted EBITDA divided by Adjusted Revenue

"Adjusted Cash EBITDA": this APM represents Adjusted EBITDA plus changes in contract liabilities in the related period and excludes the impact of contract liabilities – deferred revenue haircut;

"Adjusted Cash EBITDA Margin": expressed as a percentage, this APM represents Adjusted Cash EBITDA divided by Adjusted Revenue;

"Adjusted Profit before Tax" is Adjusted EBITDA (post IFRS 15 and 16), less D&A (excluding intangible amortisation for Customer relationships, intellectual property and non-complete agreements) less net financial expense

"Adjusted Profit after Tax" is Adjusted Profit before Tax less notional tax

"Adjusted Earnings Per Share" represents Adjusted Profit after Tax less notional tax divided by the weighted average number of shares during the period

"Adjusted Unlevered Free Cash Flow" or "Adjusted uFCF": this APM represents Adjusted Cash EBITDA less capital expenditure related cash outflow, working capital movements (excluding deferred revenue, which is factored into Adjusted Cash EBITDA, and non-recurring items), cash taxes and the reversal of non-cash accounting adjustments relating to IFRS 15 and IFRS 16;

"Cash Conversion": expressed as a percentage, this APM represents Adjusted uFCF divided by Adjusted EBITDA;

"Constant Currency": Constant Currency for ACV and costs, is calculated by re-stating the prior year period results to reflect exchange rates prevailing during the reported period. Constant currency for Adjusted revenue, is calculated by re-stating the in-period revenue generated in the prior period from the prior period ACV to reflect exchange rates prevailing during the reported period. No such restatement is needed for revenues in prior periods unwinding from deferred revenue, as these revenues are locked into US denominated values when the associated ACV was generated;


"Contractual Liabilities and Remaining Performance Obligations" or "RPO": RPO represents the unrecognized proportion of remaining performance obligations towards subscribers (e.g., the amount of revenue that has been invoiced, but not yet recognized as revenue) plus amounts for which binding irrevocable commitments have been received but have yet to be invoiced. Deferred Revenue is another term used for Contractual Liabilities;

"Net Debt": This APM represents the sum of current and non-current interest bearing borrowings (net of un-amortized capitalized arrangement fees, gains or losses on loan modifications), current and non-current lease liabilities, less cash and cash equivalents; and

"Leverage" - Expressed as a multiple, Leverage is Net Debt divided by Adjusted Cash EBITDA



Industry-Leading Compliance For Enterprise Linux

Certification / Compliance Examples	 SUSE	Key Competitors
BSI Common Criteria EAL4+ (Germany)	✓ x86, Arm for SLES 15	✗
SLSA (Google & OpenSSF)	✓ Level 4 compliance for SLES 15 SP4	Planned
CCN (Spain)	✓	✗
ANSSI (France)	✓ In progress to get in the Catalog	✗
NIAP Common Criteria OSPP (USA)	✓ x86, Arm for SLES 15	Limited
FIPS 140-2/3	✓ 140-2, 140-3 for SLES 15 SP4	Planned
DISA STIG	✓	✓
SCAP	✓	✓
FedRAMP	In progress for SLE Micro and RKE	Limited
NIST USGv6	✓	✓
CIS	✓	✓



Impact Of Exchange Rates

Impact of foreign exchange rate changes on H1 2022 YoY growth (CCY versus Actual FX growth)

	H1-22
ACV Core	(4) ppt
ACV Emerging	(3) ppt
Total ACV	(3) ppt
Adjusted Revenue	(1) ppt
Adjusted EBITDA	3 ppt

Key financial metrics by currency

H1-22	USD	EUR	GBP	Other
Total ACV	62%	28%	2%	8%
Adjusted Revenue	90%	7%	0%	3%
Operating Expenses	47%	24%	11%	18%



ARR Methodology Change

Prior methodology

\$m	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
ARR	491.7	519.3	549.1	560.0	574.0
YoY Actual FX	-	16%	20%	17%	17%

Improved methodology

\$m	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22
ARR	508.5	539.6	562.3	574.9	590.5	619.1
YoY Actual FX	-	17%	19%	17%	16%	15%

Changes to ARR methodology

- The new improved methodology:
 - Includes revenue previously excluded from ARR generated by SUSE's Long Term Service Pack Support (LTSS) subscriptions which offers up to 3 years of continued access to technical support, maintenance and security patches for selected products that have reached the end of general support date, as this has proved to be recurring and growing over time
 - Has been updated to reflect a more accurate subset of recurring services
- Growth in ARR remains broadly consistent with the previous methodology

Share Based Compensation Update

	Ongoing Incentive Schemes	
	Options	RSUs
Who?	<ul style="list-style-type: none"> Senior Management 	<ul style="list-style-type: none"> c.1,500 employees
How Many Shares?	<ul style="list-style-type: none"> c.300k shares 	<ul style="list-style-type: none"> c.3,000k shares
What's Next?	<ul style="list-style-type: none"> Annual grant Phased vesting over 2 and 3 years Exercisable up to 10 years from grant 	<ul style="list-style-type: none"> Annual grant Phased vesting over years 1, 2 and 3

- **c.4m RSUs / options** are currently outstanding (comprising ongoing incentive schemes and One-off Transitional Scheme from IPO)
- **One-off Transitional Scheme**
 - c.730k shares granted with two year vesting period
 - No further shares to be granted under this scheme
- **Ongoing Incentive Schemes⁽¹⁾**
 - Ongoing non-cash P&L charge estimated at c.\$15m per quarter next year, before growth in headcount and inflation
 - Expected to be closer to c.\$17m per quarter in H2 2022 due to grants to new hires in H1 2022
 - Actual shares granted is share price dependant, c.1.8m per annum based on estimated quarterly charge above and end Q2 2022 share price
- **Overall dilution cap⁽²⁾** at 5% of total issued capital at any point in time



(1) Ongoing incentive annual awards expected to grant are at the discretion of the Board.

(2) An award may not be granted if the result of granting the award would be that the aggregate number of plan shares issued or committed to be issued under: 1. awards which have not vested under the plan; or 2. unvested options or awards granted under any other employee share plan operated by the company except for the Management Participation Programme, would exceed 5 percent of the Company's issued ordinary share capital at that time.

Key Financial Metrics By Quarter

(\$m)	Q1-21	Q2-21	Q3-21	Q4-21	FY-21	Q1-22	Q2-22
Total ACV	137.6	109.0	119.0	125.0	490.6	143.8	139.4
o/w Core	111.3	94.6	101.5	98.7	406.1	119.9	113.6
o/w Emerging	26.3	14.4	17.5	26.3	84.5	23.9	25.8
Adjusted Revenue	134.1	136.8	151.0	154.0	575.9	155.0	161.3
o/w Core	118.6	121.4	133.2	133.4	506.6	130.2	133.9
o/w Emerging	15.5	15.4	17.8	20.6	69.3	24.8	27.4
Adjusted EBITDA	60.7	48.2	55.2	48.0	212.1	52.3	58.6
<i>% Margin</i>	<i>45.3%</i>	<i>35.2%</i>	<i>36.6%</i>	<i>31.2%</i>	<i>36.8%</i>	<i>33.7%</i>	<i>36.3%</i>
Change in Deferred Revenue	46.4	6.2	9.8	3.7	66.1	40.8	17.3
Adjusted Cash EBITDA	107.1	54.4	65.0	51.7	278.2	93.1	75.9
<i>% Margin</i>	<i>79.9%</i>	<i>39.8%</i>	<i>43.0%</i>	<i>33.6%</i>	<i>48.3%</i>	<i>60.1%</i>	<i>47.1%</i>



Adjusted Revenue Reconciliation

(\$m)	Q2-22	Q2-21	H1-22	H1-21
Statutory Revenue	159.8	133.2	313.3	259.7
Plus: Contract Liability Haircut Amortised	1.5	3.6	3.0	7.5
Plus: Pro Forma Rancher Contribution ⁽¹⁾	-	-	-	3.7
Adjusted Revenue	161.3	136.8	316.3	270.9

Adjusted EBITDA Reconciliation

(\$m)	Q2-22	Q2-21	H1-22	H1-21
Operating Loss per Statutory Account	(8.0)	(130.0)	(11.4)	(150.8)
Minus: Amortisation and Depreciation	39.7	40.5	78.5	78.8
Minus: Separately Reported Items	-	4.6	-	9.2
Minus: Contract Liability Haircut Amortised	1.5	3.6	3.0	7.5
Minus: Non-recurring Items	6.3	6.3	9.1	13.3
Minus: Share Based Payments ⁽¹⁾	12.7	121.8	22.6	147.8
Minus: Share Based Payments - Employer Taxes	0.5	5.8	0.9	5.8
Plus: Foreign Exchange (unrealised)	5.9	(4.4)	8.2	(0.9)
Adjusted EBITDA (Statutory Basis, Excluding Rancher Pro Forma Contribution)	58.6	48.2	110.9	110.7
Minus: Adjustment for Actual Rancher Contribution ⁽²⁾	-	-	-	(1.8)
Adjusted EBITDA	58.6	48.2	110.9	108.9



Adjusted PBT Bridge

(\$m)	Q2-22	Q2-21	H1-22	H1-21
Adjusted Revenue	161.3	136.8	316.3	270.9
Adjusted EBITDA	58.6	48.2	110.9	108.9
Minus: Depreciation & Amortisation	(6.2)	(4.9)	(11.2)	(10.1)
Minus: Net Finance Costs	(10.0)	(23.4)	(21.6)	(30.0)
Adjusted PBT	42.4	19.9	78.1	68.8
<i>% Margin</i>	26.3%	14.5%	24.7%	25.4%



Adjusted Unlevered Free Cash Flow Bridge

(\$m)	Q2-22	Q2-21	H1-22	H1-21
Adjusted Cash EBITDA	75.9	54.4	169.0	161.5
Minus: Gross Capex	(2.7)	(0.4)	(4.7)	(0.8)
Plus: Change in Core Working Capital	(19.9)	24.1	(54.4)	(27.6)
Minus: IFRS 15	(8.2)	(7.3)	(13.3)	(17.3)
Minus: IFRS 16	(1.9)	(1.6)	(3.8)	(3.6)
Minus: Cash Taxes	(5.5)	(1.6)	(10.5)	(4.0)
Rancher pro-forma uFCF	-	-	-	(1.8)
Adjusted uFCF	37.7	67.6	82.3	106.4





Thank You

