

## CONTENT

Message from the Chairman and the CEO.....	p2
H1-2019 Performance review.....	p3
Highlight of the action plan.....	p4
Cristel de Rouvray & Olfa Zorgati interview.....	p5
ESI Group: a committed player.....	p6
How to become a shareholder.....	p8
ESI Group & you.....	p9



## Message from the Chairman and the CEO



**Alain de Rouvray,**  
Founder and Chairman

**Cristel de Rouvray,**  
Chief Executive Officer

### Dear Shareholders,

2019 is a milestone in ESI Group's History.

On February 1<sup>st</sup>, we implemented our succession plan by appointing Cristel de Rouvray as Chief Executive Officer, splitting this function from the position of Chairman of the Board of Directors.

2019 also marks a great industrial and technological achievement for the Renault Group, with the support of our teams: the certification of their new Clio 5 using a single real prototype. All the prior testing and prototyping phases were done virtually. Our "zero real tests, zero real prototypes and zero downtime" vision is key for many manufacturers in their quest to achieve their innovation, productivity and in-service performance.

2019 clearly promises to be the year of the International Scientific Community's recognition of our Hybrid Twin™ concept, already the object of two awards at the "Simulation Trophies" of "L'Usine Digitale": Innovation and Public prizes.

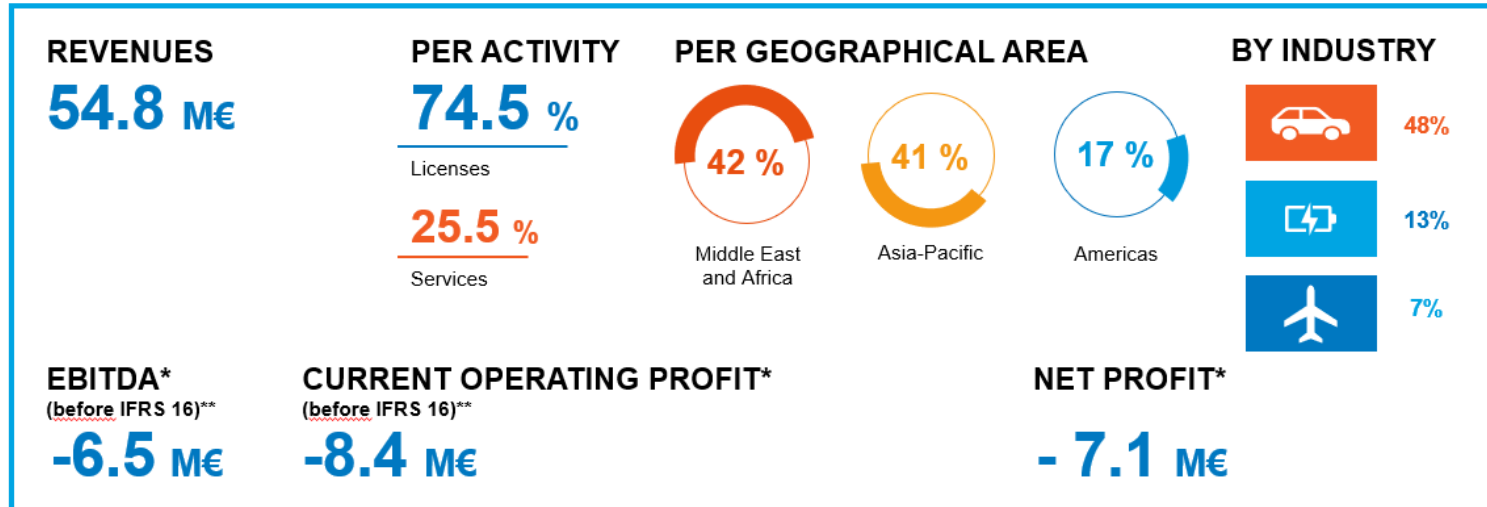
All fundamentals are now set to realize our vision and validate our strategy. The latest business successes achieved in several key strategic accounts reinforce this vision and confirm that the market has definitely embraced the end-to-end virtual prototyping era.

Our Chief Executive Officer and our Executive Committee, with the support of the Board of Directors and our Chairman, are responsible for harnessing this potential, to boost growth and profitability and pursue our strategic, industrial and socially committed mission: to eliminate the need for real tests and prototypes from the product design phase, and to enable efficient predictive maintenance by integrating the ageing into the operating life of product components.

The combined support of all our employees, along with your continued support, reinforces our motivation and our conviction that ESI has the right know-how, positioned in the right place and at the right time.

# H1-FY2019 performance review

## Solid growth of the installed base and robustness of the business model



\* Note that first half results (February to July) are negative, due to seasonality of license revenue.

\*\* New IFRS 16 - Leases, applicable to financial years commencing on or after January 1, 2019 (see page 7).

### IMPROVED FINANCIAL RESULTS

Group revenue rose 3% to €54.8 million in the first half, boosted by positive exchange rates (0.4% at constant currency). Growth was driven by licensing, up 3.7% (0.8% at constant currency) to €40.9 million, accounting for 74.5% of revenue in H1 2019. Services (Consulting, including studies for industry, advanced application research, R&D and training) were stable at €14.0 million (up 0.9% and -0.7% at constant currency).

ESI's global value proposition and ability to operate across the globe is a major asset in a market where key accounts are increasingly global. Six-month revenue picked up across all the geographies: the Americas (+9.4%), Asia (+2.6%) and EMEA (+0.9%) and its main target industries: automotive (+5%) and aerospace (+11%), while energy contracted slightly (-3%).

The strategic focus plan aims to increase value creation by growing sales and expanding margins. Costs grew slower than half-year sales. At €36.9 million (up from €35.2 million) the gross margin at July 31, 2019 improved to 67.4% of sales (vs. 66.2%). EBITDA (without IFRS 16) and current operating income (without IFRS 16) improved to -€6.5 million (from -€7.2 million) and to -€8.4 million (from -€9.3 million). Net income at the period end came out at € - 7.1 million (vs. € - 7.9 million).

### CONTINUED OPTIMIZATION OF GROWTH DRIVERS

ESI Group business is highly recurrent, with most of the revenue generated by licensing repeatable from year to year and a complementary services business.

The solidity of the model is reflected in ESI's business with large OEMs, who are now at an advanced stage of their transformation towards eliminating physical tests and prototypes.

Major customers are less visible in ESI's first half revenues than in the full year. Accordingly, growth in the first half was also carried by other customers. This target group has the potential to develop into key strategic accounts, giving a further boost to the highly recurrent nature of revenue.

The strategic growth initiatives targeting the full range of customers include:

- solutions acknowledged as among the best on the market, backed by solid customer references.
- our differentiating Hybrid Twin™ concept to guarantee the asset performance throughout its entire life.

These efforts fit into a longer-term approach based on innovation management to deliver continuous value for customers.

# Action Plan: Operational excellence and Go to Market focus

“ Our Go to Market strategy with a long-term value perspective added to our operational excellence plan will drive our organic growth and profitability. ”

CRISTEL DE ROUVRAY

## 1 OPERATIONAL EXCELLENCE



Optimize operational performance by clarifying the group's organization



Improve internal/external legibility by implementing Best-in class piloting tools



Measure and improve piloting



Align sales/R&D resources.  
Distribution channel approach focused on customer specificities and by industry

## 2 “GO TO MARKET”



Focusing our sales engagements on winning propositions



Alignment with industry and channels strategy



Strategic initiatives

## CUSTOMER SUCCESSES

### RENAULT



“Thanks to ESI's expertise and to their VPS solution, we succeeded to develop one of our new vehicle, **USING A SINGLE REAL PROTOTYPE (first time right).**”



**Olivier Colmard**  
Integrated CAE & PLM, Engineering VP  
Groupe Renault

### EDF



ESI has signed with EDF for high value-added engineering studies related to design and maintenance of nuclear power plants a 6 year contract with the option to extend for a further 4 years.

### SAFRAN NACELLES



“The gain on virtual reality usage, in terms of making our tools the first time right, was measured at around 15% of our tooling budget.”



**Nicolas Lepape**  
Virtual reality and simulation expert,  
Safran

## Cristel de Rouvray & Olfa Zorgati interview



*Cristel de Rouvray, Chief Executive Officer and Olfa Zorgati, Chief Financial Officer, agreed to answer some of the questions raised during the 2018 annual results meeting with financial community.*

### Could you give us some elements, key to reach your performance objectives?

---

**CDR:** The market is evolving. Our customers are becoming global. They are standardizing their design and manufacturing methods. Our geographical footprint is a major advantage. Thanks to it, we can better replicate our successes and deploy globally our solution within our customers' organizations. This requires an evolution in our way of operating to develop more internal synergies.

To better define our customers' needs, we base our analysis on more precise segmentations of their digital maturity to validate the relevance of our offer further in advance.

As the Renault example shows, Virtual Prototyping has become a reality, allowing us to focus on our most differentiating offers. In this way, we ensure a recurrent and growing revenue generated over the long term.

**OZ:** The year 2018 was marked by a return to growth in consolidated revenues and a confirmation of the strength and dynamism of our installed base. However, this performance must be understood in a differentiated way. The latest successes with major accounts confirm our vision and its execution. By maximizing our operational performance within our new organization, we will be able to improve our levels of sustainable growth and profitability.

### How will you improve your margins?

---

**CDR:** Historically, the selling of our specific solutions, in silos, such as the Automotive crash test, generated a significant margin. Our transformation aims to build solutions combining several products to address increasingly complex and transversal challenges of our customers. These solutions will allow them to achieve "zero real tests and zero real prototypes", thus increasing their innovation capacities and improving their profitability and performance. This model also allows us to offer high added-value solutions. We already observe promising revenue growth with our major customers. Their usage is also increasing. Coupled with a focus on our strategic accounts of various sizes, this will improve our margins.

### Are the acquisitions made in recent years in line with your strategy?

---

**CDR:** These acquisitions are essential to the achievement of our strategy and vision. Monitoring the performance of products throughout their lifecycle is becoming the norm for industrialists. This change can be seen in different sectors such as Aeronautics: aircraft engine manufacturers are no longer selling engines but flight operating hours. The Group's solutions are evolving to enable the prediction of product ageing according to their environment, enabling manufacturers to have a better understanding of maintenance operations, which is essential to their profitability. To meet these objectives, updating Virtual Prototyping models with empirical in-service data and interpreted if possible in real time is imperative. To achieve this, we integrate technological assets such as Artificial Intelligence, Virtual Reality, Big Data or Data Analysis into our historical products. These items come mainly from our recent acquisitions.

## ESI Group and CSR: a committed player

Aware of its responsibility in sustainable development, ESI Group has developed a "Corporate Social Responsibility" (CSR) policy over the past years. The Group aims to become its customers' preferred partner and support them in their responsible commitments.

This strategy aims to:

- Ensure a decent work to all its employees;
- Provide innovative, sustainable solutions to build trusted and long-term partnerships;
- Limit the Group's and its customers' environmental footprints while acting ethically and responsibly;
- Build and maintain good relationships with ecosystems, both industrial and academic.

WE SUPPORT



Since 2018, ESI Group signed the Global Compact (United Nations Global Compact) and thus undertakes to align its CSR strategy on the 10 United Nations principles, relating to human rights, international labor standards, the environment and the fight against corruption. In 2015, the United Nations defined a list of 17 sustainable development goals ("SDGs"), meeting global challenges such as poverty, inequality, education and environmental degradation. Throughout its value chain, ESI Group addresses many of these SDGs.



### 2018 KEY EVENTS

The launching of a **corporate induction program**: The Welcome Days. Two sessions were held, one for newcomers from France and Germany and the other for newcomers from all EMEA offices.



**Reduced total product weight:** using ESI's Virtual Seat Solution, the company Expliseat has developed the lightest seat ever certified by the EASA. This titanium seat is 50% lighter than the lightest models currently available on the market (8 kg to 10 kg) that could result in an estimated 3% to 5% reduction in fuel usage - saving \$300,000 to \$500,000 per aircraft per year.



**AWARDED FIRST PLACE OF GAÏA INDEX**  
for companies under €150M of revenues.

**GAÏA INDEX**  
which distinguishes the 70 best companies with social, environmental and governance practices.

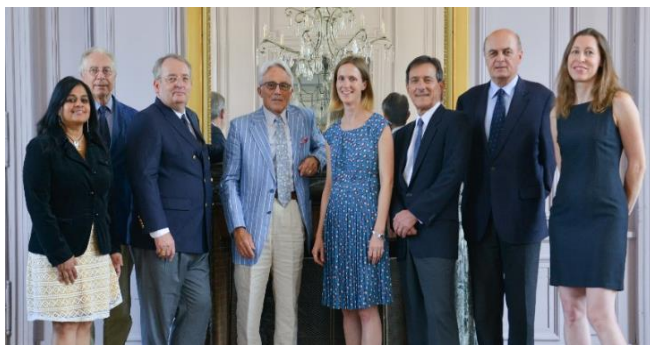
ESI Group shares may be held either "registered" or "bearer" (managed by your bank or financial intermediary)

	REGISTERED SHARES	BEARER SHARES
Place of custody	ESI Group via CIC	Your financial intermediary
Administration and custodial expenses	No custody and management fees to pay	Variable depending upon your financial intermediary's charges
Notice of annual general meeting	Notice of Meetings are automatically sent to you by mail	Contact your financial intermediary
Admission to annual general meeting	On presentation of your admission card	On presentation of your admission card or certificate of participation validated by your financial intermediary
Share purchase and sale orders	To be transferred to CIC	To be transferred to your financial intermediary

**TO PURCHASE REGISTERED SHARES:** Please contact CM-CIC Market Solutions to open a direct registered account: **CIC, 6 avenue de Provence, 75009 – Paris**  
 Contact: +33(0) 1 45 96 77 40 / @ : 3418@cmcic.com

**TO TRANSFER YOUR BEARER SHARES IN THE REGISTERED SHARES:** You already hold ESI Group bearer shares, you can request the transfer of some or all of your shares to your financial intermediary.

## Governance



### Board of Directors

**8 members**  
**3 women et 5 men**  
**and 5 independant members**

### Board's committees

- Audit Committee
- Nomination and Governance Committee
- Compensation Committee
- Strategic Committee
- Technology and Marketing Committee

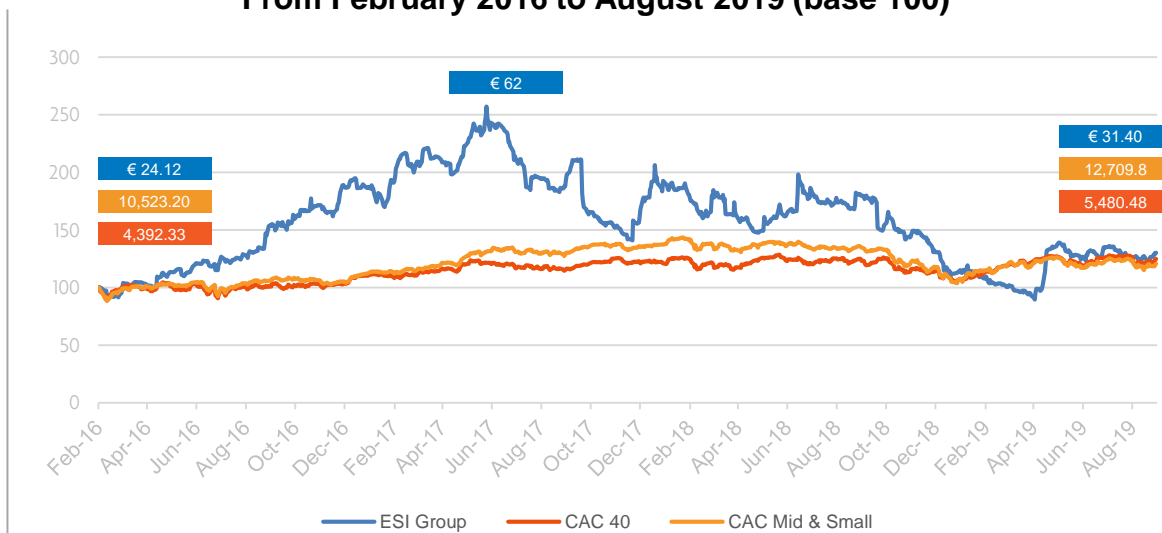
From left to right: Rajani Ramanathan; Charles-Helen des Isnards; Vincent Chaillou; Alain de Rouvray; Cristel de Rouvray; Yves de Balmann; Eric d'Hotelans; Véronique Jacq

More information on ESI Group's corporate governance in Chapter 2 of the 2018 Registration Document: [/ https://www.esi-group.com/company/investors/documentation/financial-reports](https://www.esi-group.com/company/investors/documentation/financial-reports)

## IFRS 16 focus

New IFRS 16 applies to financial years commencing on or after January 1, 2019. It specifies how to recognize and measure lease assets and liabilities (property, plant and equipment – real estate and vehicles – and lease liabilities). The lease expense is now broken down between amortization and depreciation and the interest on the debt. IFRS 16 has an impact of €+2.8 million on EBITDA (€-3.7 million after IFRS16) and €+0.1 million on operating income (€-8.3 million after IFRS16). There is no impact on the group's net income.

## SHARE PRICE EVOLUTION From February 2016 to August 2019 (base 100)

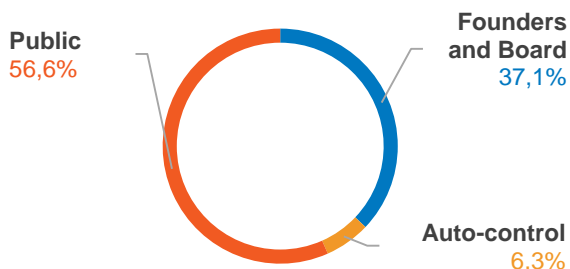


### Our analysts

Berenberg  
CM CIC  
IdMidcaps  
Invest Securities  
Louis Market Capital  
LPE Research

### SHARE CAPITAL BREAKDOWN

As of end of August 2019



### STOCK MARKET DATA

As of end of August 2019

**€ 31.40**  
STOCK PRICE

**€ 186.99 M**  
MARKET CAPITALIZATION

### Quotation info



Listed of **Euronext Paris**  
Compartment B  
Sector: Software  
ISIN: FR0004110310  
Bloomberg: ESI:FP  
Eligible FCPI & PEA-PME funds.

## Contact us

**Corinne Romefort-Régnier**  
(USA - Americas) +1 415 994 3570  
**Florence Barré**  
(France - Europe - Asia) +33 1 49 78 28 28  
[investors@esi-group.com](mailto:investors@esi-group.com)

**ESI Group - Headquarters** 100 -102 avenue de Suffren 75015 Paris - France  
+33 1 53 65 14 14



### STAY CONNECTED

To receive our email communications, register using the link to the right of the "Investors" section or send an email to [investors@esi-group.com](mailto:investors@esi-group.com)