LECTRA

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR FIRST QUARTER 2020

Dear Shareholders,

We report below on Lectra Group’s business activity and consolidated financial statements for the first quarter ending March 31, 2020.

Detailed comparisons between 2020 and 2019 are based on 2019 exchange rates unless otherwise stated. As the impact of the acquisition of Retviews (see press release dated July 15, 2019) on the financial statements for the first quarter is not material, like-for-like changes exclude only the variations in exchange rates.

Since 2017, Lectra has marketed and invoiced its software both in the form of perpetual licenses with their associated maintenance contracts and on a subscription basis for its Software-as-a-Service (SaaS) offers.

To facilitate the comparison with prior years, the Group decided in 2018 and 2019 to include subscription software sales in the amount of orders for new systems, by multiplying the annual value of the corresponding contracts by 2.2 (a coefficient that enables the calculation of the amount an order would represent, had it been sold as a perpetual license).

As from the first quarter of 2020, 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 (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 SaaS mode.

Revenue corresponding to orders for perpetual software licenses is reported under "Perpetual software licenses"; revenue corresponding to embedded software is reported, as previously, under "Equipment and accompanying software." Revenue from software sold on a subscription basis is reported under "Software subscriptions."

The detailed tables and like-for-like changes in the orders for new systems, in revenues, and in the income statements for the first quarter are provided in the additional information of this report, starting on page 7.

1. RESULTS OF OPERATIONS FOR Q1 2020

With an average exchange rate of $1.10/€1 in Q1, the US dollar was up 3% compared to Q1 2019, while the yuan held steady against the euro. Currency changes mechanically increased revenues by 0.5 million euros (+1%) and income from operations by 0.3 million euros (+6%) at actual exchange rates, compared to like-for-like figures.

The COVID-19 epidemic and its consequences marked the first quarter of 2020. After emerging in China in December 2019, the health crisis quickly spread across the world in March, causing a global economic crisis of unprecedented proportions.

From the start of the crisis, the Group took the necessary hygiene and distancing measures to safeguard the health of employees, customers, suppliers and other stakeholders. A remote working system was immediately put in place for all employees whose physical presence on site is not required; this was done in France and other countries where such measures were ordered or recommended by the government.

In parallel, the Group has maintained the continuity of all business operations. In particular, it has continued to manufacture equipment, consumables and spare parts, and to deliver them worldwide. After-sales support for the Group's solutions has been provided to customers that continue to operate.

Decline in revenues and income from operations

In this unique and unprecedented environment, revenues (63.5 million euros) decreased by 6% compared to Q1 2019. At actual exchange rates, they declined by 5%.

Orders and revenues from software licenses, equipment and accompanying software, and non-recurring services

Orders for perpetual software licenses, equipment and accompanying software, and non-recurring services (19.3 million euros) were down 28%. The slowdown in orders was particularly acute in March. Orders for perpetual software licenses (2.7 million euros), equipment and accompanying software (13.5 million euros), and training and consulting (2.6 million euros) decreased by 26%, 30% and 21%, respectively.

Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services (22 million euros) were down by 15% (-14% at actual exchange rates). They include mainly:

- Perpetual software licenses (3 million euros), which decreased by 23% and accounted for 5% of revenues (6% in 2019);
- Equipment and accompanying software (15.6 million euros), which decreased by 14% and accounted for 25% of revenues (27% in 2019);
- Training and consulting (2.8 million euros), which decreased by 7% and accounted for 4% of revenues (5% in 2019).

At March 31, 2020, the order backlog for perpetual software licenses, equipment and accompanying software, and training and consulting amounted to 16.9 million euros. It decreased by 2.8 million euros compared to December 31, 2019, and by 6.5 million euros compared to March 31, 2019, like-for-like and at actual exchange rates.

Orders from software subscriptions - revenues from recurring contracts, consumables and parts

The annual value of new software subscription orders amounted to 0.6 million euros, up by 52% compared to Q1 2019.

Revenues from recurring contracts, which represented 39% of revenues, totaled 25 million euros, a 5% increase.

Recurring revenues are a key pillar of the Group's business model and constitute a protective factor that will help mitigate the impact of the COVID-19 crisis on revenues and results. The breakdown is as follows:

- Software subscriptions were 0.7 million euros (0.2 million euros in 2019);
- Software maintenance contracts (9.6 million euros), stable compared to 2019, represented 15% of revenues;
- Equipment and accompanying software maintenance contracts (14.6 million euros), up 4%, represented 23% of revenues.

In parallel, revenues from consumables and parts (16.5 million euros) were affected by the reduction in business activity of the Group's customers due to the COVID-19 crisis, decreasing by 7%. They represented 26% of revenues (26% in Q1 2019).

Overall, recurring revenues were stable at 41.5 million euros.

Gross profit

Gross profit amounted to 47.7 million euros, down by 4% compared to 2019.

The gross profit margin came to 75.1%, up 1.3 percentage points relative to 2019 (+1.4 percentage points at actual exchange rates). This increase stems primarily from the evolution of the product mix, and specifically from the greater share of recurring contract 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

Total overhead costs were 42.6 million euros, up 2% compared to 2019. The breakdown is as follows:

- 39.4 million euros in fixed overhead costs (+5%);
- 3.2 million euros in variable costs (-21%).

At actual exchange rates, total overhead costs increased by 3%.

Research and development costs (8.5 million euros), which are fully expensed in the period and included in fixed overhead costs, represented 13.4% of revenues (7.9 million euros and 11.8% of revenues in Q1 2019). After deducting the research tax credit applicable in France and grants received (in 2019), net research and development costs totaled 6.3 million euros (5.5 million euros in 2019).

Income from operations and net income

Income from operations amounted to 5.1 million euros, down 39% compared to Q1 2019 (–35% at actual exchange rates).

The operating margin was 8%, down 4.2 percentage points like-for-like and 3.8 percentage points at actual exchange rates.

Financial income and expenses represented a net charge of 0.1 million euros. Foreign exchange gains and losses generated a net loss of 0.3 million euros.

After an income tax expense of 1.3 million euros, net income amounted to 3.4 million euros, down by 41% at actual exchange rates.

Net earnings per share were €0.11 on basic capital and €0.10 on diluted capital (€0.18 on basic capital and diluted capital in Q1 2019).

Positive free cash flow

Free cash flow was 3.7 million euros (9.8 million euros for Q1 2019).

This decline is attributable to the combination of lower income and the reduction in working capital requirement in Q1 2020 (1.8 million euros), which was smaller than the exceptional reduction in working capital requirement in Q1 2019 (5.2 million euros).

Particularly robust balance sheet – positive net cash position of 124 million euros

At March 31, 2020, consolidated shareholders' equity amounted to 186.9 million euros (183 million euros at December 31, 2019).

The Group is debt-free. Cash and cash equivalents, as well as net cash position, totaled 124 million euros (120.6 million euros at December 31, 2019).

The working capital requirement at March 31, 2020 was a negative 23 million euros. It comprised the current portion (2.6 million euros) of the 19.6 million euros receivable on the French tax administration (*Trésor public*), corresponding to the research tax credits recognized since fiscal year 2016. The portion to be repaid in over one year is carried on the balance sheet under other non-current assets (see note 6 below).

2. SHARE CAPITAL – OWNERSHIP – SHARE PRICE PERFORMANCE

Change in share capital

At March 31, 2020, the share capital came to €32,158,129, divided into 32,158,129 shares with a par value of €1.00.

Share capital increased by €59,029 (with a total share premium of €381,647) due to the creation of 59,029 shares since January 1, 2020, resulting from the exercise of stock options.

Main shareholders

No crossing of statutory thresholds has been reported to the Company since January 1, 2020.

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

- Daniel Harari holds 17% of the capital and voting rights;
- Kabouter Management LLC (United States), acting on behalf of investment funds that it manages, holds more than 10% (but less than 15%) of the capital and the voting rights;
- Allianz SE (Germany) through French companies it controls, and Kempen Oranje Participaties (The Netherlands), each hold more than 5% (but less than 10%) of the capital and the voting rights.

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

Treasury shares

At March 31, 2020, the Company held 0.15% of its own shares in treasury, within the framework of the liquidity agreement contracted with Exane BNP Paribas.

Share price performance and trading volumes

The Company's share price at March 31, 2020, was €14.44, down 35% compared to December 31, 2019 (€22.35). During Q1, it reached a low of €12.20 on March 23 and a high of €24.45 on January 13.

The CAC 40 index, CAC All-Tradable index and the CAC Mid & Small index decreased respectively by 26%, 27% and 30% for the first three months of 2020.

According to Bloomberg, 5.7 million shares were traded on all platforms in Q1 2020 (3.9 million in Q1 2019), including 37% on Euronext.

In its press release of April 15, 2020, Lectra 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).

3. SIGNIFICANT POST-CLOSING EVENTS

Since March 31, the COVID-19 pandemic has led to expanded confinement measures, particularly in Europe and the United States, resulting in the slowdown or even closure of many production plants operated by the Company's customers.

Lectra's three strategic market sectors – fashion, automotive, and furniture – are strongly impacted by the confinement measures, in terms of both production capacities and sales.

4. FINANCIAL CALENDAR

The 2019 Financial Report was published on Lectra's website on March 31, 2020.

The Annual Shareholders' Meeting will be held on April 30, 2020, without the physical presence of shareholders.

The first-half 2020 financial results will be published on July 27, 2020 after the close of trading on Euronext Paris.

5. BUSINESS TRENDS AND OUTLOOK

In its 2019 Financial Report, published February 11, 2020, Lectra had reported its long-term vision and its new strategic roadmap for the 2020-2022 period.

In the Report, the Group already noted the uncertainties linked to the COVID-19 epidemic, whose impact was observed only in China at the time and decided that it would not formulate estimates for 2020 until such time as visibility improves.

Since then, the health crisis has become a pandemic, leading to a major and rapid slowdown of the global economic activity.

While most of the objectives of the 2020-2022 strategic roadmap remain valid, and particularly the acceleration towards Industry 4.0, the growth objectives for the end of the period will have to take the consequences of the COVID-19 crisis into account.

As a result, the Group will update its objectives when it considers that visibility has returned to a sufficient level.

2020 outlook

The year 2020 will be marked by the COVID-19 crisis and its consequences.

Lectra can face the impacts of the epidemic with a particularly robust balance sheet, a positive net cash position of 124 million euros at March 31, 2020, and a proven business model with, among other strengths, a very high percentage of recurring revenues. The Group therefore considers that it is financially equipped to deal with a temporary or more sustained reduction in its business activity.

The Group has also implemented measures to control its fixed overhead costs, which were initially budgeted to increase by 8%; this has involved cancelling or postponing all non-essential expenses, and temporarily modifying the assignments of those teams whose current workload is the most affected.

In light of its sound financial position, capacity for resilience, and medium-term outlook, the Group has decided not to put in place short-time working arrangements (under the partial activity scheme), and not to benefit from any financial support from the French government. It thus intends to maintain its entire R&D effort, which currently drives 377 men and women, and so be ready post-crisis with well-prepared, motivated teams. Lectra also supports the nation's collective effort to fight against this crisis by voluntarily cutting masks and medical personal protective equipment.

At this stage, while the consequences of the crisis are already apparent in the business operations and financial statements for the first quarter, it is difficult to predict the impact over the rest of the year. The greatest impact, however, could be expected in Q2, which could see a sharp decline in revenues and in income from operations.

The Group's business activity should rebound after this crisis; however, the date and extent of the rebound are difficult to estimate, due to the uncertainties regarding how the pandemic will evolve. The Group's three strategic market sectors – fashion, automotive and furniture – will probably undergo a consolidation and restructuring phase. Depending on the evolution of the macroeconomic environment among other things, companies operating in these markets could be led to temporarily reduce their capital expenditures and operating expenses.

Medium-term outlook

In this particularly uncertain environment, the Group demonstrates on a daily basis its commitment to its social, environmental and societal responsibilities through the decisions that it has taken.

Lectra’s markets provide goods for which consumer demand will persist worldwide. The Group, which preserves its competitive advantage and benefits from a very solid financial position, therefore remains confident in its growth prospects for the medium-term.

The Board of Directors
April 29, 2020

ADDITIONAL INFORMATION – FIRST QUARTER 2020

ORDERS FOR NEW SYSTEMS – LIKE-FOR-LIKE

Perpetual software licenses, equipment and accompanying software, and non-recurring services

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
Perpetual software licenses	2,665	14%	2,655	3,580	14%	-26%	-26%
Equipment and accompanying software	13,544	70%	13,346	19,108	72%	-29%	-30%
Training and consulting services	2,564	13%	2,550	3,247	12%	-21%	-21%
Miscellaneous	499	3%	497	582	2%	-14%	-15%
Total	19,273	100%	19,048	26,517	100%	-27%	-28%
€ / $ average parity	*1.10*		*1.14*	*1.14*			

Three Months Ended March 31

Software subscriptions

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
Annual value of new software subscriptions	631	na	617	406	na	+56%	+52%
€ / $ average parity	*1.10*		*1.14*	*1.14*			

Three Months Ended March 31

BREAKDOWN OF REVENUES – LIKE-FOR-LIKE

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

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
Europe, of which:	27,189	43%	27,194	27,980	42%	-3%	-3%
- France	3,881	6%	3,883	4,812	7%	-19%	-19%
Americas	18,084	28%	17,865	16,100	24%	+12%	+11%
Asia-Pacific	13,153	21%	12,922	16,848	25%	-22%	-23%
Other countries	5,089	8%	5,083	6,068	9%	-16%	-16%
Total	63,515	100%	63,064	66,997	100%	-5%	-6%
€ / $ average parity	*1.10*		*1.14*	*1.14*			

Three Months Ended March 31

Revenues by type of business

(in thousands of euros)	2020 Actual	2020 %	2020 At 2019 exchange rates	2019 Actual	2019 %	Changes 2020/2019 Actual	Changes 2020/2019 Like-for-like
Revenues from perpetual software licenses, equipment and accompanying software, and non-recurring services, of which:	22,008	35%	21,810	25,626	38%	-14%	-15%
- Perpetual software licenses	3,042	5%	3,051	3,952	6%	-23%	-23%
- Equipment and accompanying software	15,629	25%	15,452	18,054	27%	-13%	-14%
- Training and consulting services	2,838	4%	2,811	3,038	5%	-7%	-7%
- Miscellaneous	499	1%	497	582	1%	-14%	-15%
Recurring revenues, of which:	41,507	65%	41,253	41,371	62%	0%	0%
- Software subscriptions	746	1%	744	203	ns	+267%	+266%
- Software maintenance contracts	9,606	15%	9,586	9,551	14%	+1%	0%
- Equipment and accompanying software maintenance contracts	14,639	23%	14,503	13,974	21%	+5%	+4%
- Consumables and parts	16,516	26%	16,421	17,642	26%	-6%	-7%
Total	63,515	100%	63,064	66,997	100%	-5%	-6%
€ / $ average parity	*1.10*		*1.14*	*1.14*			

Three Months Ended March 31

CONSOLIDATED INCOME STATEMENT – LIKE-FOR-LIKE

Income statement at constant exchange rates

	Three months ended March 31				
	2020		2019	Changes 2020/2019	
(in thousands of euros)	Actual	At 2019 exchange rates	Actual	Actual	Like-for-like
Revenues	63,515	63,064	66,997	-5%	-6%
Cost of goods sold	(15,846)	(15,785)	(17,604)	-10%	-10%
Gross profit	47,669	47,279	49,392	-3%	-4%
(in % of revenues)	75.1%	75.0%	73.7%	+1.4 points	+1.3 points
Research and development	(6,291)	(6,291)	(5,499)	+14%	+14%
Selling, general and administrative expenses	(36,286)	(36,177)	(35,995)	+1%	+1%
Income from operations	5,092	4,811	7,898	-36%	-39%
(in % of revenues)	8.0%	7.6%	11.8%	-3.8 points	-4.2 points
Income before tax	4,642	4,361	7,731	-40%	-44%
Income tax	(1,254)	na	(1,986)	-37%	na
Net income	**3,388**	**na**	**5,745**	**-41%**	**na**
of which, Group share	**3,384**	**na**	**5,745**	**-41%**	**na**
of which, Non-controlling interests	4	na	-	na	na
€ / $ average parity	*1.10*	*1.14*	*1.14*		

Company certification of the first quarter 2020 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 29, 2020

Daniel Harari	Olivier du Chesnay
Chairman and Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	March 31, 2020	December 31, 2019	March 31, 2019
Goodwill	47,529	47,380	39,696
Other intangible assets	4,144	4,008	3,886
Leasing rights-of-use	17,539	18,697	17,587
Property, plant and equipment	26,972	26,963	25,862
Other non-current assets	19,189	17,242	16,743
Deferred tax assets	8,965	8,589	8,861
Total non-current assets	124,338	122,879	112,635
Inventories	33,107	30,919	35,397
Trade accounts receivable	50,533	56,933	48,400
Other current assets	18,640	12,217	17,320
Cash and cash equivalents	123,982	120,558	113,518
Total current assets	226,262	220,627	214,635
Total assets	**350,600**	**343,506**	**327,270**

EQUITY AND LIABILITIES

(in thousands of euros)	March 31, 2020	December 31, 2019	March 31, 2019
Share capital	32,158	32,099	31,969
Share premium	16,184	15,802	14,586
Treasury shares	(835)	(698)	(368)
Currency translation adjustments	(9,421)	(9,481)	(9,311)
Retained earnings and net income	148,644	145,141	140,763
Non-controlling interests	163	159	-
Total equity	186,893	183,022	177,638
Retirement benefit obligations	11,265	11,107	10,019
Non-current lease liabilities	12,516	13,407	13,197
Minority shares purchase commitment	4,333	4,333	-
Borrowings, non-current portion	-	-	-
Total non-current liabilities	28,114	28,847	23,216
Trade and other current payables	61,778	58,896	57,196
Deferred revenues	59,041	58,459	56,850
Current income tax liabilities	4,446	3,436	3,764
Current lease liabilities	5,464	5,675	4,727
Minority shares purchase commitment	2,167	2,167	-
Borrowings, current portion	-	-	-
Provisions for other liabilities and charges	2,697	3,004	3,879
Total current liabilities	135,593	131,637	126,416
Total equity and liabilities	**350,600**	**343,506**	**327,270**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenues	63 515	66 997
Cost of goods sold	(15 846)	(17 604)
Gross profit	47 669	49 392
Research and development	(6 291)	(5 499)
Selling, general and administrative expenses	(36 286)	(35 995)
Income from operations	5 092	7 898
Financial income	49	49
Financial expenses	(175)	(180)
Foreign exchange income (loss)	(323)	(37)
Income before tax	4 642	7 731
Income tax	(1 254)	(1 986)
Net income	**3 388**	**5 745**
of which, Group share	**3 384**	**5 745**
of which, Non-controlling interests	4	-

(in euros)		
Earnings per share, Group share:		
- basic	0,11	0,18
- diluted	0,10	0,18
Shares used in calculating earnings per share		
- basic	32 102 299	31 891 782
- diluted	32 415 201	32 374 347

STATEMENT OF COMPREHENSIVE INCOME, GROUP SHARE [(1)]

Net income, Group share	3,384	5,745
Currency translation adjustments	101	161
Tax effect	(41)	82
Other comprehensive income to be reclassified in net income	60	243
Remeasurement of the net liability arising from defined benefits pension plans	-	-
Tax effect	-	-
Other comprehensive income not to be reclassified in net income	0	0
Total other comprehensive income	60	243
Comprehensive income, Group share	3,444	5,988

(1) The Group considered as non-material the information regarding the comprehensive income of the non-controlling interests (30% of Retviews minority shares only) 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, 2020	Three months ended March 31, 2019
I - OPERATING ACTIVITIES		
Net income	3 388	5 745
Net depreciation, amortization and provisions	3 624	3 040
Non-cash operating expenses	370	97
Loss (profit) on sale of fixed assets	2	14
Changes in deferred income taxes	(562)	476
Changes in inventories	(2 704)	(1 213)
Changes in trade accounts receivable	7 085	10 666
Changes in other current assets and liabilities	(2 608)	(4 207)
Changes in other operating non-current assets	(2 238)	(1 818)
Net cash provided by (used in) operating activities	6 357	12 800
II - INVESTING ACTIVITIES		
Purchases of intangible assets	(497)	(523)
Purchases of property, plant and equipment	(866)	(509)
Proceeds from sales of intangible and tangible assets	-	-
Acquisition cost of companies purchased	-	-
Purchases of financial assets (1)	(1 462)	(1 785)
Proceeds from sales of financial assets (1)	1 693	1 285
Net cash provided by (used in) investing activities	(1 132)	(1 532)
III - FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	441	865
Dividends paid	-	-
Purchases of treasury shares	(1 785)	(1 272)
Sales of treasury shares	1 551	1 570
Repayment of lease liabilities	(1 516)	(1 490)
Net cash provided by (used in) financing activities	(1 311)	(327)
Increase (decrease) in cash and cash equivalents	**3 914**	**10 941**
Cash and cash equivalents at opening	120 558	102 223
Increase (decrease) in cash and cash equivalents	3 914	10 941
Effect of changes in foreign exchange rates	(490)	354
Cash and cash equivalents at closing	123 982	113 518
Net cash provided by (used in) operating activities	6 357	12 800
+ Net cash provided by (used in) investing activities	(1 132)	(1 532)
- Acquisition cost of companies purchased	-	-
- Repayment of lease liabilities	(1 516)	(1 490)
Free cash flow	3 708	9 778
Income tax (paid) / reimbursed, net	(485)	(429)

(1) 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.

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 (1)	**Equity, Group share**
Balance at January 1, 2019	31 846 757	1,00	31 847	13 843	(560)	(9 554)	134 802	170 377		170 377
Net income							5 745	5 745		5 745
Other comprehensive income						243	-	243		243
Comprehensive income						243	5 745	5 988		5 988
Exercised stock options	122 237	1,00	122	743				865		865
Fair value of stock options							145	145		145
Sale (purchase) of treasury shares					192			192		192
Profit (loss) on treasury shares							71	71		71
Dividend paid							-	-		-
Balance at March 31, 2019	31 968 994	1,00	31 969	14 586	(368)	(9 311)	140 763	177 638		177 638
Balance at January 1, 2019	31 846 757	1,00	31 847	13 843	(560)	(9 554)	134 802	170 377		170 377
Net income							29 305	29 305	19	29 324
Other comprehensive income						73	(485)	(412)		(412)
Comprehensive income						73	28 820	28 893	19	28 912
Exercised stock options	252 343	1,00	252	1 959				2 211		2 211
Fair value of stock options							693	693		693
Sale (purchase) of treasury shares					(138)			(138)		(138)
Profit (loss) on treasury shares							106	106		106
Integration of Retviews and minority shares purchase commitment (1)							(6 500)	(6 500)	140	(6 360)
Dividend paid							(12 782)	(12 782)		(12 782)
Balance at December 31, 2019	32 099 100	1,00	32 099	15 802	(698)	(9 481)	145 141	182 863	159	183 022
Net income							3 384	3 384	4	3 388
Other comprehensive income						60	-	60		60
Comprehensive income						60	3 384	3 444	4	3 448
Exercised stock options	59 029	1,00	59	382				441		441
Fair value of stock options							184	184		184
Sale (purchase) of treasury shares					(136)			(136)		(136)
Profit (loss) on treasury shares							(65)	(65)		(65)
Dividend paid							-	-		-
Balance at March 31, 2020	**32 158 129**	**1,00**	**32 158**	**16 184**	**(835)**	**(9 421)**	**148 643**	**186 729**	**163**	**186 893**

(1) These amounts are the result of the acquisition of Retviews in 2019. Note 3 hereafter describes the impact of this acquisition on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2020

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, shoes and luggage, 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 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 Paris 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 revenues from software licenses, equipment and non-recurring services, and recurring revenues;
- 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. The Group supports customers through its unrivalled network of 34 sales and services' subsidiaries, from which Lectra generates over 90% of revenues.

Lectra also has an International Advanced Technology & Conference Center in Bordeaux-Cestas (France) where the company welcomes customers from all over the world, and five international Call Centers, based in Bordeaux-Cestas (France), Madrid (Spain), Milan (Italy), Atlanta (USA) and Shanghai (China).

Customers

From global corporations to smaller national 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

The Group markets end-to-end integrated technology solutions: software, automated cutting equipment services. The distinctive feature of Lectra's offer is to integrate business expertise with the best industrial practices for each market sector. All Lectra software and equipment, including electronics, are designed and developed in-house.

Equipment is assembled from parts produced by a network of subcontractors and tested in the company's industrial facilities in Bordeaux-Cestas (France). Since 2007, cutting machines on the market incorporate hundreds of sensors which connect them to Lectra's Call Centers, enabling preventive and predictive maintenance.

The services include technical maintenance, support, training and consulting.

The Group also sells consumables and parts for its equipment.

People

Lectra's strength lies in the skills and experience of more than 1,800 employees worldwide. Thanks to Lectra's global presence the Group is geographically close to 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, 2020, have been prepared in accordance with IAS 34 – Interim Financial Statements. They do not comprise all of 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 2019, 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 2019 financial statements. They have been prepared under the responsibility of the Board of Directors at its meeting of April 29, 2020. Financial statements at March 31, 2020 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, 2020 have no impact on the Group's financial statements.

The Group has not early adopted any standards, amendments or interpretations whose application is not required for fiscal years starting from January 1, 2020.

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 revenues during the fourth quarter of the year. This, in particular, applies to sales of new software licenses and CAD/CAM equipment. 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 goodwill and fixed assets impairment, evaluation of deferred tax assets, and evaluation of rights-of-use and lease obligations as part of implementation of IFRS 16 – Leases.

Revenues

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 CAD/CAM equipment (called pilots) are not recognized separately from these, as they are an integral part to the equipment, allowing it to work: without the pilot, the equipment would be useless, and without the equipment, the pilot has no use either. However, specialized software (for instance, software for collection management, pattern-making, simulation), under perpetual license, usually installed on the clients' computers, sold separately from the equipment on a regular basis, 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' production and is very often sold separately to clients;
- Regarding maintenance of software and equipment, these are yearly contracts in which the Group's commitment is a stand-ready type, or an obligation to make future not-yet-planned versions of the software available. The solutions (equipment and software) are distinct from maintenance / assistance / evolution since they are entirely ready to work upon delivery and since maintenance / assistance / evolution 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 company 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 hardware 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 CD-ROM or downloading).

Revenue from subscription sales of software 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 performed by the teams.

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'.

Equipment is designed, made and assembled by the Group from parts produced by a network of subcontractors. Lectra acts as principal in the sale of equipment insofar as parts 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 revenues, 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)*, 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, free cash flow, and the security ratio, as defined above; 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

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 excluded from income from operations before non-recurring items reflect the impact on the financial statements of events that are either unusual, abnormal and infrequent. There are very few of these and their amounts are significant.

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.

The Group considers this definition of free cash flow as a performance indicator of the teams’ work on cash management. Lease liabilities (according to IFRS 16) do not affect performance as monitored by the Group.

Security ratio

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

This ratio is used by the Group to measure of 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 operating segments presented 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’.

Operating segments refer to the major marketing regions that combine countries with similar economic characteristics in terms of type of product and service, customer type and distribution method. The regions concerned are: the Americas; Northern and Eastern Europe and Middle East; 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, communication, logistics, procurement, production, R&D, finance, legal affairs, human resources, information systems. All of these cross-divisional activities are reported as an additional operating segment referred to here as the ‘Corporate’ segment.

Performance is measured by the segment’s income from operations before non-recurring items and impairment of assets, if any. Marketing regions derive their revenues 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 the Corporate segment. Consequently, for products or services supplied in full or in part by the Corporate segment, a percentage of consolidated gross profit is retained in the income computed for the Corporate segment in order to cover its costs. Since most of the Corporate segment’s general overheads are fixed, its profit margin and consequently its income from operations depend mainly on the volume of business generated by marketing regions.

3. SCOPE OF CONSOLIDATION

At March 31, 2020, the Group's scope of consolidation comprised the parent company, Lectra SA, together with 31 fully-consolidated companies.

In July 2019, the Group had purchased 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 million euros. The acquisition of the remaining capital and voting rights will take place in three installments in July 2020, July 2021 and July 2022 for the amounts of about 0.9 times 2020 revenues, 0.7 times 2021 revenues and 0.5 times 2022 revenues, respectively.

The purchase price accounting is in the process of being finalized. As of today, the main impacts on the Group's financial statements are:

- Goodwill recorded for an amount of 7.7 million euros;
- Non-controlling interests recorded for an amount of 0.1 million euros, measured at their proportionate share in the net assets acquired (using the "partial goodwill method");
- A debt to recognize the minority shares purchase commitment, measured at fair value, recorded for a total amount of 6.5 million euros (of which 2.2 million euros is classified as current liabilities and 4.3 million euros as non-current liabilities). The counterpart is recorded in 'Equity, Group share'.

The acquisition cost for Lectra has been entirely disclosed under the heading 'Acquisition cost of companies purchased' in the statement of cash flows, net of cash acquired, for an amount of 7.6 million euros.

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

There was no other change in the scope of consolidation during the first quarter of 2020, or 2019.

Three sales and service subsidiaries are not consolidated, their revenues being immaterial both separately and combined. At March 31, 2020, their combined revenues totaled 0.2 million euros, and their combined assets totaled 3.0 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 March 31, 2020.

4. OPERATING SEGMENTS INFORMATION

Three months ended March 31, 2020 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	16,049	15,584	18,084	13,797	-	63,515
Income (loss) from operations	2,383	2,422	2,479	946	(3,139)	5,092

Three months ended March 31, 2019 (in thousands of euros)	Northern Europe(1)	Southern Europe(2)	Americas	Asia-Pacific	Corporate	Total
Revenues	13,723	19,141	16,100	18,033	-	66,997
Income (loss) from operations	1,228	3,492	2,220	1,321	(363)	7,898

(1) This segment covers the following regions: Germany and Eastern Europe, United Kingdom, Benelux, Scandinavia, Baltic countries, Turkey and Middle East.

(2) This segment covers the following regions: France, Italy, Spain, Portugal and North Africa.

Income from operations, which is obtained by adding together the income for each segment, is identical to consolidated income from operations shown in the Group's consolidated financial statements and therefore does not need to be reconciled.

5. CONSOLIDATED CASH FLOW SUMMARY

Three months ended March 31, 2020 (in thousands of euros)	Cash and cash equivalents	Financial debts	Net cash
Free cash flow	3,708	-	3,708
Proceeds from issuance of ordinary shares(1)	441	-	441
Sale and purchase of treasury shares(2)	(234)	-	(234)
Dividends paid	-	-	-
Impact of currency variations – other	(490)	-	(490)
Change in cash position for the period	3,424	-	3,424
Cash position at December 31, 2018	120,558	-	120,558
Cash position at December 31, 2019	123,982	-	123,982
Change in cash position for the period	3,424	-	3,424

(1) Resulting solely from the exercise of stock options.
(2) Carried out solely under the liquidity agreement administered by Exane BNP Paribas (see note 7).

Free cash flow at March 31, 2020, was 3.7 million euros. This figure results from a combination of 6.4 million euros in cash flows provided by operating activities (including a decrease in working capital requirement of 1.8 million euros) and capital expenditures of 1.1 million euros. The cash flows provided by operating activities also comprise an increase in other operating non-current assets of 2.2 million euros (corresponding to the part of the Q1 2020 research tax credit, not paid and not deducted from the corporate income tax due by Lectra SA – see note 6 hereafter). Finally, in order to ensure comparability of published free cash flows, the repayment of lease liabilities (according to IFRS 16), for 1.5 million euros, was taken into account.

The variation in working capital is explained as follows:

- −7.1 million euros corresponding to the decrease in trade accounts receivable, following a decline in revenues from software licenses, equipment and non-recurring services (the variation in trade accounts receivable shown in the consolidated statement of cash flows includes ‘Deferred revenues’ in the statement of financial position, which for the most part comprises the share of recurring contracts billed but not yet recognized in revenues);
- +2.7 million euros corresponding to the increase in inventories;
- +0.6 million euros corresponding to the decrease in trade accounts payable;
- +3.8 million euros arising from the difference between the variable portion of salaries for the Group in respect of fiscal year 2019 paid mainly in 2020, and the one recognized in Q1 2020 that will be paid in 2021;
- −1.8 million euros arising from the changes in other current assets and liabilities; taken individually, these changes are all immaterial.

The working capital requirement at March 31, 2020 was negative at 23.0 million euros. It comprised the current portion (2.6 million euros) of the 19.6 million euros receivable on the French tax administration in respect of the research tax credit, which has not been received and has not been deducted from the corporate income tax.

6. RESEARCH TAX CREDIT

When the research tax credit applicable in France recognized in the year cannot be deducted from the corporate income tax, 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.

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

The research tax credit (2.2 million euros) for Q1 2020 were accounted for but not received.

Thus, at March 31, 2020, Lectra SA held a 19.6 million euros receivable on the French tax administration (of which 17.0 classified within other non-current assets). This solely comprised the remaining amount of the research tax credit, after deduction from the corporate income tax due by Lectra SA in the same year: for 2020 (2.2 million euros), 2019 (5.2 million euros), 2018 (5 million euros), 2017 (4.5 million euros) and 2016 (2.6 million euros).

In light of its estimates of tax credits and corporate income tax for the next three fiscal years, the company 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: 2020 (in respect of the 2016 tax credit), 2021 (in respect of the 2017 tax credit), 2022 (in respect of the 2018 tax credit), 2023 (in respect of the 2019 tax credit) and 2024 (in respect of the 2020 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, 2020, the company has purchased 84,462 shares and sold 69,346 shares at an average price of €19.97 and €20.94 respectively under the liquidity agreement administered by Exane BNP Paribas.

At March 31, 2020, the company held 46,665 Lectra shares (i.e. 0.15% of the share capital) with an average purchase price of €17.89 entirely under the liquidity agreement.

8. CASH AND CASH EQUIVALENTS AND NET CASH

(in thousands of euros)	March 31, 2020	December 31, 2019
Available cash	93,982	90,558
Cash equivalents	30,000	30,000
Borrowings and financial debts	-	-
Net cash	123,982	120,558

The Group has no borrowings or financial debts. Thus, net cash was equal the sum of available cash and cash equivalents.

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

9. FOREIGN EXCHANGE RISK

The Group's currency risk management policy is unchanged relative to December 31, 2019.

In 2019, the average parity between the US dollar and the euro was $1.10/€1.

Exchange risk hedging instruments

Exchange risk hedging instruments at March 31, 2020 were comprised of forward sales or purchases of foreign currencies (mainly US dollar) for a net total equivalent value (sales minus purchases) of −2.8 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 the rest of 2020.

10. IMPLICATIONS OF THE COVID-19 OUTBREAK ON THE FINANCIAL STATEMENTS

The impact of the COVID-19 outbreak on the Group's financial statements has been reviewed in detail.

Anticipating a slowdown in its activity, the Group has implemented measures to control its fixed overhead costs; this has involved cancelling or postponing all non-essential expenses, and temporarily modifying the assignments of those teams whose current workload is the most affected, in particular to ensure an optimal use of the Group's solutions by customers and to accelerate transformative actions planned in the 2020-2022 strategic roadmap. In light of its sound financial position, capacity for resilience, and medium-term outlook, the Group has decided not to benefit from any financial support from the French government (such as tax reliefs, moratorium on payments, or partial activity).

Given the substantial headroom identified during the last impairment tests on goodwill, there are no indication of impairment, even considering the Group's activity decrease in Q1 2020.

During the first quarter of 2020, the working capital requirement remained at a normative level, and the Group generated positive cash flow. The Group's suppliers were paid on schedule. Most of the Group's customers also paid on time, without material impact on the statement of financial position at March 31, 2020. However, the Group remains highly focused on credit management, and took actions to strengthen cash collection activities.

Finally, the Group is debt-free. Cash and cash equivalents, as well as net cash position, totaled 124.0 million euros at March 31, 2020. Cash equivalents comprise negotiable certificates of deposit issued by the Company's banks. Interest-bearing sight accounts and time deposits opened in the Company's banks are treated as cash. All these holdings are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are not subject to any significant risk of changes in value.

11. SENSITIVITY ANALYSIS

Sensitivity of income from operations to a change in revenues from new systems sales

Under the company's business model, each 1 million euros increase (or decrease) in revenues from new systems sales results in a rise (or fall) in income from operations of approximately 0.45 million euros.

Sensitivity of revenues and income from operations to a change in exchange rates

The sensitivity of revenues and income from operations to a change in exchange rates was based on the December 31, 2019 exchange rates for the relevant currencies, in particular $1.12/€1.

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 $1.07/€1) would mechanically increase 2020 annual revenues by approximately 4.2 million euros and annual income from operations by 2.8 million euros. Conversely, a 5-cent appreciation of the euro against the US dollar (i.e. $1.17/€1) would mechanically reduce annual revenues and income from operations by the same amounts.

The parity is $1.09/€1 on the date of this report.

In addition to fluctuating against the US dollar and currencies strongly correlated with it, the euro also fluctuates against other currencies. These variations are frequently dissimilar both in direction (upward and downward) and in scale.