

Paris, March 13, 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 on January 20, 2000 by Bpifrance (ex-OSEO), [ESI Group](#) is eligible for inclusion in FCPI (venture capital trusts dedicated to innovation).

#### Financial schedule

2013 annual results:

April 24, 2014

(after market)

#### Contacts

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#### Social media



## 2013 annual sales

**Sales growth of +6.6%  
at constant currency (+0.3% in actual terms)**

- **Dynamic Licensing activity in Q4 2013: +20.3% at constant currency**
- **Substantial negative currency effect**
- **Further geographical diversification: dynamism of BRIC countries**
- **Amplification of strategic partnerships**
- **Broadening of the sales offer thanks to recent acquisitions**

Alain de Rouvray, ESI Group's Chairman and CEO, comments: “*The anticipated buoyant growth in Licensing activity observed over the final quarter of 2013 was a source of real satisfaction. This positive dynamic reflects the development of our industrial partnerships concretised by the signing of three-year contracts with major strategic customers. More generally, it illustrates the transition to digital technology by a growing number of industrial sectors, gradually leading the way towards an extended deployment. The integration of our recent acquisitions has further strengthened the collaborative and innovative aspect of our solutions; their field of application thus expands to the design phase and enables access in the Cloud to achieve more flexible and affordable computing power. The reported decrease in Services activity is associated with a number of exceptional contracts recorded in 2012 and with the strategic repositioning of business in the United States. As announced, the strong negative evolution of currency rates, and notably in the euro/yen parity, will have an impact on our economic profitability. The EBITDA should however improve at constant currency rates, for this year of consolidation and transition.*”

## 4<sup>th</sup> quarter and annual sales

The Company's 4<sup>th</sup> quarter and financial year run to January 31.

€ millions	Q4 2013	Q4 2012	Δ (euros)	Δ (cc*)	FY 2013	FY 2012	Δ (euros)	Δ (cc*)
<b>Licenses</b>	38.0	33.2	+14.6%	<b>+20.3%</b>	80.6	77.5	+4.0%	<b>+11.1%</b>
<b>Services</b>	7.5	9.2	-18.9%	<b>-14.3%</b>	28.7	31.5	-8.9%	<b>-4.4%</b>
<b>Total</b>	<b>45.5</b>	<b>42.4</b>	<b>+7.3%</b>	<b>+12.8%</b>	<b>109.3</b>	<b>109.0</b>	<b>+0.3%</b>	<b>+6.6%</b>

2013 sales include activity recorded by OpenCFD Ltd., consolidated since September 12, 2012, and CyDesign since October 21, 2013.

\* cc: constant currency

## Breakdown in sales by quarter

The Company's financial year runs to January 31.

€ millions	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
<b>Licenses</b>	38.0	12.7	15.3	14.6	33.2	14.2	15.8	14.4
<b>Services</b>	7.5	6.8	7.4	7.1	9.2	7.7	7.8	6.8
<b>Total</b>	<b>45.5</b>	<b>19.6</b>	<b>22.7</b>	<b>21.6</b>	<b>42.4</b>	<b>21.9</b>	<b>23.5</b>	<b>21.2</b>

Reminder: the seasonal nature of ESI Group's Licenses sales usually results in a larger proportion of full-year revenue being recorded over the final quarter of the year.

By convention, the fiscal year from 01/02/2013 to 31/01/2014 is simply referred to as 2013. 2012 thus corresponds to the fiscal year to 31/01/2013.

## 4<sup>th</sup> quarter sales

Sales for the 4<sup>th</sup> quarter of 2013 totalled €45.5 million, an increase of +12.8% at constant currency (+7.3% in actual terms) on the 4<sup>th</sup> quarter of 2012, as a result of the buoyant sales of Licenses, for which there is a return to a stronger level following growth of just 2.3% over the same period of the previous year.

The seasonal nature of ESI Group's activity was reaffirmed over the period, with the 4<sup>th</sup> quarter of 2013 accounting for 41.6% of total annual sales (vs. 38.9% a year earlier).

The scope during the 4<sup>th</sup> quarter of 2013 was comparable to that of the 4<sup>th</sup> quarter of 2012, as CyDesign's technology is currently being integrated and has not yet generated revenue. The growth recorded in the 4<sup>th</sup> quarter can thus be analysed on an organic basis.

Over the period, License sales totalled €38.0 million and thus recorded buoyant growth of 20.3% at constant currency (+14.6% in actual terms), driven by the deployment of ESI's solutions amongst leading industrial partners. The installed base grew by +21.7% at constant rate (+15.7% in actual terms); the rate of repeat business increased to the particularly high figure of 95.3% at constant rate (90.4% in actual terms); and furthermore, New Business totalled €7.8 million, up +15.8% (+13.3% in actual terms), and accounted for 17.9% of Licenses sales.

Licensing activity thus accounted for close to 84% of total sales during the final quarter of 2013, compared with 78.3% a year earlier.

Over the last three years, 4<sup>th</sup> quarter Licensing activity has recorded average growth of +11.0% at constant currency (+8.3% in actual terms).

Services activity recorded sales of €7.5 million in actual terms over the quarter, a decrease of €1.7 million. This reduction was the result of a negative base effect due to exceptional projects having been recorded over the final quarter of 2012 (a strong quarterly growth of +20.7% was recorded in the same period of 2012), the decrease in non-strategic activities and a negative currency effect of €0.4 million.

Over the last three years, average 4<sup>th</sup> quarter Services activity has been stable (+1.7% at constant currency and -1.1% in actual terms).

## 2013 annual sales

### **Buoyant sales growth at constant currency, driven by Licensing activity**

2013 annual sales totalled €109.3 million, up 6.6% at constant currency and stable in actual terms. The currency effect, essentially a result of the negative evolution of the euro/yen parity, had a impact of -€7.0 million (-6.4%) on 2013 sales.

This performance should also be analysed within the context of the buoyant growth recorded the previous year (+12.6% at constant currency, +15.7% in actual terms). Indeed, since 2011, annual sales have increased by an average of +9.6% a year at constant currency (+7.7% in actual terms). The product mix moved towards Licensing activity, which now accounts for 73.7% of total annual sales compared with 71.1% in 2012.

Adjusted for the scope effect, organic sales growth was +5.9% at constant currency, and also confirms this dynamism.

### **Licenses: solid business model**

Following the substantial growth recorded the previous year (+9.6% at constant currency, +12.6% in actual terms), Licensing activity totalled €80.6 million and was up a further +11.1% at constant currency (+4.0% in actual terms) on the previous year. Over the last three years, the average annual increase in Licensing activity was thus +10.4% at constant currency (+8.2% in actual terms), confirming the long-term nature of the demand for ESI Group solutions.

Still at constant currency, the installed base increased by +13.3% (+5.0% in actual terms) with the repeat business rate climbing to 86.7% (80.1% in actual terms). Also increasing, New Business totalled €17.5 million, up +6.0% at constant currency (+2.8% in actual terms), thus accounting for 21.4% of License sales. This illustrates the solid nature of ESI Group's business model, which is based on the growth and recurrent nature of the Licensing activity.

### **Services: particularly negative base effect**

Services activity totalled €28.7 million, down -4.4% at constant currency and -8.9% in actual terms. This decrease was due to a negative base effect compared with 2012 (with its growth of +24.1%) and to the Group's policy of gradual withdrawal from non-strategic activities not related to our core business interests.

However, over the last three years Services activity has increased by an average of +7.4% a year at constant currency (+6.4% in actual terms), thus reflecting the demand of our industrial customers for support and co-creation projects as they transition towards digital factories.

### **Geographical diversification: dynamism of BRIC countries**

In 2013, the geographical split of sales in actual terms reveals a move towards Europe (from 43.1% to 45.2% of sales) at the expense of Asia (from 36.8% to 35.8%) and the Americas (from 20.2% to 19.0%). However, if we take into account the currency impact, we observe instead a stable figure for European zone, an increase for Asia and a decrease for the Americas due to the reduction in Services activity in that region.

Activity in BRIC countries grew further, in line with the Group's strategy of accompanying industrialists in emerging regions demonstrating economic potential. These countries accounted for 15.4% of total sales over the period, compared with 13.1% in 2012 and giving buoyant growth of +17.9%.

### **Amplification of strategic partnerships and significant increase in the adoption of end-to-end virtual prototyping**

The signing in May 2013 of a strategic cooperation agreement with the Renault group marked for that company an intensification of the deployment of end-to-end virtual prototyping and illustrated the imperative of manufacturing industries to possess disruptive technology. Consequent to that agreement we signed in January 2014 three-year contracts covering the services to be undertaken for Renault, its subsidiaries, and Nissan Motor. Similarly, the Volkswagen group has also reiterated its confidence in ESI Group by signing and extending for the eighth consecutive time its 3-year contract; this time with a broader scope. We note also that Honda Motor has committed itself to new co-creation projects related to use of new materials and the durability of its products.

These various agreements lay witness to the automotive industry's lead and predominance for virtual prototyping solutions; a real accelerator of innovation.

Like the automotive segment, the aeronautical and defence sectors, which are also subject to substantial competitive pressure and increasingly stringent environmental constraints, are highlighting the value added by ESI Group's methodological and technological approach. EADS has launched further co-creation projects in the fields of vibro-acoustics, composites and assembly. Also in the aeronautical sector, ESI Group has recorded substantial growth of business with AVIC in China; a reflection of AVIC's commitment to adopt ESI solutions even before the AVIC-ESI Joint Venture became effective on February 1, 2014. In the energy sector, AREVA signed a two-year engineering contract in line with its strategic plan aimed at strengthening its technological competitiveness, improving its economic performance and consolidating its nuclear security and safety policy.

The buoyant development of these strategic partnerships presages a more global deployment of virtual prototyping in all industries in the medium term.

Orders taken from our top twenty clients continue to represent a significant share of our activity: 46.0% (compared with 42.8% in 2012).

### **Successful integration of acquisitions with the ESI Group global offer**

The acquisitions carried out by the Group represent leverage to accelerate the transition of major clients towards end-to-end virtual prototyping. To be specific, the integration of OpenCFD, leader in open source computational fluid dynamics software, has contributed to the acceleration in the deployment of ESI Group's expertise within the Volkswagen group. Furthermore, the immersive and distributed virtual reality concept developed following the acquisition of IC.IDO has proved to be a major marketing augmentation of the appeal of ESI Group's end-to-end virtual prototyping



solution, as demonstrated by the numerous contracts signed in this domain across various industrial sectors. We note for example Jaguar Land Rover and Fiat in the automotive sector, Bausch+Ströbel in the pharmaceutical sector and Astrium, Boeing and AVIC in the aeronautical sector.

Most recently, the acquisition of CyDesign's innovative technology based on the modelling of systems and adaptive control technologies (0D-1D models), both in the Cloud and in SaaS mode, attests to the Group's strategic vision to accelerate the transition to end-to-end virtual engineering. It allows industrialists who wish to explore the design space of their new products without building real physical prototypes during the design phase; prototypes that tend to be very expensive and may even be impossible to create within an acceptable timeframe. This technology is aimed at positioning ESI Group's solutions to deliver value right from the product inception phase, and to address a broader base of innovative users.

#### About ESI

[ESI](#) is a pioneer and world-leading provider in Virtual Prototyping that takes 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 behaviour 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 1,000 high-level specialists worldwide covering more than 40 countries. [ESI Group](#) is a French company listed in compartment C of NYSE Euronext Paris.

ESI Group: winner of the 2014 ASMEP-ETI/Bpifrance award in the "Innovation and industrial strategy" category

For further information, visit [www.esi-group.com](http://www.esi-group.com).

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