

Paris, September 15, 2014

ESI is the leader and a pioneer in virtual prototyping solutions.

Stock market information

Listed on compartment C of the NYSE Euronext Paris
[ISIN FR 0004110310](#)

FTSE 977

Bloomberg ESI FP

Reuters ESIG.LN

Granted « **entreprise innovante** » (innovative company) certification since 2000 by Bpifrance (ex-OSEO), **ESI Group** is eligible for inclusion in FCPI (venture capital trusts dedicated to innovation) and PEA PME.

Financial schedule

Results for the 1st half of 2014 will be published on:

September 25, 2014
(after market)

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Revenue for the 1st half of 2014

Robust activity and transition effects

- **Robust Licenses installed base**
- **Dynamic Licenses New Business**
- **Impact of the refocus of Services business**

Alain de Rouvray, ESI Group's Chairman and CEO, comments:

“The growing use of our Virtual Prototyping solutions, illustrated notably by the strength of New Business in the Licenses activity, was mitigated in the first half by adverse economic effects such as the persistence of significant foreign exchange impacts, the effects of the refocus of non-core Services and the one-off deferral of significant License contracts at year-end. These effects, which will attenuate during the second half, are not expected to undermine the Group's business momentum, leaving intact the potential for revenue growth over the full year. We will therefore continue to follow with confidence our roadmap as a strategic and critical partner of major OEMs who aim to accelerate the elimination of physical prototypes in the development of innovative industrial products.”

Change in second-quarter 2014 revenue

Year ending January 31 (unaudited figures)

By convention, the fiscal year running from February 1, 2014 to January 31, 2015 is referred to simply as "2014".

In € millions	Q2 2014 to July 31	Q2 2013	% chg.	% chg. (cer*)	H1 2014 to July 31	H1 2013	% chg.	% chg. (cer*)
Licenses	15.5	15.3	+1.1%	+3.6%	29.7	29.9	-0.7%	+2.9%
Services	7.0	7.4	-4.7%	-2.7%	13.0	14.4	-10.1%	-7.8%
Total	22.5	22.7	-0.8%	+1.6%	42.6	44.3	-3.7%	-0.6%

* cer: at constant exchange rates

Reminder: the seasonal nature of the ESI Group's Licenses business results in the recognition of the largest share of annual revenue in the fourth quarter of the year.

Second-quarter 2014 revenue: buoyant Licenses revenue

Second-quarter 2014 revenue amounted to €22.5 million, a slight increase of 1.6% at constant exchange rates on a purely organic basis compared with the same period in 2013. Change in the product mix continued to shift towards Licenses, which represented 68.8% of revenue, compared to 67.5% in Q2 2013.

Licensing: At constant exchange rates, Licenses revenue grew by 3.6%, reflecting the strength of demand for virtual prototyping solutions and highlighting an improving trend compared with Q1 2014. This trend is reflected in growth in the installed base (+0.6%, despite the impact of the exceptional repositioning of major contracts in the fourth quarter) and the robustness of the rate of recurring revenue in Licenses (+4.1 points). In addition, New Business was buoyant in Licenses (new products, new customers), with a significant 5.6% increase over the period.

Services: The revenue of the Services business continued to consolidate following the strategic refocus on high end services. Services revenue was down 2.7% at constant exchange rates.

Revenue for the 1st half of 2014: impact of the business cycle

Revenue for the 1st half of 2014 amounted to €42.6 million (-0.6% at constant exchange rates). The product mix is changing in favor of Licenses, which represented 69.8% of revenue at constant exchange rates, compared with 67.4% in the same period in 2013.



Licenses: robust business

Licenses revenue amounted to €29.7 million, an increase of 2.9% at constant exchange rates. As was the case during the first quarter, the trend in Repeat Business in Licenses was mitigated by the repositioning of major contracts in the fourth quarter. The rate of recurrence of the installed base was 76% at constant exchange rates, compared with 75.3% in H1 2013. Strong growth was recorded in New Business (new products and new customers) (+9.1% at constant exchange rates), driven by the registration of new accounts, notably in the United States, Japan and South Korea, mainly around our virtual manufacturing and virtual reality (IC.IDO) solutions.

Services: continued refocus focus on high value added projects

At constant exchange rates, Services revenue amounted to €13.3 million, a decline of €1.1 million. This reflects the Group's strategic refocus on high-end projects demanding expertise, more closely aligned with our core business and chiefly in the United States. This effect is expected to ease in the second half.

Geographical mix: strong growth in Asia

Over the period, and at constant exchange rates, the share of revenue by geographical region increased by 1.1 points to 41.3% in Asia and by 0.4 points to 41.5% in Europe, but fell by 1.5 points to 17.2% in the Americas (effect of Services refocus). The share of revenue derived from the BRIC countries reached 13.3% (vs 14.3%) taking into account some repositioned contracts in Russia and China at end of the fiscal year.

About ESI

ESI is a pioneer and world-leading player in virtual prototyping that take into account the physics of materials. ESI boasts a unique know-how in Virtual Product Engineering, based on an integrated suite of coherent, industry-oriented applications. Addressing manufacturing industries, Virtual Product Engineering aims to replace physical prototypes by realistically simulating a product's behavior during testing, to fine-tune fabrication and assembly processes in accordance with desired product performance, and to evaluate the impact on product use under normal or accidental conditions. ESI's solutions fit into a single collaborative and open environment for End-to-End Virtual Prototyping. These solutions are delivered using the latest technologies, including immersive Virtual Reality, to bring products to life in 3D; helping customers make the right decisions throughout product development. The company employs about 1000 high-level specialists worldwide covering more than 40 countries. ESI Group is listed in compartment C of NYSE Euronext Paris.

2014 awards: winner of the 2014 ASMEP-ETI/Bpifrance award in the "Innovation and industrial strategy" category and of the "Grand Prix des Entreprises de Croissance", in the "Software and IT Services" category.

For further information, go to www.esi-group.com.

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