Paris, April 24, 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) and PEA-PME funds

Financial schedule

Q1 2014 revenue:
June 12, 2014
(after market)

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www.esi-group.com

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2013 annual results

Substantial improvement in operating profitability at constant currency

- **Improvement in EBITDA at constant currency (+44.7%) and actual terms (+8.5%)**
- **Operating costs under control**
- **Impact of non-recurrent expenses**
- **Efficiency of the business model**
- **Dynamic activity amongst major clients**

Alain de Rouvray, ESI Group's Chairman and CEO, comments: "*We are pleased with the substantial improvement recorded in operating profitability at constant currency over this year; one heavily affected by currency effects. In accordance with our expectations, this transition year showed the impact of operating costs control that resulted in a solid EBITDA growth and confirmed the efficiency of our business model. However, EBIT and net profit in actual terms were affected by non-recurrent expenses.*

The 2014 financial year, and notably the second half, should benefit from the growing number of multi-year and multi-sector strategic agreements signed with major groups at the end of 2013 and the positive prospects of our recent acquisitions. This trend reveals an acceleration in the industrial deployment of our virtual prototyping solutions, which are fully benefitting from "exponential" innovative IT technologies."

Consolidated annual results

€ millions	FY'13 to January 31, 2014	FY'12 to January 31, 2013	Δ actual terms		FY'13 constant currency	Δ constant currency	
			€m	%		€m	%
Total sales	**109.3**	**109.0**	0.3	+0.3%	**116.3**	7.2	+6.6%
Licenses	80.6	77.5	3.1	+4.0%	86.1	8.6	+11.1%
Services	28.7	31.5	-2.8	-18.9%	30.1	-1.4	-4.4%
Gross margin	**75.0**	**74.3**	0.8	+1.0%	**80.5**	6.3	+8.5%
% of sales	*68.6%*	*68.1%*			*69.3%*		
EBITDA*	**9.6**	**8.8**	0.7	+8.5 %	**12.7**	3.9	+44.7%
% of sales	*8.7%*	*8.1%*			*11.0%*		
Core operating profit	**7.9**	**8.8**	-1.0	-10.8%	**11.0**	2.2	+25.3%
% of sales	*7.2%*	*8.1%*			*9.5%*		
EBIT	**6.2**	**8.0**	-1.9	*-23.5%*	**9.3**	1.3	+16.1%
% of sales	*5.6%*	*7.4%*			*8.0%*		
Attributable net profit	**2.4**	**5.0**	-2.6	-51.8%	**4.4**	-0.6	-12.0%
% of sales	*2.2%*	*4.6%*			*3.8%*		

These accounts were approved by the Board meeting of April 23, 2014. Audit procedures have been carried out on the Group's consolidated accounts, and the audit report is currently being prepared for publication.

** Excluding acquisition costs, goodwill and the impact of R&D IFRS capitalisation*

Good business dynamic

As announced on March 13, 2014, 2013 annual sales totalled 109.3 million euros, stable in actual terms and up 6.6% at constant currency. The currency effect, essentially a result of the negative evolution of the euro/yen parity, had an impact of -7.0 million euros on annual revenues. The underlying and encouraging sales dynamic, notably penalised by a negative base effect, was driven by the buoyant growth of +12.8% recorded during the 4th quarter of 2013 at constant currency (+7.3% in actual terms). This reflects the development of our industrial partnerships embodied by the signing of multi-year contracts with major strategic clients.

At constant currency, the following key indicators confirm the sales performances and the solidity of our Licenses activity:

- Increase in Licenses sales: +11.1%
- Buoyant increase in the Licenses installed base: +13.3%
- Sustained and high rate of Licenses repeat business: 86.7%
- Dynamic growth in New Business: +6.0%

The decrease in Services activity to sales totalling 28.7 million euros (-4.4% at constant currency), reflects a consolidation in activity following the buoyant growth recorded the previous year (+24.1% in actual terms) and the Group's policy of gradually pulling out of non-strategic activities outside its core business. Nevertheless, the growth recorded over the last three years (+7.4% on average at constant currency) reflects solid demand amongst industrial companies that use our solutions, in particular through innovative co-creation projects.

Increase in the gross margin at constant currency

At constant currency, the gross margin represented 69.3% of revenue (68.6% in actual terms), compared with 68.1% in 2012. This improvement is a result of the favourable evolution of the product mix (74.1% of Licenses, versus 71.1% in 2012), combined with an increase in the Licenses margin, that confirms the solidity of the Licenses business model. The margin for Services was down because of the negative base effect compared with 2012. However, the Services gross margin should improve again in 2014, following the refocusing of our activities undertaken in 2013.

Operating costs under control

ESI Group has continued to pursue an active investment policy by maintaining a +6.0% increase at constant currency (+3.2% in actual terms) in its R&D expenditure. The latter totalled 21.1 million euros in real terms (excluding Research Tax Credit), or a stable figure of 26.2% as a proportion of Licenses sales. In IFRS terms, R&D costs on the income statement totalled 17.0 million euros in actual terms, an increase of +9.1% due to a lower capitalisation of R&D costs over the period.

Sales and Marketing costs came to 34.9 million euros, or 32.0% of total revenue compared with 32.6% the previous year. Following the significant increase recorded in 2012, this shows good control of these costs.

General & Administrative costs totalled 15.2 million euros in real terms, compared with 14.3 million euros in 2012. This increase (+6.7% in actual terms, +9.1% at constant currency) can be explained by the incorporation of restructuring costs and by targeted investments, including implementation of new management tools.

Substantial improvement in EBITDA and operating profitability at constant currency

In actual terms, EBITDA was up +8.5% to 9.6 million euros, giving a margin of 8.7% in 2013 compared with 8.1% in 2012. When reported at constant currency, the increase was even greater: +44.7% for an equivalent of 12.7 million euros, or a margin of 11.0%. These margins confirm the improvement in profitability that was visible over the second half of the year.

Personnel costs were notably controlled as the average workforce reduced from 1,040 FTE over the 1st half of 2013 to 1,011 FTE over the 2nd half of 2013. At the end of the year (January 31, 2014), the workforce stood at 1,008 employees, down from at 1,045 a year earlier.

At constant currency, core operating profit increased by +25.3% to 11.0 million euros, giving a margin that was up +1.4 percentage points (9.5% in 2013 vs. 8.1% in 2012). In actual terms, core operating profit totalled 7.9 million euros, down 10.8%, with a margin of 7.2%. Given the EBITDA figure, this smaller change was notably due to a lower capitalisation of R&D costs in IFRS terms and to higher provisions.

At constant currency, EBIT increased by +16.1% to 9.3 million euros, giving a margin of 8.0%, up 0.6 percentage points compared with 2012. In actual terms, EBIT totalled 6.2 million euros, down 1.9 million euros. This change reflects the incorporation of non-recurrent costs associated with acquisitions.

There was a financial loss of -0.9 million euros in 2013, compared with a neutral financial result in 2012. This includes an interest expense of -1.0 million euros and a marginal positive impact of +0.1 million euros associated with currency effects. Indeed, although hedging instruments generated a total cash gain of +0.8 million euros in 2013, this impact was provisioned in the 2012 accounts to an amount of 0.7 million euros.

Attributable net profit totalled 2.4 million euros in actual terms, giving a net margin of 2.2%, compared with 5.0 million euros in 2012, with the currency effect having an impact of -2.0 million euros in this figure. The tax burden, particularly high at 2.7 million euros (52.9% average rate), was notably impacted by a provision for tax risks.

Solid financial structure

The Group had 10.7 million euros in available cash at the end of 2013. Net debt was €14.0 million vs. €10.9 million at January 31, 2013, whilst gearing (net debt over shareholders' equity) was limited to 17.5%, an improvement on the figure of 14.1% at the end of 2012.

At January 31, 2014, ESI Group also held 6.92% of its capital in treasury stocks.

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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 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.

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