



Paris, September 27, 2012

[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 OSEO, [ESI Group](#) is eligible for inclusion in FCPI (venture capital trusts dedicated to innovation).

#### Financial schedule

Press release on the 3<sup>rd</sup> quarter 2012/13:

December 13, 2012  
(after market)

#### Contacts

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#### Social media



## Results for the first half of 2012/13

### Confirmation of the positive global trends

- **Improvement in results**
- **Growth momentum**
- **Solid financial situation**

Alain de Rouvray, ESI Group's Chairman and CEO, comments: “*This first half confirms the global trends observed in recent half years, both on a sales level and on an operating level. The dynamic organic growth, combined with the very strong performance of our recurring installed base and the improvement recorded by our high-end services, increases our confidence in the achievement of our development plan for the second half.*”

*Our organic results confirm our effective cost control within a context of strong growth. In the short and medium term, we are seeing a strong desire by our industrial partners to adopt End to End Virtual Prototyping, as well as the need for close collaboration on major innovative projects. This trend is also being confirmed by a substantial improvement in business with certain industrial segments, including the automotive industry, in today's challenging economic climate.*

*Lastly, our acquisition policy, which is an integral part of our growth strategy, contributed to this first-half growth thanks to the IC.IDO acquisition past year. Furthermore, the recent integration of OpenCFD Ltd. opens the way for rapid sales deployment thanks to the originality and strength of the open-source business model.*

*All of these positive factors give us reason to be confident and determined regarding the second half of our 2012/2013 financial year.”*

## Consolidated half-year results

(FY to January 31)

In € millions

	H1 2012/13 to July 31, 2012	H1 2011/12 to July 31, 2011	Δ	
			€m	%
<b>Total sales</b>	<b>44.7</b>	<b>36.6</b>	+8.1	+22.2%
Licences	30.2	24.9	+5.2	+20.9%
Services	14.6	11.7	+2.9	+24.9%
<b>Gross margin</b>	<b>29.2</b>	<b>23.9</b>	+5.3	+22.2%
% of sales	65.3%	65.3%		
<b>EBITDA</b>	<b>-1.2</b>	<b>-1.7</b>	+0.5	+28.3%
% of sales	-2.7%	-4.6%		
<b>Current operating profit</b>	<b>-1.1</b>	<b>-1.8</b>	+0.7	+40.1%
% of sales	-2.4%	-4.9%		
<b>Operating profit</b>	<b>-1.4</b>	<b>-1.8</b>	+0.4	+25.1%
% of sales	-3.0%	-4.9%		
<b>Net profit, group share</b>	<b>-1.1</b>	<b>-1.6</b>	+0.5	+34.3%
% of sales	-2.4%	-4.4%		

*Reminder: the seasonal nature of ESI Group's Licences sales usually translates into a larger proportion of full-year revenues being recorded over the fourth quarter of the year.*

### First-half sales recorded organic growth of +16.1%

As announced on September 13, 2012, first-half sales totalled 44.7 million euros, an increase of +22.2% in actual terms and +16.1% organically. The currency effect for the organic scope was 5.8% over the period.

The key indicators were all positive over the half:

- Licences revenue amounted to €30.2 million, up +20.9% in actual terms and +14.4% organically.
- The Licences installed base recorded growth of +22.3% in actual terms and +18.9% organically, and totalled 21.7 million euros.
- Licences repeat business stood at a particularly high level of 92%, helped by a positive currency effect.
- Licences New Business was up +11.2% in actual terms, due to the scope effect resulting from the integration of IC.IDO.
- Services activity, which was particularly dynamic over the second quarter, recorded sales of 14.6 million euros, an increase of +24.9% in actual terms and +19.6% organically.

First-half growth revealed the upramping of BRIC countries (Brazil, Russia, India and China), with their share of total sales increasing to 12.0% versus 10.8% a year earlier, recording growth of

+23%. Overall, the geographical split in activity remained relatively stable with Europe accounting for 38% of first-half activity, Asia 43% and the Americas 20%.

### **Stable gross margin**

The gross margin came to 65.3% of sales, and was thus stable compared to the first half of the previous year.

The product mix remained more or less stable, with Licences sales accounting for 67.4% of total sales over the half, compared to 68.1% over the first half of 2011/2012. It should be remembered that the weight of Licences activity is relatively low over this part of the year because of the substantial seasonal effect.

### **Operating costs under control**

Research and Development (R&D) costs represented 16.4% of total sales over the first half of 2012/13, compared to 17.8% of sales a year earlier. R&D costs were thus up +12.7% and totalled 7.3 million euros, compared to 6.5 million euros over the same period last year, with the impact of the incorporation of IC.IDO.

Sales & Marketing (S&M) costs amounted to 16.3 million euros, up 20.4% on the same period last year, and represented 36.3% of sales, compared to 36.9% last year.

General and Administrative costs totalled 6.7 million euros, versus 5.7 million euros over the first half of 2011/12, and thus increased by +17.6%, representing 14.9% compared to 15.6% of total sales a year earlier.

All in all, operating costs remained under control, and increased at a slower rate than sales over the first half of the year.

### **Improvement in EBITDA and current operating profit**

The EBITDA margin continued to improve, gaining a further +1.9 points to -2.7%, versus -4.6% over the first half of 2011/12 and -6.8% over the first half of 2010/11.

Current operating profit was a negative 1.1 million euros, an improvement of +0.7 million euros or +40.1% compared to the first half of last year.

### **Improvement in net profitability**

The financial result, which improved to -0.2 million euros over the half compared to -0.8 million euros last year, benefitted from a slightly positive currency effect, compared to a currency loss last year, and also good control over financial costs.



Once this financial result and the improvement in operating profit are taken into account, the net profit, group share, was -1.1 million euros over the first half of 2012/13 versus -1.6 million euros over the first half of last year, and thus improved by 34.3%.

### **Solid financial structure**

The Group had 11.9 million euros in available cash at July 31, 2012 compared to 12.5 million euros at July 31, 2011 and 7.7 million euros at January 31, 2012. Following an increase in working capital requirements associated with the substantial growth in activity and investment spending associated with the IC.IDO acquisition, the Group's financial position remained very solid with net debt of just 2.8 million euros.

### **Unique value creation much appreciated by industrialists**

The very high repeat rate reflects our clients desire to continue their transition towards virtual prototyping and the confidence they have in ESI's solutions. Based on a unique approach, our solutions provide a methodological breakthrough in the product manufacturing process.

The improvement in orders taken over the period notably highlights the need for innovation by sectors subject to substantial competitive pressure and strict regulations, and in particular the Automotive (+16%), Heavy Industry (+24%), Aeronautical (+16%) and Energy (+11%) sectors. Note that the ongoing development of partnerships with the automotive industry, despite this sector being hard-hit by the economic turmoil, reflects the indispensable search of major large accounts for innovation and their need for sophisticated support through their migration towards virtual prototyping.

Services activity, which recorded substantial growth too, also highlights the anti-crisis nature of ESI Group's solutions with an intensification of high value-added "co-creation" projects.

The resilience of the Group's business indicators and fundamentals confirms the pertinence and solidity of ESI Group's strategic vision, which is to provide optimal support to key clients in their necessary migration towards virtual engineering. ESI Group is reaffirming its ambitious development plan combining organic and external growth. Indeed, the latest acquisitions carried out by ESI (OpenCFD Ltd., IC.IDO, Efield) confirm the Group's ability to identify and integrate complementary and sustainable activities that generate substantial value.



#### 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 behavior during testing, to fine-tune fabrication and assembly processes in accordance with desired product performance, and to evaluate the impact of 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 900 high-level specialists worldwide covering more than 30 countries. [ESI Group](#) is listed in compartment C of NYSE Euronext Paris. For further information, visit [www.esi-group.com](http://www.esi-group.com).

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