

## Nine-month 2017 sales: €78.7 million

- **Base effect following the strong performance in 2016**
- **Construction and validation of Industry 4.0 solutions**

Commenting on the quarterly results, Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group, said: *"This quarter marks a milestone in the introduction of our transformational offer to answer Industry 4.0 grand challenges. While we continue to strengthen our Virtual Prototype core business based on the virtual pre-certification of innovative industrial products, we are concurrently building our new Hybrid Twin<sup>TM</sup> disruptive solutions to represent the used product in its 'in-service' operational conditions.*

*This strong transformational approach builds upon ESI's recent acquisitions of innovative technologies (Big data, IoT, A.I.) to virtually shape in co-creation with our lead strategic customers the new innovative designs, materials and manufacturing processes required for their connected and assisted products of the future. It targets product predictive performance and maintenance, to optimize repairs, facilitate certification update, and minimize recalls. Once the brand-new Product is 'right the first time' thanks to its pre-certified Virtual Prototype, it must be kept right when in-Service, and perform right in real life with its connected and operationally assisted 'Hybrid Twin<sup>TM</sup>'.*

*As anticipated, the lackluster of our third quarter financials does not realistically reflect the considerable transformative added value being built with our strategic partners and global industry leaders. So, we reiterate our strong confidence in ESI's ability to recover its growth momentum in 2018. This view is reinforced by the enthusiasm already shown by our partners and early adopters worldwide.*

## Change in third-quarter and year-to-date sales

Financial year ending January 31 (unaudited figures)

The third-quarter ends on 31 October.

In € millions	Q3 2017	Q3 2016	% Δ	% Δ (cer <sup>1</sup> )
<b>Licenses</b>	17.8	19.5	-8.9%	-3.6%
<b>Services</b>	7.2	7.4	-2.8%	+1.0%
<b>Total</b>	<b>24.9</b>	<b>26.9</b>	<b>-7.2%</b>	<b>-2.4%</b>

In € millions	Sales 9 months 2017	Sales 9 months 2016	% Δ	% Δ (cer <sup>1</sup> )
<b>Licenses</b>	56.8	59.7	-4.8%	-3.4%
<b>Services</b>	21.9	23.2	-5.6%	-4.6%
<b>Total</b>	<b>78.7</b>	<b>82.8</b>	<b>-5.0%</b>	<b>-3.8%</b>

<sup>1</sup>cer: at constant exchange rates

## Breakdown of quarterly sales

In € millions	Q3 2017	Q2 2017	Q1 2017	Q3 2016	Q2 2016	Q1 2016
<b>Licenses</b>	17.8	19.0	20.1	19.5	20.6	19.5
<b>Services</b>	7.2	7.4	7.3	7.4	7.9	7.9
<b>Total</b>	<b>24.9</b>	<b>26.4</b>	<b>27.3</b>	<b>26.9</b>	<b>28.6</b>	<b>27.4</b>

NB: because of strong seasonal variations, ESI Group's Licenses business recognizes a big part of its annual revenue in the 4th quarter of the year.

Acquisition during the period: "Scilab Enterprises" was consolidated from February 28, 2017.

### Sales for the 3<sup>rd</sup> quarter

Sales for the 3<sup>rd</sup> quarter at constant exchange rates were down 2.4% year upon year to €24.9 million. There was a negative currency effect of €1.3 million during the period mostly related to the depreciation of the Japanese yen against the euro.

Sales from the Licenses business fell 3.6% to €17.8 million, reflecting the impact of repositioning a contract in Asia for approximately €1 million. This contract will be renewed in the fourth quarter of the year.

Revenue from Services grew by 1.0% at constant exchange rates to €7.2 million on the back of 4.8% growth in Engineering Studies (at constant exchange rates) which were supported by fine performances in Europe and increased revenue from Special Projects, in support of strategic innovation.

### Nine-month sales

Sales for the first nine months of the year came in at €78.7 million, down 3.8% at constant exchange rates. As in the first-half of the year, these figures reflect a strong base effect due to the excellent performance in the first nine months of 2016 and the impact of the Group's transformation strategy. Sales driven by the change of perimeter amounted to €0.4 million, corresponding to the acquisition of Scilab Enterprises in February 2017. There was a negative currency effect of €1.1 million during the period due to the depreciation of the Japanese yen against the euro.

The product mix remained stable during the first nine months: Licenses generated 72.2% of total revenue (versus 72.0% in the same period in 2016).

### Licenses

Revenue from Licenses declined 3.4% year-on-year to €56.8 million at constant exchange rates. The ratio of New Business was stable at 22.0% (at constant exchange rates) and the Repeat Business rate was 73.4%. These indicators were notably impacted by lower year-on-year sales of perpetual licenses.

### Services

The Services business reported a 4.6% drop in sales to €21.9 million (at constant exchange rates) but revenue from Special Projects continued to rise, reflecting the growth in co-creation and methodological transformational projects that harness new embedded technologies.

## Geographic mix

Europe accounted for 40.4% of total revenue (at constant exchange rates), compared to 38.3% for the first nine months of 2016. The contribution of the Americas region was stable at 16.0% while Asia contributed 43.6% of total revenue (versus 45.7% last year).

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## Next event:

Actionaria forum:

**November 23-24, 2017**

Paris (France)

## About ESI Group

[ESI Group](#) is a leading innovator in [Virtual Prototyping](#) software and services. Specialist in material physics, [ESI](#) has developed a unique proficiency in helping industrial manufacturers replace physical prototypes by virtual prototypes, allowing them to virtually manufacture, assemble, test and pre-certify their future products. Coupled with the latest technologies, Virtual Prototyping is now anchored in the wider concept of the Product Performance Lifecycle, which addresses the operational performance of a product during its entire lifecycle, from launch to disposal. The creation of Hybrid Twin™, leveraging simulation, physics and data analysis, enables manufacturers to deliver smarter and connected products, to predict product performance and to anticipate maintenance needs.

ESI is a French company listed in compartment B of Euronext Paris. Present in more than 40 countries, and addressing every major industrial sector, [ESI Group](#) employs about 1200 high-level specialists around the world and reported annual sales of €141 million in 2016.

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

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