Financial Press Release

Paris, September 25, 2014

2014 Half-year results

Robust and relevant business model

- **Improvement in gross margin**
- **Positive commercial momentum**
- **Cost control and continued investment in R&D**
- **Impact of temporary effects**
- **Solid financial structure**

Alain de Rouvray, ESI Group's Chairman and CEO, comments: "*The results for the first half, although impacted by significant temporary effects, demonstrate the robustness of the Group's business model and the relevance of its industrial strategy. The increase in gross margin, with composition positively evolved due to the product mix changes, is buoyed by the strategic shift of the Services activity towards projects with high value added. While boosting sales linked to its integrated trade solutions, the Group has continued to invest in its multi-sector development while maintaining its policy of cost control. These factors, as well as the strengthening of strategic partnerships with key customers, mean that the Group can serenely embark on its more significant second half – where there is typically strong positive seasonal impact – confident in its ability to generate growth and to improve its profitability for the year.*"

Consolidated half-year results

FY to January 31 (unaudited)

In € millions	H1 2014 to July 31, 2014	H1 2013 to July 31, 2013	Δ (actual)		Δ (constant currency)	
			Amount	%	Amount	%
Total sales	**42.6**	**44.3**	(1.7)	-3.7%	(0.2)	-0.6%
Licenses	29.7	29.9	(0.2)	-0.7%	0.9	2.9%
Services	13.0	14.4	(1.5)	-10.1%	(1.1)	-7.8%
Gross margin	**28.0**	**27.9**	0.1	0.4%	1.2	4.1%
% of sales	*65.7%*	*63.0%*				
EBITDA	**(4.8)**	**(3.7)**	(1.2)	-31.8%	(0.9)	-24.9%
% of sales	*-11.4%*	*-8.3%*				
Core Operating Profit	**(6.1)**	**(4.5)**	(1.6)	-35.3%	(1.4)	-30.4%
% of sales	*-14.3%*	*-10.2%*				
EBIT	**(6.3)**	**(5.0)**	(1.4)	-27.4%	(1.1)	-22.7%
% of sales	*-14.8%*	*-11.2%*				
Attributable net profit/loss	**(4.9)**	**(3.8)**	(1.1)	- 30.1%	(1.1)	-29.5%
% of sales	*-11.6%*	*-8.7%*				

These figures were approved by the Board of Directors on September 24, 2014.
NB: The seasonal nature of ESI Group's Licenses business usually translates into a larger proportion of full-year revenues and results being recorded over the fourth quarter of the year.

Changes in scope of consolidation: CyDesign has been within the scope of consolidation since October 2013, ESI Services Vietnam since December 2013.

Half-year sales: strength of the Licenses business

As previously stated, sales for the first half amounted to €42.6 million, a fall of -3.7% at real exchange rates. This was caused by significant temporary effects, including the persistent currency effect accounting for -€1.4 million (-0.6% at constant exchange rates).

Licenses revenue stood at €29.7 million, up +2.9% at constant exchange rates. While this activity continues to drive the Group's growth, the repeat business rate of the installed base is 72.8% (76% at constant exchange rates) compared to 75.3% in the first half of 2013, and is weighed down by the repositioning of contracts at year-end. Nevertheless, the solid performance of New Business (new products, new customers), up +9.1% at constant exchange rates, underlines the momentum behind License sales, particularly in the United States, Japan and South Korea.

Robust business model

To sustain its commercial momentum, the Group has continued to invest while controlling the overall cost trend (-0.6% in real terms, +1.8% at constant exchange rates). This is notably demonstrated by the 4% fall in average headcount over the period when compared with the first half of 2013, largely due to the refocusing of some Services.

Controlled investments continued, which, coupled with the impact of temporary effects on earnings, led to a €1.2 million decrease in EBITDA to -€4.8 million; -€0.3 million was due to currency effect and -€0.5 million to changes in consolidation scope.

Similarly, EBIT stood at -€6.3 million, down €1.4 million.

Despite the dip in the first half, the results confirm the robustness of the Group's business model.

Improvement in gross margin

Gross margin represented 65.7% of sales in real terms, an improvement on the first half of last year and buoyed by the planned change in product mix and the sharp increase in the Services margin (+8 points). This growth, particularly in the United States, is linked to the refocusing of the business on validation and innovation projects with high value added and more in line with ESI's core business. Meanwhile the strong gross margin of the Licenses business, although impacted in this half by the repositioning of contracts at year-end, confirms the strength and potential of this activity.

Cost control and continued R&D investment

Costs not directly related to production rose by +1.8%, reflecting the cost control measures taken.

Research and development (R&D) expenses totaled €11.3 million (excluding the Research Tax Credit, or 'CIR'), an increase of +13.5%. This increase is related to continued investments including those linked to recent acquisitions, such as virtual reality (IC.IDO), fluid dynamics (OpenCFD) and system modeling (CyDesign). After IFRS impact of development costs, R&D expenses totaled €9.9 million.

Conversely, Sales and Marketing (S&M) costs fell to €16.3 million, down -7.4% from last year but without impacting the Group's sales force. This decrease is partly due to S&M cost control, which began in the second half of last year, and partly to the reduction in external S&M costs in BRIC countries following the cyclical downturn in those countries.

General and administrative (G&A) expenses continued to rise, reaching €7.9 million (+8.1%) as investments linked to the development of management tools and reinforcement of the global organization continued.

After adjusting for net financial income and tax effect, the Group's attributable net profit/loss was -€4.9 million, down -€1.1 million from the first half of 2013 (at current and constant currency).

Solid financial structure

Available cash amounted to €8.2 million at July 31, 2014, versus €10.7 million at July 31, 2013 and €10.7 million at January 31, 2014. Net debt stood at €9.3 million, versus €13.9 million at January 31, 2014. The low gearing (debt-to-equity ratio) also improved further, from 17.5% at the end of fiscal 2013 to 12.3%.

Positive commercial momentum

The positive commercial momentum is illustrated by the robust performance of the Licenses New Business and by the increase in innovative co-creation projects with key global accounts. The accelerated and increasingly strategic elimination of the use of physical prototypes during the development of innovative industrial products provides considerable momentum for the deployment of ESI solutions.

Examples of this include the multi-domain successes of the Americas region in the Licenses business, in both the automotive industry (e.g. Honda R&D, Fiskers) and the aerospace industry (HondaJet).

In the more specific field of Virtual Manufacturing, the company has been widely successful with its metals and composites stamping and forming solution. In Asia, for example (e.g. Japan, South Korea), the Group has gained new customers; affirming ESI's strong position in this highly competitive market.

In addition, the commercial investments made to support the virtual reality business (IC.IDO) are beginning to pay off, as evidenced by the contracts signed with Daher in France and Honda R&D in the USA.

This sales momentum is particularly strong in the competitive and innovative industrial sectors, such as ground transportation, aerospace, energy, heavy industry and marine engineering. The success confirms the growing appeal of our virtual prototyping solutions as businesses in all industrial sectors seek accelerated product development cycles.

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Next Events:

Actionaria exhibition, Paris
November 21-22, 2014

Revenue for the 3rd quarter of 2014: **November 27, 2014**

About ESI

ESI is a pioneer and world-leading player in virtual prototyping that take 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 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 1000 high-level specialists worldwide covering more than 40 countries. ESI Group is listed in compartment C of NYSE Euronext Paris.

ESI Group is listed in compartment C of NYSE Euronext Paris and is granted "Entreprise Innovante" (Innovative Company) certification since 2000 by Bpifrance. ESI Group is eligible for inclusion in FCPI (venture capital trusts dedicated to innovation) and PEA PME.

For further information, visit www.esi-group.com.

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