

Financial press release

Paris, 6:00pm on November 27, 2018

Third-quarter 2018 sales

- **Good performance in Q3 2018**
- **Strengthening of installed base**
- **Amplification of the deployment of the virtual prototyping solutions**

Commenting on the results, Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group, said: *“The good sales performance delivered in Q3 2018 reflects the expected reversal of the trend compared to the first semester. This highlights the increased deployment of our virtual prototyping solutions for achieving the ‘zero real test’ and ‘zero real prototype’ objectives of our customers and partners in their digital transformation towards the Industry 4.0. The trend is especially apparent in the automotive sector where our Hybrid Twin™ solution offers major productivity levers in the context of the shift to the smart factory. In this context, the continued investment of our historic customers in our disruptive solutions is a concrete vindication of our transformation plan.”*

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 2018	Q3 2017	Δ %	Δ % (cer ¹)	Sales 9M 2018	Sales 9M 2017	Δ %	Δ % (cer)
Licenses	20.6	17.8	+15.9%	15.4%	60.0	56.8	+5.6%	+8.0%
Services	7.4	7.2	+2.9%	1.9%	21.2	21.9	-3.1%	-1.8%
Total	28.0	24.9	+12.2%	11.5%	81.2	78.7	+3.2%	+5.3%

¹cer: at constant exchange rates

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.



Strong performance in Q3 2018

Q3 2018 sales at current exchange rates grew by a solid 12.2% year upon year to €28 million. There was a small positive currency effect of €0.2 million during the period due to the slight appreciation of the yen against the euro.

Revenue from Licenses jumped by an impressive 15.9% at current rates to €20.6 million, notably reflecting the impact of repositioning of a renewal contract, advanced from 4th to 3rd Quarter, in the Americas area for an amount of approximately €1.7 million.

Revenue from Services was up by 2.9% at current exchange rates to €7.4 million, reflecting slight increases across all service categories.

Strengthening of installed base

The good third-quarter performance offset the commercial slowdown in the first-half. Sales for the first nine months of the year came in at €81.2 million, up 5.3% at constant exchange rates compared to the previous year. The Services business reported a slight 1.8% drop in sales to €21.2 million (at constant exchange rates). Revenue from Licenses grew by 8.0% year-on-year to €60 million (at constant exchange rates). New Business fell by 2.8% at constant rates. It is also worth noting the good repeat business performance over the period which grew by 13.1% at constant rates, with a high repeat rate of 88%.

Licenses Business in Europe reported a satisfactory performance over the period (+7.4% at constant exchange rates), supported by extensive expertise and consolidated strategic partnerships. The Americas area posted exceptional but conjunctural growth in Licenses of 22.2% at constant exchange rates, while the Asia region returned to a growth in Licenses of 3.4% at constant exchange rates.

Our strong installed base is a gauge of trust

ESI's historic customers have increased their deployment of the Group's solutions over the first nine months of the year. Overall the automotive industry is driving the growth with the significant strengthening of existing collaborations. Business was also brisk in the energy and defense sectors. ESI's solutions, recognized within the ecosystem, support the digital transformation of manufacturers, such as the remarkable contracts and partnership mentioned below for example and announced during the 3rd quarter:

- [FCA LATAM](#) (Fiat Chrysler Automobiles Latin America) opted for the virtual reality ESI IC.IDO solution to meet the challenges of the Industry 4.0 and enhance its manufacturing processes.



- [The French Directorate General of Armaments \(DGA\)](#) chose the system modeling solution SimulationX to create a digital alternative to bench testing aircraft engines in flight conditions.
- [Fives and Michelin](#), through the joint venture AddUp, has teamed up with ESI to develop a disruptive solution in metallic 3D printing that combines productivity and performance objectives.

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2018 full-year results

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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 €135 million in 2017.

For further information, go to www.esi-group.com.

