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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 1st, 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.

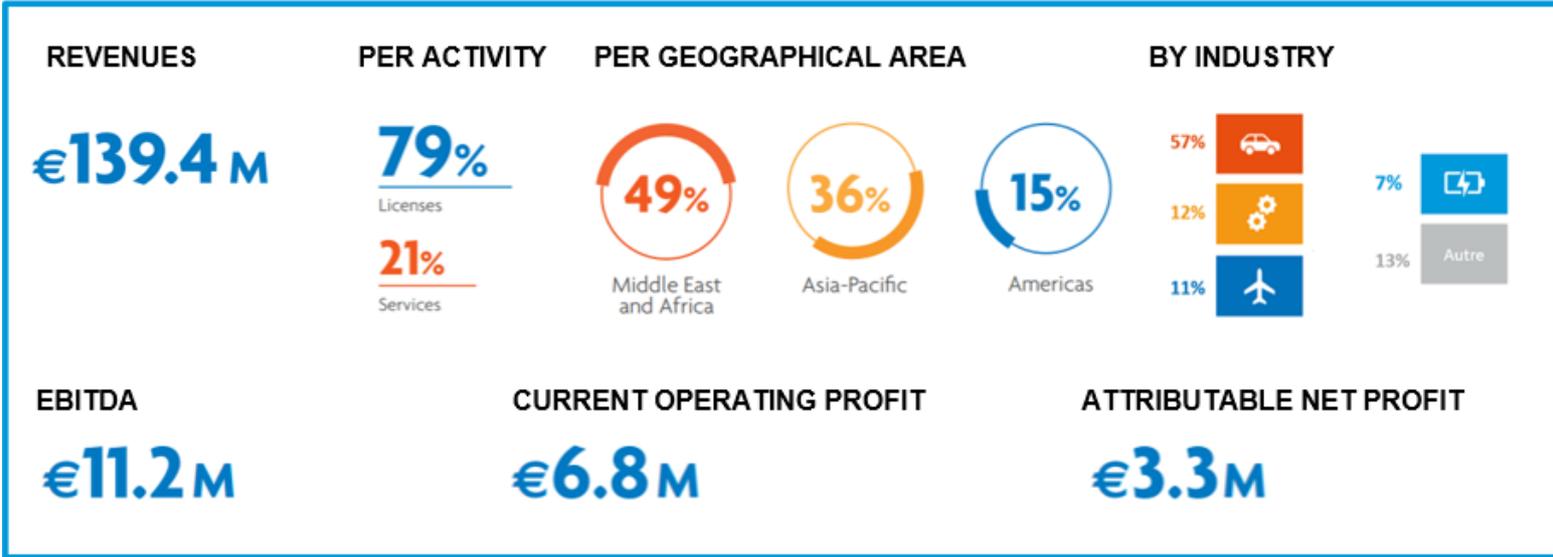
All fundamentals are now set to realize our vision and validate our strategy. The latest business successes achieved in several key strategic accounts reinforce this vision and confirm that the market has definitely embraced the end-to-end virtual prototyping era.

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.

2018 performance review

2018 Key Figures



FINANCIAL ASPECT

The year 2018 was marked by a return to growth in consolidated revenues at €139.4 million and a confirmation of the strength and dynamism of our installed base supported by a dynamic Licensing business (79% of revenue) at €109.8 million (+3.9%). Services (Consulting) remained stable at €29.6 million (+0.2%).

The transformation of our current business model and Group organization, as well as the increased long-term investments weight combined with moderate average growth over the year, have an impact on the Group's results.

During the year, the gross margin increased by 3.8% to €101.5 million, representing 72.8% of revenues. EBITDA amounted to €11.2 million (vs. €12.1m in FY'17), for a margin of 8.0% of total revenues

This performance must be understood in terms of different levers of progress of companies with regard to the digital transformation of their business model and tools. The traditional PLM market is growing by around 7% (CIMDATA report), which attests to the opportunities offered by the Group. Among our major clients and strategic partners, leading players in their markets, our excellent average growth over the year was above 16%, approximately 30% of our 2018 revenue, which is more than twice the sector's average.

STRATEGIC ASPECT

ESI's solutions are based on an essential differentiator, the detailed and precise modeling of the "physics of materials", which has been developed and refined over the past forty years through a considerable number of industrial and academic partnerships and proprietary R&D collaborations. By systematically integrating cutting-edge technologies (Internet of Things, Big Data, Artificial Intelligence, additive manufacturing etc.) into solutions that draw on its unique expertise in physics of materials, ESI Group has articulated a new global approach centered on industrial productivity and the performance of products beyond their initial development to their entire lifecycle (Product Performance Lifecycle™).

This approach is gathering momentum among the Group's strategic customers and is already being translated into tangible commercial successes.

By launching at the right time its own in depth technological and organizational transformation, ESI Group has kept pace with the evolution of its industrial lead customers (Industry 4.0 and Smart Factory) and anticipated their future needs. Aware of the potential offered to it but also of the initiatives to be implemented to achieve its objectives, ESI has announced an ambitious short- and medium-term action plan based on operational excellence and a focused Go to Market strategy.

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.

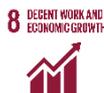
This strategy aims to:

- 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.

2019 GENERAL SHAREHOLDERS MEETING DATE

July 18, 2019



You can consult all the documents relating to the Annual General Meeting on the Group's website under the section: <https://www.esi-group.com/fr/entreprise/investisseurs/documents/assemblee-generale>

Governance



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

Board of Directors

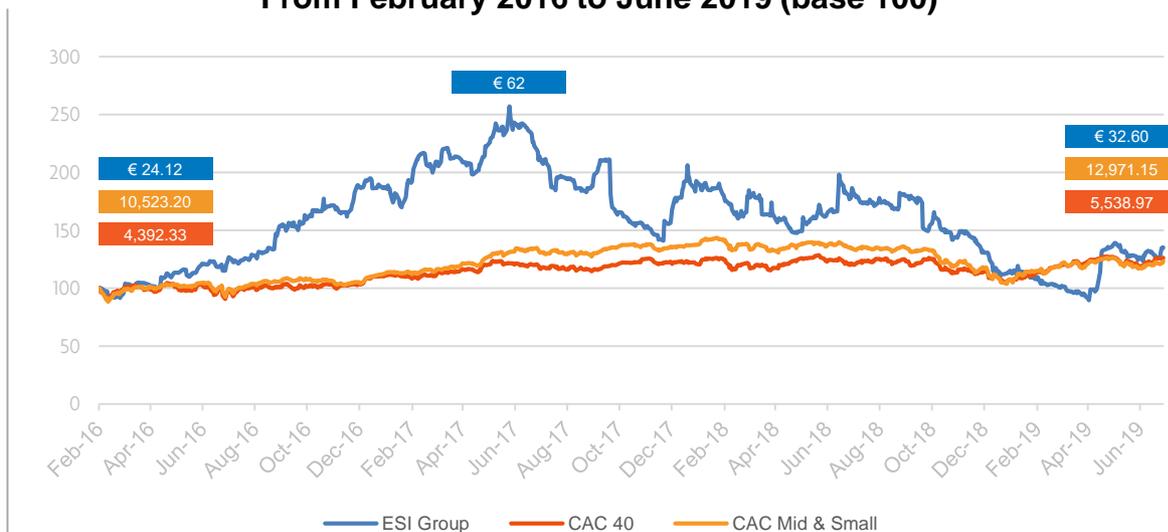
8 members
3 women et 5 men
 and **5 independant members**

Board's committees

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

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>

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



Our analysts

Berenberg
CM CIC
IdMidcaps
Invest Securities
Louis Market Capital
LPE Research

SHARE CAPITAL BREAKDOWN

As of end of June 2019



STOCK MARKET DATA

As of end of June 2019

€ 32.60
STOCK PRICE

€ 194.14 M
MARKET CAPITALIZATION

Quotation info



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

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