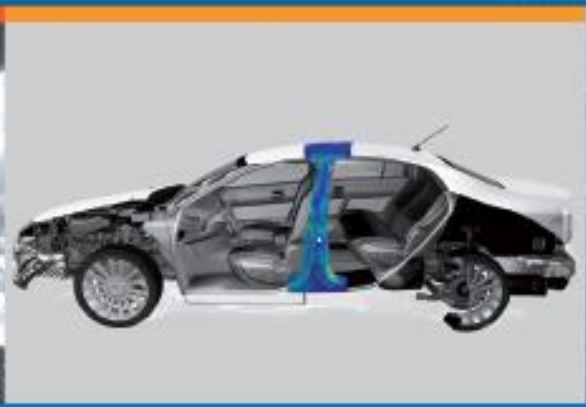
REGISTRATION DOCUMENT

2014



INCLUDING ANNUAL FINANCIAL REPORT

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ESI Group

French limited company (société anonyme) with a share capital of EUR 17,845,266
Headquarter offices: 100/102, avenue de Suffren, 75015 Paris, France
Paris Trade and Company Register (RCS) number 381 080 225

REGISTRATION DOCUMENT

INCLUDING ANNUAL FINANCIAL REPORT

Fiscal year 2014 (ended January 31, 2015)

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the French Financial Markets Authority (AMF) on Friday, May 22, 2015 (filing number D. 15-0528) in accordance with Article 212-13 of the AMF's General Regulations. It may not be used in connection with any financial transaction unless it is accompanied by a memorandum approved by the AMF. The issuer prepared this document and the signatories are responsible for the information herein.

French copies of the Registration Document are available free of charge from ESI Group (the “Company” or the “Group”) - 100/102, avenue de Suffren, 75015 Paris, France - as well as on ESI Group's website (www.esi-group.com) and on the AMF's website (www.amf-france.org).

This document is an English-language translation of ESI Group’s Document de référence [Registration document], which was filed with the French Financial Markets Authority (AMF) on May 22, 2015, in accordance with Articles 212-13 of the AMF General Regulation.

Only the French version of the Document de référence is legally binding.

1 General information

1.1. Persons responsible for the Registration Document

1.1.1. Person responsible for the contents of the Registration Document

Paris, on May 22, 2015.

Mr. Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group:

"Having taken all reasonable care to ensure that such is the case and to the best of my knowledge, I hereby declare that the information contained in this Registration Document gives a true and fair view of the facts and that no material aspects have been omitted."

"I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they give a fair view of the assets, financial position and results of the Company and all consolidated companies making up the Group. I further declare that, to the best of my knowledge, the management report provided in Section 4 presents a fair picture of the business trends, results and financial position of the Company and all consolidated companies making up the Group, as well as a description of the primary risks and uncertainties these entities face."

I have obtained a letter from the statutory auditors stating that they have completed their assignment which included checking the information relating to the financial position and the financial statements provided in this document as well as reading the entire annual report"

"The statutory auditors prepared a report on the consolidated financial statements for the year ended January 31, 2015. This report appears in Section 5.1.6 and contains no observations."

“The statutory auditors prepared a report on the consolidated financial statements for the year ended January 31, 2014. This report appears on page 88 of the Registration Document filed with the French Financial Markets Authority (AMF) on May 30, 2014 under number D.14-0587 and contains no observations.”

"The statutory auditors prepared a report on the consolidated financial statements for the year ended January 31, 2013. This report appears on page 81 of the Registration Document filed with the French Financial Markets Authority (AMF) on May 30, 2013 under number D.13-0582 and contains a single observation."

1.1.2. Person responsible for the financial Information

Mr. Laurent Bastian, Chief Financial Officer of ESI Group.

1.2. Statutory auditors

Primary statutory auditors

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine, France
Represented by Mr. Pierre Marty.

Date appointed: Combined General Meeting of June 25, 2009, for a term of six years.
End of appointment: Annual General Meeting called to approve the financial statements for the year ended January 31, 2015.
PricewaterhouseCoopers Audit is a member of the Versailles Regional Association of Statutory Auditors.

Ernst & Young Audit

Faubourg de l'Arche
1/2, place des Saisons
92400 Courbevoie Paris-La Défense 1, France
Represented by Mr. Frédéric Martineau.

Date appointed: Combined General Meeting of June 25, 2009 for a term of six years.
End of appointment: Annual General Meeting called to approve the financial statements for the year ended January 31, 2015.
Ernst & Young Audit is a member of the Versailles Regional Association of Statutory Auditors.

Alternate statutory auditors

Auditex

Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex, France
Represented by Mr. Emmanuel Roger.

Date appointed: Combined General Meeting of June 25, 2009, for a term of six years.
End of appointment: Annual General Meeting called to approve the financial statements for the year ended January 31, 2015.

Mr. Yves Nicolas

63, rue de Villiers
92200 Neuilly-sur-Seine, France

Date appointed: Combined General Meeting of June 25, 2009, for a term of six years.
End of appointment: Annual General Meeting called to approve the financial statements for the year ended January 31, 2015.

1.3. General information

1.3.1. Legal information

The Company's corporate name is: "ESI Group".

The Company was founded on January 28th, 1991 for a term of ninety-nine years in the form of a limited company (*société anonyme)* governed by French law.

The Company is registered in the Paris (75000) business registry under number 381 080 225 in Paris.

Its headquarters is located at 100/102, avenue de Suffren – 75015 Paris, France.

Its fiscal year begins on February 1 of each year and ends on January 31 of the following year.

1.3.2. Articles of Association and Shareholder relations

1.3.2.1. Corporate purpose

In accordance with Article 2 of the Articles of Association, the Company's purpose in France and all other countries is:

– to research, develop, design, create and distribute computer software. To provide all forms of assistance, training and, in general, all related activities that may be directly or indirectly related to the corporate purpose;

– to acquire, receive, hold, manage and trade in a portfolio of securities, especially in fields related to the publishing of scientific software, including digital simulation software for prototyping and manufacturing processes and related decision-making support tools.

The Company may perform any of the abovementioned operations on its own behalf or on behalf of third parties by creating new companies, forming partnerships, subscribing shares in existing companies, purchasing securities or rights to equity instruments, merging companies, forming business alliances, undertaking joint investments, obtaining the use of any property under a lease or lease management agreement, forming joint ventures or otherwise.

To this end, the Company carries out any and all economic or financial studies necessary and provides recommendations in relation to investments, acquisitions and divestitures. It also provides assistance as a management consultant to companies in which it holds a stake and to other companies. It prepares all types of reports and expert opinions; it assists with business restructuring measures and mergers.

In general, it carries out any and all financial, commercial or industrial operations and any and all transactions involving real estate or personal property that may be directly or indirectly related to the corporate purpose of the Company or likely to promote the Company's expansion or growth.

1.3.2.2. Information on members of the administration, management and supervisory bodies

Information on members of administrative, management and supervisory bodies is contained in the section 3.2 "Chairman's report on corporate governance, internal control system and risk management procedures".

1.3.2.3. Rights, privileges and restrictions attached to shares

Allocation of income and distribution of profits (Article 22 of the Articles of Association)

Pursuant to Article 22 of the Articles of Association, five percent (5%) of the net profit for the fiscal year, less any losses carried forward, will be set aside to form the legal reserve fund; this deduction is no longer required once the legal reserve has reached one-tenth of the share capital; the requirement applies again when, for any reason, the reserve falls below said one-tenth fraction.

The balance of said profit, plus any profit carried forward, forms the profit available for distribution.

Shareholders have sole control over this profit and decide how it will be appropriated at the Annual General Meeting. To this end, the Annual General Meeting may decide to allocate this profit, in full or in part, to any general or special reserve funds, carry it forward or distribute it among the Shareholders.

However, except in the case of a capital reduction, no profit may be distributed to the Shareholders if the net asset is or will subsequently become less than the total capital plus reserves that may not be distributed in accordance with the law or the Articles of Association.

Any losses are recorded in the balance sheet under a special account once the financial statements have been approved by the Annual General Meeting.

Double voting rights and shareholding thresholds (Article 9 of the Articles of Association)

In accordance with Article 9 of the Articles of Association, each share gives its holder ownership interest in company's assets and profits, this interest being proportionate to the percentage of share capital that the share represents.

Anyone who had held fully paid-up registered shares for at least four years as of the date of the Extraordinary General Meeting of June 14, 2000 or thereafter is entitled to double voting rights under the law. Furthermore, if capital is increased through the capitalization of reserves, profits or share premiums, this double voting right will apply, from the time of issue, to registered shares awarded free of charge to Shareholders on the basis of shares already held that bear this entitlement.

Any shares converted to bearer shares or transferred to a different owner are stripped of double voting rights, although other rights and obligations attached to the share are transferred to any owner thereof.

However, double voting rights are not lost and the abovementioned four-year period is not interrupted in the event that shares are transferred by way of an inheritance, following the liquidation of a marital estate, or in the form of an *inter vivos* gift to a spouse or a relative in the direct line of succession.

There are no other requirements under the Articles of Association regarding shareholding thresholds except for those set forth under current law.

1.3.2.4. Changes in share capital and the rights attached to shares (Article 8 of the Articles of Association)

Increases and reductions in capital

Extraordinary General Meetings have sole authority to decide to carry out or to authorize capital increases, upon recommendation by the Board of Directors.

If share capital is increased through the capitalization of reserves, profit or share premiums, the General Meeting may make such decision in accordance with the requirements for quorum and majority set forth for Annual General Meetings.

The share capital must be fully paid up prior to any issue of new shares to be paid up in cash, otherwise the operation may be declared null and void.

Shareholders are entitled, in proportion to their total shares, to pre-emptive subscription rights to cash shares issued as part of a capital increase.

The value of any contributions in kind must be appraised by one or more contribution appraisers appointed upon request by the presiding judge of the relevant commercial court.

Shares representing contributions in kind or stemming from the capitalization of profits or reserves must be fully paid up upon issuance.

At least one-fourth of the value of cash shares and the entire share premium, where applicable, must be paid up at the time of subscription. The remainder must be paid up in one or more installments within a period of five years from the date on which the capital increase was finalized.

Subject to the restrictions and reserves set forth by law, Extraordinary General Meetings may also decide to carry out or authorize a reduction in the share capital for any reason or in any manner whatsoever, including due to losses or via repayment or partial buyback of shares, reduction in the number of shares, or reduction in the par value of shares; under no circumstances may the reduction in capital undermine the principle of equality between Shareholders.

Form and transfer of shares (Article 9 of the Articles of Association)

Form

Shareholders may opt to hold fully paid-up shares as either registered shares or bearer shares. Shares will be recorded in the Company's accounts in accordance with the terms and procedures set forth by law.

Transfer of shares

Shares may be freely traded unless otherwise stipulated by law or regulation. Shares may be sold or traded by the Company and by third parties via transfer between accounts in accordance with the regulations in force.

1.3.2.5. General Meetings (Article 18 of the Articles of Association)

Pursuant to Article 18 of the Articles of Association, decisions are made collectively by Shareholders in General Meetings classified as either ordinary general meetings or extraordinary general meetings.

The procedures for calling and holding General Meetings are governed by French law. Meetings are held at the headquarters or at any other place indicated in the notice of meeting.

Annual General Meetings are called to make all decisions that do not require amendments to the Articles of Association.

They meet at least once a year, within six months from the end of the previous fiscal year.

Only Extraordinary General Meetings have the power to amend any provision set forth in the Articles of Association. However, such meetings may not increase the obligations of Shareholders, except in the event of operations stemming from any valid consolidation of shares.

If there are multiple classes of shares, the rights attached to the shares of a certain category may not be changed without the approval of an Extraordinary General Meeting open to all Shareholders and, in addition, without further approval from a special meeting open only to those Shareholders holding shares belonging to the class in question.

All Shareholders have the right, upon presentation of proof of their identify, to take part in meetings by attending them in person, by video conference or by other means of electronic telecommunication or transmission, or by returning the mail-in ballot or designating a proxy, subject to the following conditions:

- Holders of registered shares must be registered, by name, in the Company's records;
- Holders of bearer shares must submit a certificate, to the location mentioned in the notice of meeting, issued by an authorized intermediary attesting that the shares registered in their name are unavailable for trading until the date of the meeting.

These requirements must be fulfilled at least five days prior to the meeting.

The Board of Directors may reduce this five-day period by way of a general decision for the benefit of all Shareholders.

In accordance with the conditions set forth above, the legal representatives of Shareholders deemed legally incompetent and individuals representing entities that hold shares in the Company may take part in the meetings, regardless of whether or not they are Shareholders themselves.

Proxy forms and mail-in ballots must be prepared and sent out in accordance with the law in force.

An attendance sheet is filled out for each meeting. This attendance sheet must be duly signed by the Shareholders present and by the proxies, and must be certified as accurate by the officers of the meeting.

General Meetings are chaired by the Chairman of the Board of Directors and, in the absence thereof, by the member of the Board appointed to replace him or her.

The two Shareholders representing, either on their own behalf or as proxies, the largest number of shares who are present at the meeting and willing to accept the responsibility, are appointed to serve as vote tellers.

The officers of the meeting, thus designated, are responsible for appointing a secretary, who need not be a Shareholder.

1.3.2.6. Shareholders' agreement

Information regarding the Shareholders' agreement is contained in section 3.4.3 « Shareholders' Agreement »

1.3.2.7. Provisions regarding a share ownership threshold, above which any shareholding must be disclosed

The provisions of Article L. 233-7 of the French Commercial Code that require any individual or entity to declare its stake in a company if such stake comes to represent more than 5%, 10%, 15%, 20%, 25%,30%, 33.3%, 50%, 66.66%, 90% or 95% of the share capital or voting rights of the Company applies to ESI Group.

In the event of failure to make such declaration, any shares exceeding the percentage that should have been declared will be stripped of their voting rights in accordance with Article 233-14 of the French Commercial Code for a term of two years from the date on which declaration is properly made.

There are no requirements under ESI Group's Articles of Association to declare when certain shareholding thresholds are crossed.

1.3.2.8. Applicable charter or bylaws governing changes in share capital

Not applicable.

1.3.3. History of the Company

1973

Alain de Rouvray, with three other Berkeley Ph.Ds. colleagues and partners (Jacques Dubois, Iraj Farhooman, Eberhard Haug) creates ESI (Engineering System International). The company initially operated as a consulting company for European defense, aerospace and nuclear industries.

1979

The company opened a subsidiary in Germany, ESI GmbH

1985

First numerical simulation of a crash-test for a German consortium led by Volkswagen. First step towards the development of the PAM-CRASH software.

1991

ESI become ESI Group and raises venture capital from Burr, Egan Deleage and changed its structure to become a software editor. To market its software more widely ESI Group set up subsidiaries in the United States and Japan, and later in South Korea.

1997

Acquisition of Framasoft, renamed SYSTUS International, a leading French provider of mechanical simulation tools (SYSTUS, SYSWELD), especially in nuclear industry.

1999

Purchase of Dynamic Software, editor of the Optris "virtual press" software, a stamping simulation solution.

2000

ESI Group is introduced on the Paris "Nouveau Marché" stock market.

From 2000 to 2005

Active acquisitions policy by integrating successively the following companies:

- MECAS, for developing Eastern European markets;
- Straco and VASci (Vibro-Acoustic Sciences), for solutions in noise simulation and acoustic comfort;
- L3P, for manufacturing processes of composite materials.

Positioning in the casting and the industrial metallurgy with the acquisition of ProCAST from the UES company.Integration of Calcom in complement of the foundry software Simulor from Aluminium Pechiney.

Acquisition, from EASi, of the intellectual property rights to EASi's CAE softwares. In 2004y, the integration of CFD Research Corporation’s product division enables Group to diversify the business in advanced Fluid Dynamics

2006

Acquisition of the Services branch of IPS International dedicated to digital simulation in the Korean market as well as intellectual property rights to their virtual human models "H-Models”.

Signing of a strategic partnership and to take over the Chinese-based company ATE Technology International’s activities.

2008

Acquisition of Vdot™, a software platform for lean process management from the company Procelerate Technologies Inc.

Acquisition of Mindware Engineering Inc allowing to accelerate the adoption of virtual prototyping in the Simulation-Based Design Fluid Dynamics market.

2009

Opening of two subsidiaries in Italy and Brazil.

Expansion into Tunisia with the creation of a ‘near-shore’ services division dedicated to high value-added projects and strengthening of the strategic partnership with the Tunisian firm Acoustica.

2010

Opening a new R&D center in Bordeaux

Launch of ESI Global Forum, the world's first conference for virtual prototyping users, was held in Munich, Germany.

2011

Acquisition of IC.IDO ("I see, I do"), a European leader in the field of immersive virtual reality solutions.

Acquisition of Efield, a European specialist in the virtual simulation of electromagnetic phenomena.

2012

Acquisition of OpenCFD Ltd, a leader in open source fluid dynamics software (CFD), from SGI. ESI Group thus became the owner of the OpenFOAM® software brand.

2013

Strategic collaboration agreement with Renault in accordance with the strategic plan "Renault 2016 – Drive the Change”.
Joint Venture contract with AVIC-BIAM, initiated in 2012 to jointly operate the new company "AVIC-ESI (Beijing) Technology Co. Ltd.".

Acquisition of CyDesign Labs Inc. (US), a lead innovator in systems-modeling, owner of a disruptive proprietary technology to bridge product inception (‘0D-1D’ system modeling) and product validation (‘3D’ component modeling).

Acquisition of the Vietnamese company Cam Mechanical Solutions Co., Ltd, (CAMMECH) allowing the creation in Asia of a ‘near-shore’ services division that will be dedicated to execution of high value-added projects.

2014

Since February 1, 2014, AVIC ESI (Beijing) Technology Co. Ltd. Joint Venture is in effect

Signing of an exclusive partnership collaboration with EDF Energies Nouvelles.

1.3.4. Share capital and changes in the share capital

Shares making up the share capital (Article 7 of the Articles of Association)

As of the date of the Combined General Meeting of July 24, 2014, ESI Group's share capital stood at EUR 17,806,896, comprised of 5,935,632 shares.

Aside from the stock option plans, share purchase option plans and free share award plans, there is no other financial instrument that entitles its holder to ownership interest in the Company's share capital.

1.3.4.1. Non-equity securities

As of the date the Registration Document was drawn up, the Company had not issued any non-equity securities.

1.3.4.2. Breakdown of share capital and voting rights

Breakdown of voting rights

As of April 30, 2015, there were 7,684,365 voting rights.

As of April 30, 2014, there were 7,725,701 voting rights.

As of April 30, 2013, there were 7,625,518 voting rights.

Number of shares bought back by the Company during the year

During the fiscal year 2014, the Company purchased 10 000 shares held by Mr Jacques Dubois, Director, under its share buyback program.

The purpose of the treasury stock buyback program is to offer stock options as part of the Group's benefits package. The reason for this purchase was the Company’s intention to maintain the shares and subsequently use them for payment or exchange within the context of possible external growth operations.

Breakdown of share capital as at April 30, 2015

Capital stock	5,948,705
Registered treasury stock	420,853
Bearer treasury stock	0.

On January 30, 2014, Mr. Alain de Rouvray, conjointly with the de Rouvray family, crossed above the 30% shareholding threshold to subsequently hold 1,814,522 of the Company's shares, representing 30.50% of its share capital and 46.06% of its voting rights.

To the Company's best knowledge, there are no other Shareholders who directly or indirectly hold, either individually or jointly, 5% or more of its share capital or voting rights, with the exception of those named under Section 1.3.4.6.

Liquidity agreement

A liquidity contract is still in effect. It is the contract signed on March 12, 2009 with CM-CIC Securities.

1.3.4.3. Other share equivalents

None.

1.3.4.4. Unissued authorized share capital

Authorized by the Combined General Meetings of June 26, 2012 July 23, 2013 and July 24, 2014

The Combined General Meeting of June 26, 2012 in its 7th resolution, that of July 23, 2013 through its 5th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th and 15th resolutions and that of July 24, 2014 in its 7th and 9th resolutions authorized the Board of Directors to increase the Company's capital as summarized below:

Resolution number	Purpose	Term of the authorization	Expiry date	Maximum	Authorization used
COMBINED GENERAL MEETING OF JUNE 26, 2012					
7th resolution	Authorization to grant stock options	38 months	August 2015	Not to exceed 180,000 shares representing 3.068% of the share capital as of the date of the Annual & Extraordinary General Meeting	Options granted as of January 31, 2015: 161,850 Options remaining: 18,150
COMBINED GENERAL MEETING OF JULY 23, 2013					
5th resolution	Authorization given to the Board of Directors enabling the Company to buy back its own shares	18 months	January 2015	Not to exceed 10% of the Company's share capital	Not applicable
7thresolution	Delegation of authority to the Board of Directors for the purpose of increasing capital via the issue of shares of common stock or of any securities convertible into equity, with pre-emptive subscription rights accorded to shareholders	26 months	September 2015	Securities: EUR 90,000,000 Debt securities: EUR 45,000,000	Not applicable
8th resolution	Delegation of authority to the Board of Directors for the purpose of increasing capital via the issue of shares of common stock or of any securities convertible into equity, through public offerings and without pre-emptive subscription rights	26 months	September 2015	Securities: EUR 90,000,000 Debt securities: EUR 45,000,000	Not applicable
9th resolution	Delegation of authority to the Board of Directors for the purpose of increasing the issue amount in the event of over-demand	Within 30 days of the closing of the original issue	September 2015	Not to exceed 15% of the value of the original issue (referred to in resolutions 8 and 9) or the total ceiling of EUR 90,000,000.	Not applicable
10th resolution	Delegation of authority to the Board of Directors for the purpose of increasing capital by the capitalization of premiums, reserves, profits or otherwise	26 months	September 2015	Not to exceed the total amount of reserves, premiums and profits existing at the time of the capital increase or EUR 150,000,000 (a ceiling that might be reduced to the amount of capital increases undertaken pursuant to resolutions 7 to 9 and 11 and 12)	Not applicable
11th resolution	Delegation of authority to the Board of Directors for the purpose of issuing shares without pre-emptive subscription rights as compensation for contributions of shares or share equivalents granted to the Company as part of a contribution in kind	26 months	September 2015	Total ceiling of EUR 90,000,000 applied to capital increases authorized by resolutions 7 to 10 and 12	Not applicable
12th resolution	Delegation of authority to the Board of Directors for the purpose of increasing capital without pre-emptive subscription rights through private placement	26 months	September 2015	20% of the share capital per year, not to exceed the overall maximum of EUR 90,000,000.	Not applicable
13th resolution	Delegation of authority to the Board of Directors for the purpose	38 months	September 2016	Not to exceed 5% of the Company's share capital at	Not applicable

	of granting stock options			the date of the Combined General Meeting, i.e. 294,538 shares	
14th resolution	Authorization given to the Board of Directors to increase capital by issuing shares reserved for employees who are members of the employee savings plan	26 months	September 2015	Not to exceed 2% of the Company's share capital	21,463 new shares representing 0.36% of share capital at the issue date
15th resolution	Authorization to the Board of Directors to award free shares to eligible employees and corporate officers of the Company and its affiliates	38 months	September 2016	Not to exceed 60,000 shares representing 1.02% of the Company's share capital	Not applicable
COMBINED GENERAL MEETING OF JULY 24, 2014					
7th resolution	Authorization given to the Board of Directors enabling the Company to buy back its own shares	18 months	January 2016	Not to exceed 10% of the Company's share capital	Buy back of 10,000 shares from one of Directors in July 2014
9th resolution	Authorization to grant stock options	38 months	September 2017	Not to exceed 180,000 shares representing 3.068% of the share capital as of the date of the Annual & Extraordinary General Meeting	Not applicable

1.3.4.5. Information on the share capital of any member of the Group that is under option

None.

1.3.4.6. Change in the breakdown of the Company's share capital over the past three fiscal years, checks and balances

BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

Last name - First name	Number of shares	% of share capital	Number of voting rights	% of voting rights
AS AT APRIL 30, 2015				
The de Rouvray family	1,824,082	30.66 %	3,549,089	46.19 %
Dubois, Jacques	420,419	7.07 %	816,838	10.63 %
SUB-TOTAL, GROUP OF FOUNDERS (REGISTERED SHARES)	**2,244,501**	**37.73 %**	**4,365,927**	**56.82 %**
Chaillou, Vincent	13,597	0.23 %	26,293	0.34 %
des Isnards, Charles Helen	3,401	0.06 %	5,402	0.07 %
Bernard, Francis	2,321	0.04 %	3,592	0.05 %
de la Serre, Michel	1,615	0.03 %	1,845	0.02 %
d'Hotelans, Éric	1,589	0.03 %	2,215	0.03 %
MEMBERS OF THE BOARD OF DIRECTORS (REGISTERED SHARES) (EXCLUDING FOUNDERS)	**22,523**	**0.38 %**	**39,347**	**0.51 %**
Publicly held registered shares	109,629	1.84 %	127,892	1.66 %
Publicly held bearer shares	3,151,199	52.97 %	3,151,199	41.01 %
SUB-TOTAL, PUBLICLY HELD SHARES	**3,260,828**	**54.82 %**	**3,279,091**	**42.67 %**
Treasury stock	420,853	7.07 %	0	0.00 %
TOTAL	**5,948,705**	**100.00 %**	**7,684,365**	**100.00 %**

AS AT APRIL 30, 2014				
The de Rouvray family	1,814,522	30.55 %	3,533,649	45.80 %
Dubois, Jacques	442,419	7.45 %	884,838	11.45 %
SUB-TOTAL, GROUP OF FOUNDERS (REGISTERED SHARES)	**2,256,941**	**38.00 %**	**4,423,487**	**57.26 %**
Chaillou, Vincent	12,696	0.21 %	25,392	0.33 %
des Isnards, Charles Helen	3,101	0.05 %	4,252	0.06 %
Bernard, Francis	2,321	0.04 %	2,992	0.04 %
de la Serre, Michel	1,615	0.03 %	1,615	0.02 %
d'Hotelans, Éric	1,589	0.03 %	1,590	0.02 %
MEMBERS OF THE BOARD OF DIRECTORS (REGISTERED SHARES) (EXCLUDING FOUNDERS)	**21,322**	**0.36 %**	**35,841**	**0.46 %**
Publicly held registered shares	36,554	0.62 %	52,771	0.68 %
Publicly held bearer shares	3,213,602	54.11 %	3,213,602	41.60 %
SUB-TOTAL, PUBLICLY HELD SHARES	**3,250,156**	**54.72 %**	**3,266,373**	**42.28 %**
Treasury stock	410,853	6.92 %	0	0.00 %
TOTAL	**5,939,272**	**100.00 %**	**7,725,701**	**100.00 %**

AS AT APRIL 30, 2013				
The de Rouvray family	1,795,274	30.47%	3,459,401	45.37%
Dubois, Jacques	461,419	7.83%	922,838	12.10%
SUB-TOTAL, GROUP OF FOUNDERS (REGISTERED SHARES)	**2,256,693**	**38.30%**	**4,382,239**	**57.47%**
Chaillou, Vincent	19,544	0.33%	33,740	0.44%
des Isnards, Charles Helen	2,801	0.05%	2,802	0.04%
Laraki, Othman	1	0.00%	2	0.00%
Bernard, Francis	2,021	0.03%	2,022	0.03%
de la Serre, Michel	1,615	0.03%	1,615	0.02%
d'Hotelans, Éric	1,339	0.02%	1,339	0.02%
MEMBERS OF THE BOARD OF DIRECTORS (REGISTERED SHARES) (EXCLUDING FOUNDERS)	**27,321**	**0.46%**	**41,520**	**0.54%**
Publicly held registered shares	33,745	0.57%	53,461	0.70%
Publicly held bearer shares	3,148,298	53.44%	3,148,298	41.29%
SUB-TOTAL, PUBLICLY HELD SHARES	**3,182,043**	**54.01%**	**3,201,759**	**41.99%**
Treasury stock	425,422	7.22%	0	0.00%
TOTAL	**5,891,479**	**100.00%**	**7,625,518**	**100.00%**

CHANGES IN SHARE CAPITAL

Date	Operation type	Change in share capital Issue of cash securities			Resulting total share capital	Total number of shares	Par value (in Euros)
		Par value *(in Euros)*	Premium *(in Euros)*	Number of shares created			
EGM of 1/28/1991	Incorporation of the Company	15.24		2,500	38,112	2,500	15.24
EGM of 7/26/1991	Issue of cash shares	15.24	(2,274,021)	834	50,827	3,334	15.24
EGM of 7/26/1991	Capitalization of share premium	15.24	(2,261,779)		2,312,606	3,334	694
EGM of 7/31/1991	Stock split and free share award	694		300,060	2,312,606	303,394	7.62
EGM of 11/5/1996	Issue of cash shares	7.62	3,565,206	32,276	2,558,628	335,670	7.62
EGM of 3/26/1997	Capitalization of share premium	7.62	(3,577,448)		6,140,707	335,670	18.29
	Withdrawal from the legal reserve		(4,631)				
EGM of 4/24/1997	Issue of cash shares	18.29	130,801.26	975	6,158,544	336,645	18.29
EGM of 12/9/1998	Stock split	18.29		3,703,095	6,158,544	4,039,740	1.52
EGM of 3/15/1999	Issue of cash shares	1.52	4,364,334	524,902	6,958,752	4,564,642	1.52
EGM of 7/8/1999	Capitalization of share premium	1.52	4,175,251		11,134,003	4,564,642	2.44
EGM of 6/14/2000	Issue of cash shares	2.44	2,783,502	1,141,161	13,917,505	5,705,803	2.44
Board of Directors meeting on 5/9/2001	Share capital adjustment Exercise of share subscription options	2.44	103,236	42,324	14,020,741	5,748,127	2.44
Board of Directors meeting on 5/9/2001	Conversion of the share capital from French francs into Euros	2.44			14,020,741	5,748,127	3
(EGM of 6/14/2000)	Capitalization of the share premium by increasing the par value of the shares	3	3,223,640		17,244,381	5,748,127	3
Board of Directors meeting on 3/8/2002	Share capital adjustment Exercise of share subscription options	3	7,500	2,500	17,251,881	5,750,627	3
Board of Directors meeting on 3/8/2005	Share capital adjustment Exercise of share subscription options	3	301,500	100,500	17,553,381	5,851,127	3
Board of Directors meeting on 6/7/2007	Share capital adjustment Exercise of share subscription options	3	36,156	12,052	17,589,537	5,863,179	3
Board of Directors meeting on 4/14/2008	Share capital adjustment Exercise of share subscription options	3	21,775	3,350	17,599,587	5,866,529	3
Board of Directors meeting on 2/1/2012	Share capital adjustment Exercise of share subscription options	3	2,051	350	17,600,637	5,866,879	3
Board of Directors meeting on 2/28/2013	Share capital adjustment Exercise of share subscription options	3	24,905	4,250	17,613,387	5,871,129	3
Board of Directors meeting on 2/7/2014	Share capital adjustment Capital increase through cash contribution for employees who are members of the employee savings plan	3	276,014.18	21,463	17,677,776	5,892,592	3
Board of Directors meeting on 2/7/2014	Share capital adjustment Exercise of share subscription options	3	252,214.4	43,040	17,806,896	5,935,632	3

Board of Directors meeting on 3/10/2015	Share capital adjustment Exercise of share subscription options	3	74,949.4	12,790	17,845,266	5,948,422	3

Checks and balances

The group of Founders represents the Company's primary Shareholder. As of April 30, 2015 it held 37.73% of the Company's share capital and 56.82% of the exercisable voting rights.

To ensure that the group of Founders does not abuse its control, it should be noted that the Company's Board of Directors consists primarily of independent Board members. Furthermore, the Company's Board of Directors decided, during its meeting on April 15, 2010 to adopt the MiddleNext Governance Code for Small and Midcaps published in December 2009 (hereinafter referred to the as the "Corporate Governance Code") as its set of standards.

Committees have also been set up to enhance the efficiency of Board of Directors meetings and to assist in the decision-making process. These committees provide proposals, recommendations and opinions in their specific domain. The following Committees have been formed within the Company:

– The Audit Committee;
– The Compensation, Nomination and Governance Committee;
– The Audit Committee; and
– The Technology and Marketing Committee.

It should be noted that the Compensation, Nomination and Governance Committee is made up primarily of independent board members and that the Audit Committee consists solely of independent members.

2 The Group

2.1. Main activities and markets

2.1.1. Main activities

ESI Group has developed a suite of coherent industry oriented applications to realistically simulate a product's behaviour during testing, to fine-tune fabrication and assembly processes in view of desired product performance and to evaluate the environment's impact on the use of these products.

These applications represent a unique, open, collaborative virtual prototyping solution available in multi-domains which include the gradual elimination of the use of physical prototypes of components and sub-assemblies during the product development phase by letting users make decisions based on a "living" virtual prototype.

2.1.1.1. Strategy

2.1.1.1.1. Accelerating industrial innovation with Virtual Product Engineering

Current global economical issues bring along tough competitive challenges for the Industry, calling for immediate innovative answers. For ESI and for its customers, this reveals more than ever the evident need for Virtual Product Engineering.

With Virtual Product Engineering, manufacturing industries become armed to face the greatest industrial challenge: to deliver innovative products at lower cost, faster, and with increased reliability. Specific requirements include:

- Identifying safety and performance issues early in the design cycle;
- Assessing how new materials and manufacturing methods impact product performance and integrity;
- Implementing best practices that assure an optimum maintenance cycle and cost; and,
- Predicting equipment performance under extreme conditions and planning actions that will reduce downtime and repair costs.

ESI aims to give customers across many industry sectors the ability to **virtually manufacture and assemble, part by part, complete and physically realistic virtual products that can be tested under normal and exceptional operating conditions.** ESI customers can thereby expose practical issues related to manufacture, assembly and coupling between different product attributes and performance domains – and this, long before physical prototypes can be tested.

Virtual Product Engineering delivers key information for design iterations that also helps prepare physical testing in the best possible way - up to pre-certification stage or in some cases, entirely eliminating the need for physical tests until final validation.

Moreover, recent immersive and interactive 3D technologies now offer real time visualization of Virtual Prototypes. Using Virtual Reality solutions such as ESI's IC.IDO, industrial organizations can now bring their product to life long before it even exists in real sense and without requiring a physical prototype. This revolutionary technology enables collective, concurrent decision-making (cross-functional, cross-sites and cross-physics) at each and every significant stage of the design process.

Finally, the acquisition of the innovative technology of CyDesign brings to industrials a software solution to bridge product inception ('0D-1D' system modeling) and product validation ('3D' component modeling) both in a cloud and SaaS mode.

In a word, Virtual Product Engineering enables ESI's customers to get their product right: robust, innovative, for the right cost and at the right time.

2.1.1.1.2. Filling gaps and managing complexity in virtual product development with ESI's end-to-end approach

Real or physical prototyping is essential to traditional product development processes. Organizations build and test hardware prototypes to evaluate design effectiveness and assess potential improvements on a trial and error basis.

Computer simulation helps reduce time and cost incurred in producing and testing real prototypes; offering the alternative to anticipate test results, eliminate useless tests and drive design changes more intelligently, thus cutting the number of real tests needed. However, once a real prototype is produced, it is still customary and prudent to calibrate the simulation model to match the actual test results, in order to build confidence in the simulation models. Subsequent simulations using the calibrated model help drive improvements and better predict the effects of design changes.

While the above traditional methodology does bring about concrete gains, it has some inherent risks and gaps:

- Coupling effects between design disciplines and regulatory domains are unclear;
- Consequences of manufacturing process and resulting defects in parts and assemblies are unknown;
- Calibration is often global, late, and ad hoc on prototypes that do not represent the actual product;
- Innovations may be unduly rejected due to unmanageable complexity.

In contrast, ESI's End-to-End Virtual Product Engineering provides a rational and effective answer to these fundamental concerns by placing Virtual Manufacturing and Virtual Reality at the core of a virtual design methodology that follows rigorous guidelines for building reliable models:

- Step by step, virtually fabricate, control and assemble product parts and components;
- Evaluate multi-domain performance virtually, and progressively optimized; regarding, for example, standards, usual conditions and the increasingly demanding regulations, current and future.
- Build cause and effects relationships between design and fabrication parameters, end-to-end from part to component to system, and perform intelligent trade-offs on interactive virtual reality models of progressive complexity;
- Right at the onset of modeling, calibrate basic material properties to ensure realistic predictive models within identified circumstances and limits;
- Rigorously update these predictive models through pre-defined processes during assembly and multi-domain testing;
- Evaluate robustness and safety interactions duly controlled at each step and in full transparency, updating processes towards best practice.

End-to-End Virtual Product Engineering manages risks, complexity, trade-offs and interactive decision making. It supports industrial competitiveness by reducing costs and time to market. It can benefit each and every stage of product development processes, leading up to virtual pre-certification and to successful real testing, as may be required for final validation.

Innovations become dramatically easier to evaluate and implement.

Our success is the result of an effective collaboration and co-creation approach between ESI and global leaders in various industries. More and better is to come with the accelerated availability of affordable and accessible compute power and user-friendly software solutions.

2.1.1.2. Main activities

The Group is engaged in two main business activities: the edition and distribution of software and consulting services.

2.1.1.2.1. Software edition and distribution (Licensing Activity)

Licensing is the Group's main business activity; it represented 75% of its revenue in 2014. Software packages are marketed in the form of licenses to use this proprietary software based on an annual fee system which, by nature, results in highly recurring revenue.

The significant value added provided by ESI Group's solutions requires major research and development work by highly qualified research engineers.

Solutions are sold worldwide. Distribution subsidiaries manage directly more than 90% of license sales, the rest is providing indirectly via a network of third-party distributors and agents. Both distribution networks are essential because complementary.

In 2014, 512 employees or 51% of total workforce work in our distribution network; 57% of these employees work in distribution in Europe, 31% in Asia and 12% in the Americas.

2.1.1.2.2. Consulting services (Services Activity)

In addition to its main business activity as a software vendor, the Group also provides consulting services directly related to virtual product engineering.

These services encompass three distinct areas:

- Specialized R&D projects pertaining to the creation of pre-industrial digital simulation models for new applications. These cutting-edge, high-risk R&D projects can last from two to three years and are carried out in collaboration with university labs and/or corporate R&D departments. These projects are handled by the Group like research and development or technology intelligence activities. In some cases they lead to government-type co-financing arrangements in Europe and the United States. They allow the Group to become involved, as a scientific partner, at a very early stage, in a wide variety of high-tech, innovative projects;
- Joint industrial engineering projects carried out in partnership with major industrial corporations striving focus on the large-scale deployment of new applications with high economic potential that have already been proven technologically viable, such as the specialized products described above. The Group customizes its specialized software and the industry partner performs the prototype trials necessary to validate specialized simulation models. The Group bills its partners for the cost of its services, but funds its own software development work. As a result, it keeps the intellectual property rights to the software products developed or modified;
- Engineering and other services, including application tests (design verification, virtual manufacturing and virtual performance testing of industrial products), and support services in conjunction with software sales activities (training and technical assistance both on-site and off-site). These services are generally billed based on time worked (lump sum or actual time spent) except for telephone-based support services which may be provided as part of the support services included with the annual license for the use of the software packages.

2.1.2. Main markets

2.1.2.1. The virtual prototyping market

ESI Group's business model seeks to take advantage of major industry trends moving toward "all-digital" and computerized Product Lifecycle Management (PLM). In this market, ESI Group's solutions bring a considerable, fundamental improvement in the decision-making process by allowing the physical properties and behavior of the materials to be "realistically" taken into account in the digital model.

Characteristics of the market

The highly specialized nature of ESI Group's operations and its unique role in the virtual prototyping field makes any attempt to delineate precisely its market difficult. The Group thus has little information that would shed light on the specific characteristics or short-term outlook of this market, especially since the very definition of this market varies greatly among the players in the industry.

Consequently, US market research firm CIMData published a study on PLM (estimated at $37 billion) in April 2015 in which it included virtual prototyping under the category of "Simulation & Analysis Suppliers" (estimated at $4.7 billion). Most of the companies listed under this category are active in the analysis field. Within this panel, few companies reach the physical realism of the virtual prototyping solutions offered by ESI Group.

High barriers to entry

The complexity of the problems addressed by ESI Group, its long-standing experience working closely with major industrial corporations, its heavy investment in research and development and the wide range of solutions it offers, make it difficult for any newcomers to enter its market and compete with ESI Group.

In particular, the specialized fields in which ESI Group works require an understanding not only of structured geometric data (digital modeling) provided by CAD/CAM/CAE but also of the physical phenomena involved in simulation testing in order to make virtual models "realistic".

ESI Group's technologies draw on:

- Long-standing partnerships with major industry players that both use (manufacturing industries) and supply (software platforms) technical computing systems;
- The highly-skilled teams of researchers, which the Company has been able to attract and retain thanks to its specialized expertise and reputation in the physical simulation field;
- Licensing agreements signed in a wide range of particular complex or highly specialized fields.

All of these partnerships are the result of the exceptional degree of expertise gained by ESI Group since the founding of the Company in 1973. The Group has a solid reputation as a complex problem-solver for major corporations worldwide in a variety of disciplines and industrial sectors (automotive, defense, aerospace, nuclear power, transport, energy, electronics, consumer goods, biomedical, etc.)

As things stand today, it would be a mistake to discount the possibility that new competitors could appear on ESI Group’s digital prototyping field with greater resources, but, especially as regards major CAD/CAM players, such a development does not seem desirable to or anticipated by major automakers, which appreciate doing business with specialized companies in the area of physics-based simulation, companies different from their other technology vendors.

Nevertheless, it should be mentioned that Dassault Systèmes' CATIA V5/V6 software suite did bring a certain degree of standardization to the industry and was well received by automakers in order to facilitate the sharing of computational data within the CAD/CAM world and ensure compatibility with resource management systems. It is also worth noting that Siemens/UGS entered the technical data management field with its TeamCenter solutions, the *de facto* standard in the automotive market. In 2012, Siemens supplemented its simulation offering by acquiring Belgian company LMS; however, the benefits generated by this acquisition, for Siemens, remain to be seen.

Given the high barriers to entry that protect ESI Group’s business, a new competitor would not be successful except in the event of an industry-wide trend toward consolidation. It would also be difficult for a new industry player to make the acquisitions necessary to quickly build up a physical simulation product line as rich as that offered by ESI Group that offers the same prediction capabilities valued by the Group's major clients..

The need for a change in methodology

Although the solutions developed by ESI Group are typically used by the major clients in highly specialized, mature markets – like the automotive industry – its products can be adapted to a wide range of industries.

Large-scale adoption of these solutions would require, however, a radical change in how things are done that breaks away from the traditional "trial and error" methods still widely used in many industrial fields.

After the general downturn in the economy, which led to steep cuts in the research and development budgets of major manufacturers, the worldwide economic recovery and the increased pressure from international competitors should push many companies to move away from their current methodologies toward virtual prototyping, especially in areas such as aeronautics, energy and electronics.

2.1.2.2. Geographic zones

Markets are segmented both by geographic zone and by industry.

Revenues	2014		2013		2012	
	(in thousands of euros)	*(as a % of the total)*	*(in thousands of euros)*	*(as a % of the total)*	*(in thousands of euros)*	*(as a % of the total)*
Europe, Middle East and Africa	53,480	48%	49,449	45%	46,953	43%
Asia	38,475	35%	39,085	36%	40,094	37%
Americas	19,062	17%	20,783	19%	21,981	20%
TOTAL	**111,017**	**100%**	**109,317**	**100%**	**109,028**	**100%**

As in previous years, ESI Group maintained a strong international presence, with 84.9% of its revenue coming from outside France.

2.1.2.3. Industries

The ESI Group's product and service offering is grouped into product lines and industrial solutions according to seven main sectors:

Ground transportation offering (automotive, railroad, etc.)

ESI Group offers a wide variety of industry-leading virtual prototyping solutions for components and sub-assemblies used in the transportation industry, focusing on the following areas:

- Passenger safety (airbags, seats, etc.);
- Vehicle body manufacturing and assembly;
- Vehicle body with trims and interior;
- Comfort (noise, vibrations, etc.);
- Engine and transmission;
- Aerodynamics, aerothermodynamics, under the hood simulation, etc

Manufacturing offering

ESI Group's solutions are designed for companies such as those involved in processing raw materials and heavy industry. They are also meeting simulation needs in the following areas:

- Manufacturing processes (metal, plastic or composite materials);
- Optimization of the assembly of parts and simulation of their behavior in their environment.

Aeronautics and aerospace offering

ESI Group's diverse offering allows it to propose other solutions in areas such as:

- Engineering and optimization of air flow, noise, impact, electromagnetics, etc.
- Improvement of noise and vibration factors.

Energy offering

The main application areas are the following:

- Verification of compliance with technical regulations (safety and useful life);
- Performance and improvement of new wind technologies;
- Energy consumption optimization.

Government and defense offering

The ESI Group product offering primarily covers the following areas:

- Complex physical phenomena involved in missile launches, seat ejections, etc.

– Comfort of military vehicles.

Electronics and consumer goods offering

ESI Group solutions include, in particular:

– Physical and chemical reactions involved in the industry;

– Unintended hypothetical circumstances and related safety measures.

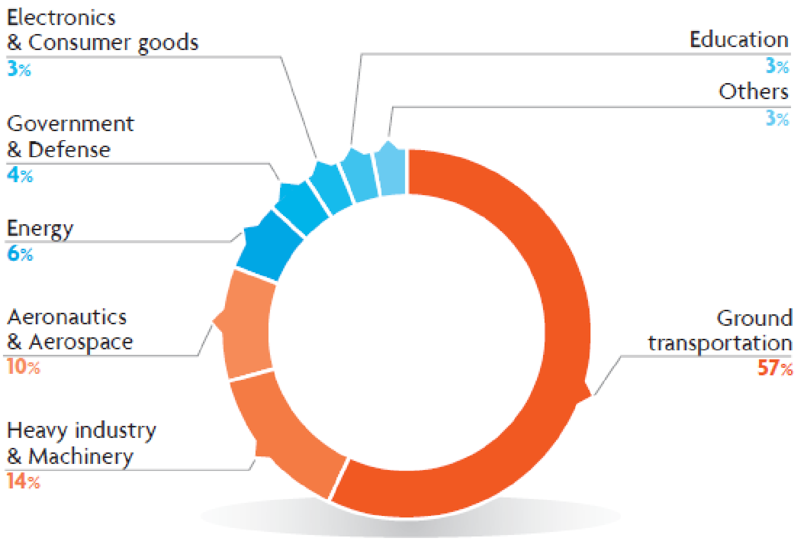
Education offering

The solutions offered by ESI Group can be divided into two main areas, namely:

– Education, which helps train future engineers in new virtual prototyping tools and technologies;

– The special Research projects, undertaken in collaboration with universities to meet the needs of industry.

In 2014, booking orders between the main industrial sectors were broken down as follows:



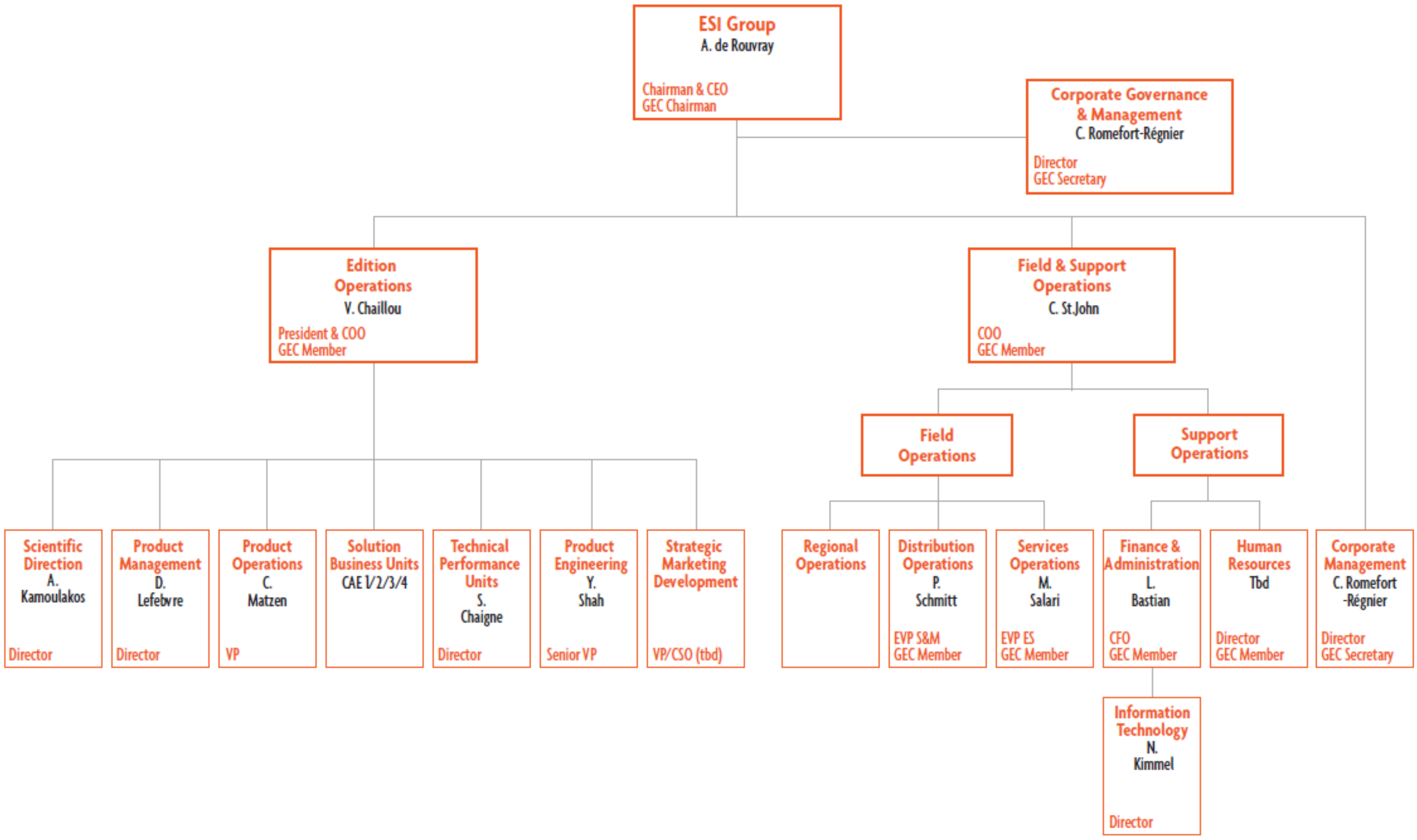
The table below gives an overview of the breakdown in the ESI Group's main clients by region:

	Americas	Europe	Asia-Pacific
Ground transportation	Chrysler Group	Autoliv	China Faw Group Corp.
	Ford Motor Company	BMW Group	Honda
	General Motors	Bombardier WW	Hyundai
	Lear	Daimler AG	Mazda Motor Corporation
	Magna International	Fiat Group	Mitsubishi Motor Corp.
		PSA Peugeot Citroën	Nihon Hatsujo
		Renault	Nissan
		TRW	Shanghai Automotive Industry Corporation
		Volkswagen Group	Toyota
Heavy industry & Machinery	Alcoa	Arcelor	Hitachi
	General Electric	Montupet	JFE Steel
	John Deere	Sab	Kobe Steel
	United Technologies Corporation UTC		Takata
	Whirlpool		
Aeronautics and aerospace	Boeing	Airbus Group	AVIC
	Honeywell	Dassault Aviation	
	Lockheed Martin	Rolls-Royce	
	NASA	Safran	
	Northrop Gruman	Thales	
	PCC Corporate		
Energy	General Electric	Areva	General Electric India
	Siemens	EDF	Kawasaki Heavy Industries
		GDF	Mitsubishi Heavy Industries
		Onet	
Government and defense	Huntington Ingalls Industries	DCNS	ADD
	U.S Army	CEE	Hunan yunjian group
		CEA	Inner Mongolia first Machinery Group Corporation
		Ministère de la Recherche RNTL	Japan Automobile Research Institute
Electronics and consumer goods	Applied Materials	Bertrandt	LG
	Hitachi Industries	Gestamp Group	NEC
			Samsung

2.2. Structure of the Company

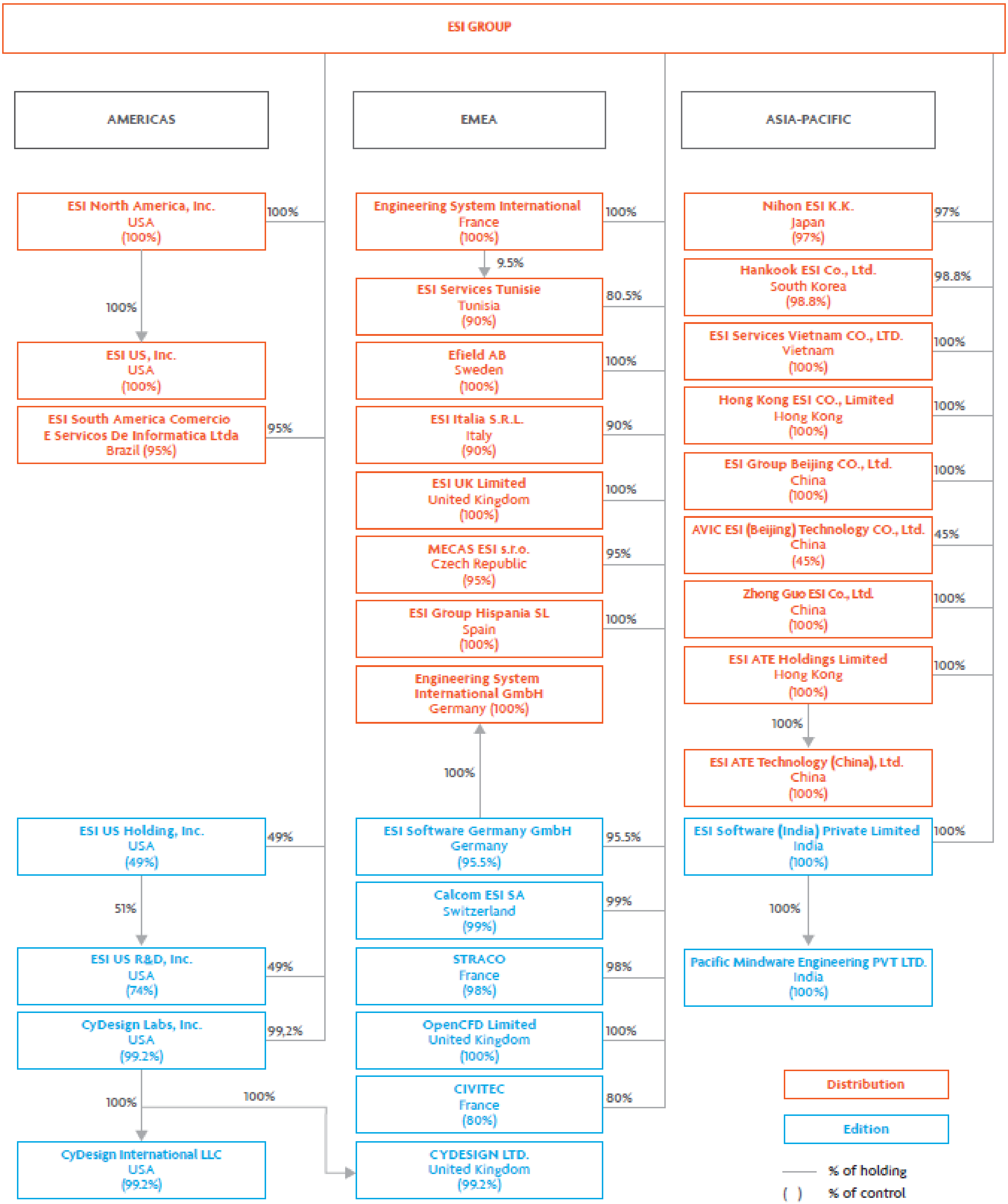
2.2.1. Operational organization chart

The Group's current operational structure is presented in the following diagram:



2.2.2. Legal organization chart

As of May 22, 2015, the Group's legal structure is presented in the following diagram. It notably includes the acquisition of CIVITEC that occurred in March 2015:



Nota : The percentages of equity and voting rights are identical.

2.2.3. Operational procedures of the Board of Directors

Information regarding operational procedures of the Board of Directors is contained in section 3.2 "*Chairman's report on corporate governance, internal control and risk management procedures*".

2.2.4. Operational procedures of executive management

2.2.4.1. Chief Executive Officer

In accordance with the law, either the Chairman of the Board of Directors or another individual appointed by the Board of Directors (or the "Board") to serve as Chief Executive Officer is responsible for the executive management of the Company.

The choice between these two executive management options is made by the Board of Directors. The Board of Directors' decision relative to the choice of executive management structure is made by majority vote among the Board members present or represented. The Board of Directors' choice is reported to the shareholders and to third parties in accordance with the provisions set forth by the regulations in force.

The option selected by the Board of Directors must remain in effect until the end of the term of office of the Chief Executive Officer or Chairman, if the Chairman also serves as Chief Executive Officer.

At the end of this period, the Board of Directors must again decide on the Company's executive management structure.

The Board of Directors may, with the consent of the Chief Executive Officer or Chairman, if the Chairman also serves as Chief Executive Officer, decide to modify the executive management structure before the end of their term of office. Such change in the executive management structure does not require an amendment to the articles of association.

The Chief Executive Officer is given the broadest possible powers to act in all circumstances on behalf of the Company.

The powers of the Chief Executive Officer may be limited by the Board of Directors.

2.2.4.2. President and Chief Operating Officer

At the proposal of the Chief Executive Officer, regardless of whether this function is performed by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more individuals as President and Chief Operating Officer to assist the Chief Executive Officer.

The maximum number of President and Chief Operating Officer is five.

The Board of Directors determines the scope and duration of the powers granted to the President and Chief Operating Officer with the Chief Executive Officer's agreement and sets their salary.

With respect to third parties, the President and Chief Operating Officer has the same powers as the Chief Executive Officer.

If the Chief Executive Officer resigns or is no longer able to carry out his duties, the Executive Vice Presidents will retain their responsibilities and duties until the appointment of a new Chief Executive Officer unless the Board of Directors decides otherwise.

Executive Vice Presidents may be dismissed at any time at the recommendation of the Chief Executive Officer. If Executive Vice Presidents are dismissed without just cause, such dismissal may be grounds for compensation.

The powers of President and Chief Operating Officers are presented in the Chairman's report on internal control systems.

2.2.4.3. Limits on executive management

No limits have been applied to the powers of the Chairman and Chief Executive Officer.

2.2.4.4. Group Executive Committee (GEC)

The GEC makes all decisions relative to the Company's growth strategy in the following areas:

- Distribution (establishments and subsidiaries);
- Sales and Marketing;
- Product Operations;
- Service Operations;
- Finance and Administration;
- Human Resources;
- Quality;
- IT.

To this end, the GEC reviews the actions underway and sets out timelines for their completion.

The GEC prepares and submits documentation to the Board of Directors relative to certain operations that require Board approval before they can be carried out and/or implemented.

The GEC consists of members of the management team and one secretary. The number of members may be modified depending on changes to the management team.

The current members of the GEC are as follows:

- Alain de Rouvray: Chairman of the Board of Directors and Chief Executive Officer of the Company;
- Vincent Chaillou: Board Member and Chief Operating Officer in charge of the software edition activity;
- Christopher St.John: Chief Operating Officer in charge of the distribution and support activities;
- Tomasz Kisielewicz: Executive Vice President, Engineering Services (until his retirement January 31st, 2015);
- Laurent Bastian: Chief Financial Officer;
- Mike Salari: Executive Vice President, Engineering Service (since February 1st, 2015);
- Peter Schmitt: Executive Vice President, Sales & Operational Marketing (since February 1st, 2015);

Furthermore Corinne Romefort-Régnier: Corporate Governance Director carries out the secretariat for the Committee.

It should be noted that Mr Olivier Pradal resigned from his position as Human Resources Director and is no longer a member of the GEC as of August 19, 2014.

The GEC may ask any individual who may be able to provide information on the topics addressed to help it make its decisions in an informed manner.

Any person invited to attend the GEC meetings is bound to secrecy regarding any confidential information or data presented by the members of the GEC.

2.3. Selected financial information

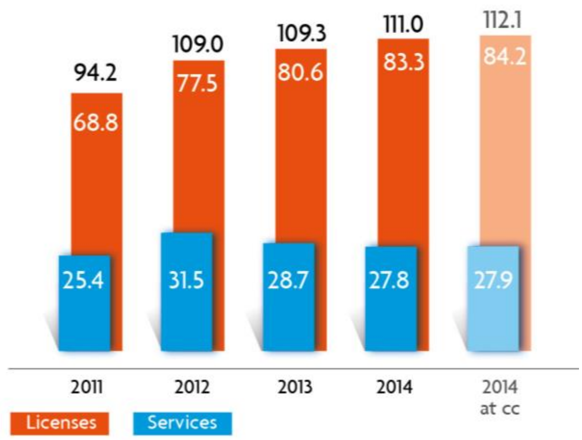
This information is found in the consolidated financial statements.

2.3.1. Revenues

2014 annual sales came to €111.0 million, up +1.6% on the previous year in actual terms and up +2.5% at constant currency. There was a negative currency effect of -€1.0 million over the period, mainly due to the negative evolution of the Japanese Yen. Licenses activity accounts for 75.0% of 2014 total sales compared with 73.7% in 2013.

CHANGES IN REVENUES

(millions of euros)

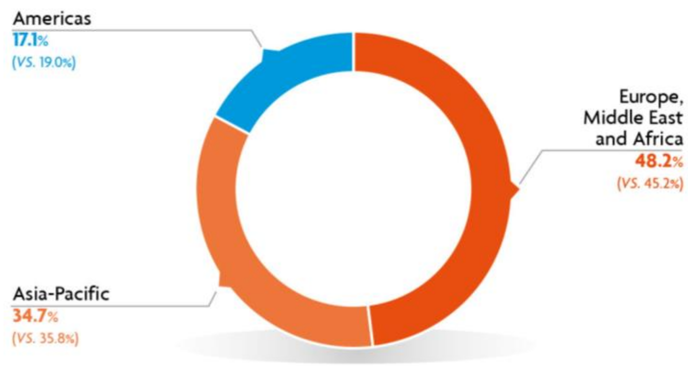


2.3.2. Distribution of revenues per area

The geographical split in sales shifted towards Europe, driven by increased Licenses activity, most particularly in France and Germany. Europe accounted for 48.2% of total sales, compared with 45.2% the previous year. The reduction of share in the Asia zone was mainly a result of a negative currency effect and the difficult business context in China. The decrease in the Americas share was a result of the refocusing of the Services activity on projects with higher added value.

The weight of activity in BRIC countries decreased compared with 2013, accounting for 12.7% of total sales over the period compared with 15.3% the previous year. This decrease reflected falls recorded in China and Russia and was not offset by upward trends in Brazil and India.

DISTRIBUTION OF REVENUES PER AREA



2.3.3. Activities strategic alignment

Licenses activity recorded annual sales of €83.3 million in 2014, giving growth of +4.4% at constant currency compared with the previous year. This solid growth was driven by the buoyant sales momentum in Europe, notably France, and the solid sales growth recorded in the Americas. Licenses saw the rate of repeat business remain at a high level of 85.7% at constant currency (vs. 86.7% in 2013). New Business (i.e. excluding Add on) totaled €17.0 million, down €0.5 million, and accounted for 20.1% of total Licenses sales. This reduction can be explained by the current difficult political and economic context in BRIC countries, and in particular in Russia and China.

Services activity recorded sales of €27.8 million in 2014, down -3.3%. This negative figure was a result of the reduction over the first three quarters of the year due to refocusing on projects with higher value added ; an action completed before the last quarter, when a jump of +10.7% was recorded.

2.3.4. Profitability

In actual terms, EBITDA grew 5.8% to €10.1 million, i.e. a margin of 9.1% compared with 8.7% in 2013. This growth improves to 13.6% when reported at constant rates (for an equivalent of €10.8 million, i.e. 9.7% margin).

Current Operating Profit (ROC) rose 14.0% to €9 million, showing a margin of 8.1% up 0.9 point compared with last year. At constant rates, it would be €9.7 million, up 23.3%, with a margin of 8.7%.

EBIT rose 35.6% to €8.4 million, corresponding to a margin of 7.5% and up 1.9 points compared with 2013. At constant rates, the EBIT would be reported as €9.1 million, up 47.6%, i.e. €2.9 million.

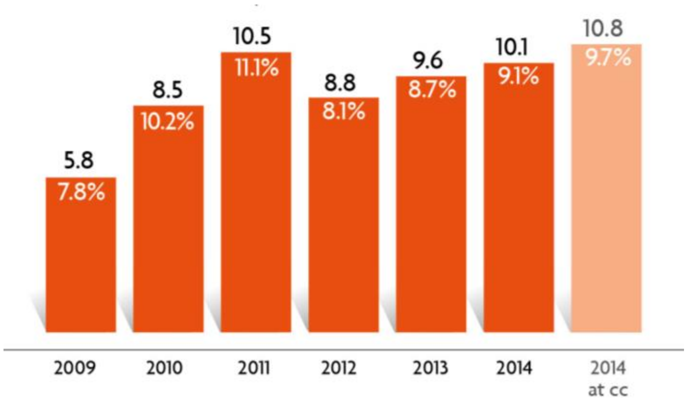
The increasing difference in growth between the EBITDA and the ROC on the one hand and the EBIT on the other hand is mainly due to the exceptional items recorded in 2013; including provisions for risks and acquisition costs.

Net Financial Income was €0.7 million vs. a loss of €0.9 million in 2013. This €1.7 million change is due mainly to the impact of the exchange rates evolution, particularly of the US dollar right at the end of the year.

The attributable Net Profit was €5.5 million, i.e. 5.0% of net margin, compared with €2.4 million in 2013, an increase of 127.2% in actual terms. The €3.6 million tax expense remained high at an average rate of 39.5%, to be compared to 52.1% in 2013. This improvement is mainly due to the recording of provision for tax risk carried out in 2013.

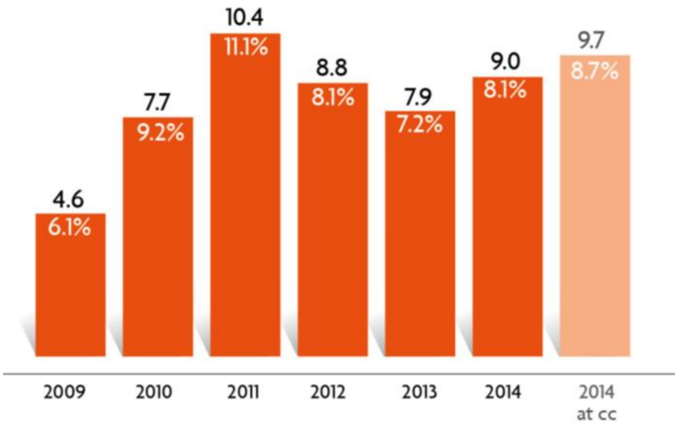
EBITDA

(in millions of euros and % of sales)



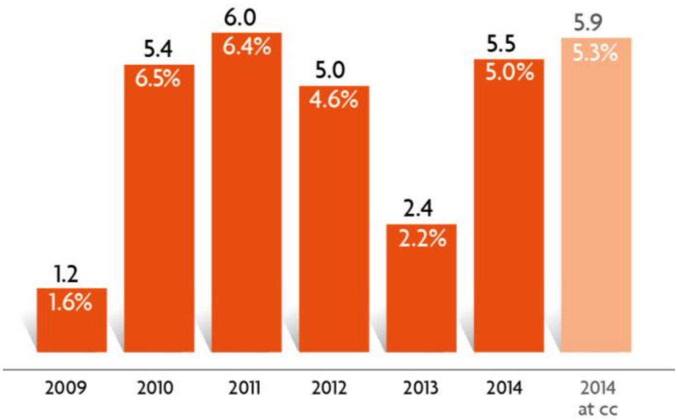
CURRENT OPERATING PROFIT

(in millions of euros and % of sales)



ATTRIBUTABLE NET PROFIT

(in millions of euros and % of sales)



2.4. Major investments during the past three fiscal years

2.4.1. The Group's recurring investments

The Group's recurring investments in operations represent approximately 3% of its revenues. Over the past three fiscal years, these investments have amounted to EUR 3,745k in 2012, EUR 2,954k in 2013 and EUR 1,768k in 2014. This amount does not include the intangible assets recognized when allocating the acquisition prices (see notes 5.1 through 5.3 to the consolidated financial statements). These investments pertain mainly to the computer equipment required to grow the Group's business as well as the work required to outfit and equip various facilities of the Group. Investments are primarily financed using the Group's equity.

Research & development costs

ESI Group capitalizes the research and development costs that meet the six criteria set forth under IAS 38 in its annual financial statements. Information on research and development costs is found in notes 2.8, 4.2 and 5.2 to the consolidated financial statements.

The net carrying amount of capitalized research and development costs stood at EUR 28,603k as at January 31, 2015.

2.4.2. The Group's non-recurring investments

a) Acquisitions of intangible assets

Since 1994, the Group has been acquiring both entire companies and specific branches of companies in order to supplement its offering and expand its market opportunities.

Intangible assets subject not to amortization but rather to impairment tests include goodwill and intangible assets with an indefinite useful life. These intangible assets have been subject to an impairment test as described in note 2.13 to the consolidated financial statements. The main transactions during the fiscal year are described in note 5.1 to the consolidated financial statements.

The change in the net carrying amount of these intangible assets between January 31, 2014 and January 31, 2015 is given in the table below. See notes 5.1 and 5.2 to the consolidated financial statements for further information.

(in millions of euros)	January 31, 2014	Increase	Decrease	Foreign exchange gain/loss	January 31, 2015
Goodwill	23.0			0.8	23.8
Intangible assets with an indefinite useful life	12.0				12.0
TOTAL	**35.0**			**0.8**	**35.8**

b) Financial investments

The Group does not engage in any type of financial investments and uses strictly conventional investments to earn interest on its available liquid assets.

2.4.3. Future investments

The Group will continue to invest in order to update and improve its production capacities and efficiency. The Group seeks out new opportunities that would allow it to increase its market share or to improve the services provided to its clients. At the time of writing, the Group made four acquisitions for four new technological building bricks.

In 2014, recurrent investments amounted to EUR 1.8 million. The Group plans to spend about EUR 3.0 million in 2015. Recurrent capital costs committed to at the time of writing are about EUR 0.7 million.

In order to evaluate any investment opportunities that could potentially improve its solutions, the Group has established a Product Council that helps the Group Executive Committee to make investment decisions based on market priorities and expected outcomes.

2.5. Risk factors

The Company has reviewed the risks that could have a material adverse effect on its business activities, financial position or results and considers that there are no material risks other than those described below:

Exchange risk

For information on exchange risk, see Section 4, item 4.1.2.3., and notes 2.5, 2.15, 4.5 and 7 to the consolidated financial statements.

Interest rate risk

For information on interest rate risk, see Section 4, item 4.1.2.3., and notes 2.15, 5.11 and 5.13 to the consolidated financial statements.

Equity risk

For information on equity risk, see notes 2.18., and 5.10 to the consolidated financial statements.

Risk related to impairment of goodwill or of intangible assets

See note 2.13. to the consolidated financial statements.

Liquidity risk

The Company has specifically reviewed its liquidity risk and it considers itself to be in a position to satisfy future payment obligations.

The Group's debts are broken down by type, interest rate type and installments in note 5.11, “Financial debt”, to the consolidated financial statements. This note also includes a breakdown of the corresponding cash flows hedges. All loans, with the exception of capital leases, are taken out in euros. Additionally, all covenants in effect are described in note 8.3, "Commitments undertaken", to the consolidated financial statements. Non-compliance with the covenants may trigger a demand for early repayment.

Business risk

As regards business risks, the revenues earned from its Services Activity are recognized according to the percentage of completion method and represent, overall, 27.8% of the Group's total revenue. Intermediate payment installments are scheduled at the end of each quarter in order to approve the progress thus far and to justify the recognition of revenue.

The Group's twenty largest clients represent 43.5% of booking orders.

The payment terms used by the Group vary from country to country. These terms stand at an average of 50 days for Northern Europe, the United States and Japan, and at 60-100 days for Southern Europe (including France). With respect to China, in many cases it takes over a year to collect on accounts receivable. An analysis of receivables by age is carried out each quarter in order to ensure collection and, where necessary, to establish the required provisions. Total doubtful debts are low. They are presented in note 5.6 to the consolidated financial statements.

The Group is not exposed to any specific risks as regards suppliers and partners. Its very limited use of subcontractors, typically on a personnel level, is not in any way strategic and does not represent any sort of risk factor. Moreover, the Group has standard terms in place based on the type of service rendered.

Risk related to fixed-price contracts

In the case of fixed-price contracts in the Services division, the risk of underestimating costs is borne largely by ESI Group. Nonetheless, this risk is a function of the experience the Group has in the issues involved in the project. This risk is hedged by a contingency coefficient applied both to the price and to the deadline; it varies from 0% for standard projects to 50% for highly innovative projects. In addition, bids may include clauses limiting the services provided and providing for the negotiation of amendments to contracts in the event of additional requests by the customer.

With regard to the risk related to the inability to provide the results expected, this depends on the agreements and preliminary work known as "grasping the problem", which has so far allowed ESI Group to avoid this risk. No agreements are signed without having a precise idea of how to proceed in order to deliver the services agreed upon. Furthermore, the risk as to the acceptance of the results is covered by acceptability criteria specified either in the bid or at the start of work.

Risk related to technological changes and the ability to respond rapidly to customer needs

The ESI Group's line of business is based on a close customer relationship, so as to meet the customer's innovation needs in the different industrial segments suitable for implementing End-to-End Virtual Prototyping. Nevertheless, to protect against the risk of disruptive technological changes in all the layers of the Group's products and services, the following networks have been developed:

- The Scientific Committee;
- Strategic partnerships with customers who co-create with the Group;
- Academic partnerships giving access to the latest technological information;
- Distribution partnerships with key hardware and cloud companies, giving advance access to the latest technologies.

Finally, the Group takes part in innovation projects cofinanced by bodies of the European Union, competitiveness clusters in France and American research projects such as SBIR or Darpa. Together, these enable ESI Group to produce increasingly innovative solutions in a timely manner.

Legal risk

The Group has a legal affairs department.

The legal affairs department is divided into two divisions:

- The corporate legal affairs division, which is responsible for monitoring, researching and optimizing the Group's legal situation as well as coordinating the legal aspects of the subsidiaries' operations;
- The intellectual property division, which makes sure the Group's intellectual property rights (brand name, patents, know-how, etc.) are protected and takes all necessary measures to safeguard them (registration of trademarks, filing of patents, etc.).It is responsible for intellectual property audits when acquisitions are made and for drafting or revising all contracts involving customers and partners.

Given the nature of its activities, the risks faced by the Group pertain mainly to intellectual property.

These potential risks are as follows:

Counterfeiting of products marketed by the Group

As regards the risk of counterfeiting by third parties, no significant incidents of counterfeiting have been observed.

The passwords used to access the Group's products are generated by ESI Group no matter how the software is distributed (distributors and agents) and they are linked to the FlexNet Publisher software (formerly known as Flexlm), which represents the world standard for secure computer codes. If a way around the FlexNet code were found, ESI Group also uses a counterfeit detection tool (Vi Labs) that has gradually been incorporated into all its codes and is linked with the legal assistance service against software counterfeiting. This service has proven to be highly effective

Risk related to claims by third parties as to the ownership of codes published by the Group

With regard to risks of third-party claims, the Company's software products are, broadly speaking, either developed within the Group or acquired in mergers or acquisitions.

In rare cases, they are the result of development contracts signed with third parties.

As regards the codes developed in-house, the Group's companies retain ownership of the intellectual property under the employment contracts and supplementary provisions in accordance with labor law. Where necessary, development agreements are signed between ESI Group and its subsidiaries in charge of development in order to ensure that ESI Group is considered the owner of the intellectual property.

As for the codes acquired as part of an acquisition, an intellectual property audit is carried out before. In addition, acquisition agreements also contain covenants for peaceful possession.

Likewise, the Group relies on a systematic review process for development contracts signed with third parties in order to ensure an effective and risk-free transfer of intellectual property in cases where ESI Group's standard contract, which provides for effective transfer, is not used.

Contractual liabilities and damage clauses

With regard to contractual liabilities and damage clauses, as a matter of policy the Group declines damage clauses and indirect liabilities, such as for losses, and insofar as possible limits contractual liabilities to the euro amount of each individual transaction.

Transfers of more rights than necessary, as for example by submitting to customer's general terms and conditions in purchasing agreements or by not restricting provisions in consortium contracts

Lastly, the risk of poorly restricted transfers is eliminated by having all contracts reviewed by in-house experts in intellectual property law.

The Group thus believes that it has the resources and processes required to adequately cover any legal risks that it may face

Risk of dependence on customers or one industrial sector

The Group strives to diversify its business, both geographically and by industry. The Ground transportation sector represents 57% of our revenues but uses a variety of technologies, which minimizes the risk of dependence.

In addition, we do not have a major account representing over 15% of our yearly orders written.

Risk related to management and key personnel

The expertise and experience of key personnel are today shared broadly among qualified staff. No employee is the exclusive owner of a code or piece of know-how not shared among the teams.

In addition, the Company has committed to an employee loyalty policy, primarily by creating stock option plans for key personnel.

Risk related to the security of facilities and internal systems

An experienced security agency constantly watches our systems and network security. The internet connections and firewalls of all facilities are centrally managed and monitored, thus minimizing risks of intrusion or piracy. Critical services, located in Rungis, are regularly backed up in accordance with a documented process. In the event of a major malfunction or catastrophe, a back-up site in Lyon has been designed and is operational since 2014.

Industrial and environmental risk

ESI Group has a best efforts obligation to its clientele (e.g. the integrity of the algorithms used in its software) but not an obligation to produce a specific result regarding the implementation of its software. Since it deals with a very diverse customer base of major multinational industrial corporations, ESI Group's risk of client insolvency is low and fully provisioned.

ESI Group and its subsidiaries design, develop and sell digital simulation software. The environmental impact of these activities is, by its nature, relatively small and limited mainly to the production of paper waste and used computer equipment.

This impact is minimized by the fact that a large portion of the devices are leased from companies that resell or recycle their equipment.

The automatic fire extinguishing systems installed, where necessary, in the Company's computer rooms, do not use halon and comply with environmental standards.

To the Company's best knowledge, it does not currently and has not ever violated any environmental regulation and no legal action has ever been taken against it in relation to the environment. Furthermore, the Company's digital simulation products allow its clients to reduce the number of full scale tests (crash tests, foundry, injection, welding, etc.) and thus allow them to cut back significantly on raw materials and energy.

3 Corporate governance

3.1. Main shareholders and stock price evolution

3.1.1. Founding shareholders

Information on founding shareholders is contained in section 1.3.4.6., Change in the breakdown of the Company's share capital over the past three fiscal years.

3.1.2. TPI survey

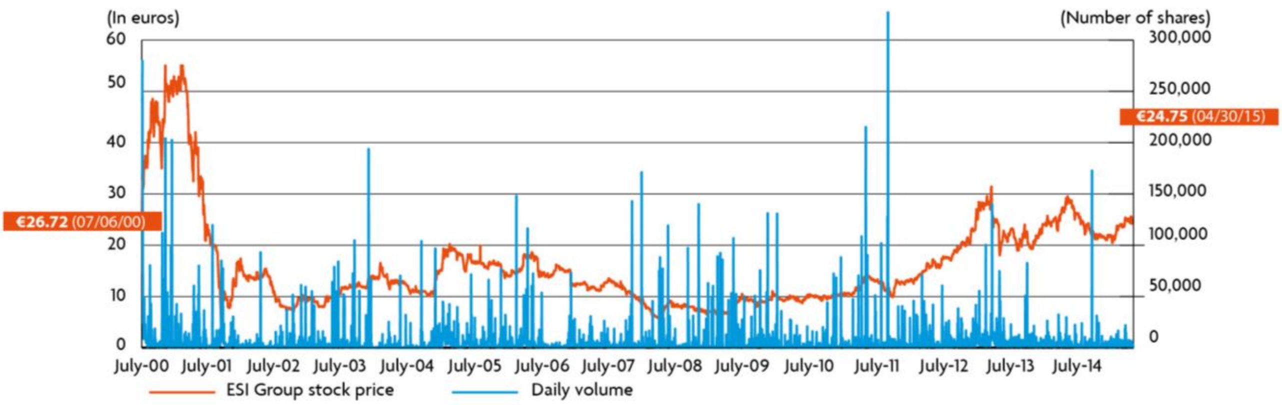
On April 17, 2015, the Group carried out a survey of identifiable bearer shares (TPI: *Titres au Porteur Identifiable*) on 98.9% of its free float (excluding treasury shares and nominative shares) which could be compared to the one realized on April 28, 2014.

(% of free float)	As of April 17, 2015	As of April 28, 2014
Domestic investors	71 %	72 %
Foreign investors	18 %	20 %
Individual Shareholder	10 %	8 %
Companies	1 %	0 %

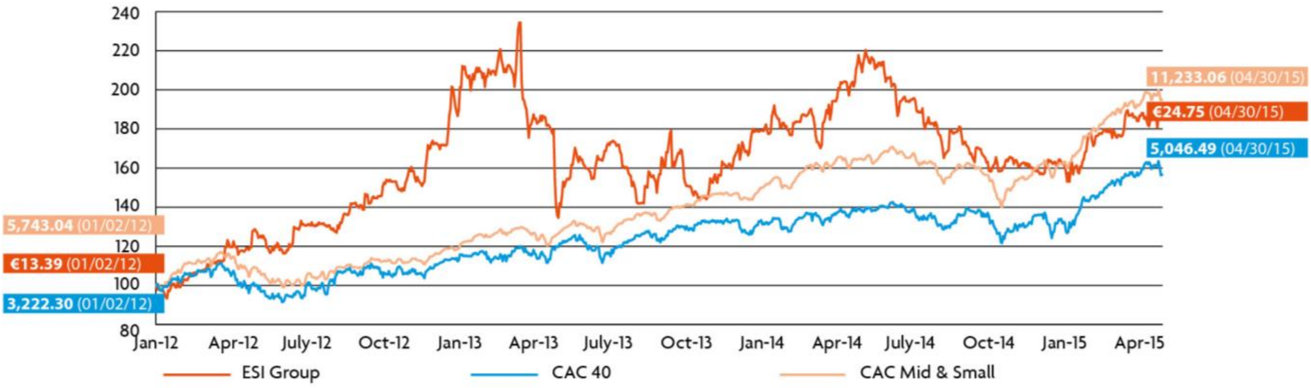
This analysis shows a strengthening of individual shareholders in the capital of the Company which stays mainly composed by domestic investors

3.1.3. Stock price evolution

The chart below shows how ESI Group's stock price has performed since its initial public offering and the daily volume of transactions.



The chart below shows how ESI Group's stock price has performed relative to the CAC Mid&Small and CAC 40 base 100 index since January 2012.



3.2. Report of the Chairman of the Board of Directors on corporate governance, internal control and risk management

The purpose of this report (the "Report") is to provide information on the composition of ESI Group's Board of Directors and the procedure in place to prepare and organize its business activities, as well as the internal control and risk management procedures in place during the fiscal year ended January 31, 2015.

The Report was drawn up in accordance with Article L. 225-37 of the French Commercial Code.

The Report is submitted to the Company's Combined General Meeting of Shareholders to be held on July 22, 2015. It was first submitted to the Board of Directors for approval on April 14, 2015. The Report was prepared with the assistance of the Company's executive management, Legal Affairs Department, Human Resources Department and Finance Department.

This Report covers the following topics:

– Reference to a corporate governance code;
– Composition, preparation and organization of the activities of the Board of Directors during the fiscal year ended January 31, 2015;
– Internal control and risk management procedures;
– Limits on the powers of the Chief Executive Officer and the President and Chief Operating Officers;
– The principles and rules for determining the compensation paid to corporate officers;
– Special provisions related to the participation of shareholders in the Annual General Meeting.

First of all, it is noted that the Company's Board of Directors decided, during its meeting on April 15, 2010 to adopt the MiddleNext Governance Code for Small and Midcaps published in December 2009 (hereinafter referred to the as the "Corporate Governance Code") as its set of standards and agrees to comply with the recommendation of the aforementioned Code. This Code, which adapts the principles of good governance set forth in the AFEP/MEDEF Code for small- and mid-sized companies, seemed better suited to the Company's size and capital structure.

The MiddleNext code is available from the website www.middlenext.com.

Pursuant to the Corporate Governance Code, the Company worked, throughout the 2014 fiscal year, (i) to take the "*Points to be watched*" set out in the Code into account and (ii) to improve their practices in order to comply with the recommendations of the Corporate Governance Code. In this respect, it is noted that, in compliance with the "comply or explain" principle, as well as AMF Recommendation no. 2013-20, a table is given below summarizing the different recommendations of the Corporate Governance Code and how the Company applies them.

After comparing its practices to the recommendations of the MiddleNext Code, the Board of Directors made the following observations:

– As of this date, the Board of Directors consists of eight members, including four independent members and three women.
– The Extraordinary General Meeting of July 23, 2013 amended the term of office of Directors to four years. This decision was made to ensure the independence and long-term commitment of Board members, by submitting the renewal of their appointments to the Company's shareholders more frequently. The current terms of office will continue to the date provided for when the current Directors first came onto the Board, so that their duration will not be amended before they expire. The shorter duration applies only to new appointments and to those renewed starting with the Combined General Meeting of July 23, 2013 (R. 10).
– With regard to the presence of independent Directors, it should be noted that the Board includes four independent members. This figure is significantly higher than that recommended by Corporate Governance Code, which recommends two such members once a Board consists of more than five members. Furthermore, the criteria for independence adopted conform to those laid out in the MiddleNext Code (R. 8)
– As in 2013, the assessment of the Board's work during the reporting period was conducted internally and pursuant to the recommendations of the Corporate Governance Code (R. 15). This assessment was carried out using a questionnaire sent to each Board member and the summary was presented at Board Retreat.
– The by-laws in effect are those approved by the Board meeting of April 25, 2013 and comply with the recommendation issued by MiddleNext (R. 6).
– The compensation paid to executives is proposed and annually reviewed by the Compensation, Nomination and Governance Committee, which is composed primarily of independent members. This Committee makes recommendations to the Board of Directors then officially determines compensation amounts. This process ensures the fairness and transparency of compensation, as recommended under the Corporate Governance Code (R. 2).
– At this point no severance packages or supplementary retirement plans have been established for executives. In general, there are no compensation policies in place within the Company likely to have an impact on a takeover bid (in accordance with recommendations R. 3 and R. 4).
– In terms of the organization of senior management, since 2013 Alain de Rouvray, Chairman and Chief Executive Officer, can rely on two Chief Operating Officers, Vincent Chaillou, in charge of the Edition Operations, and Christopher St.John, in charge of the Field and Support Operations.

TABLE SHOWING THE APPLICATION OF RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

Content of the recommendation	Application by the Company	RD ref.
R. 1. Combined employment contract and corporate office	Recommendation applied by the Company	3.2.4.2.
R. 2. Definition and transparency of compensation paid to executives	Recommendation applied by the Company	3.2.4.
R. 3. Severance pay	Recommendation applied by the Company	3.2. & 3.2.4.6.
R. 4. Supplementary pension plans	Recommendation applied by the Company	3.2. & 3.2.4.6.
R. 5. Stock options and free share awards	Recommendation applied by the Company	3.2.4. & 3.2.4.2.
R. 6. Establishment of Board by-laws	Recommendation applied by the Company	3.2. & 3.2.1.1.3.
R. 7. Code of Ethics of the Board of Directors	Recommendation applied by the Company	3.2.1.1.3.
R. 8. Composition of the Board - Presence of independent members on the Board	Recommendation applied by the Company	3.2. & 3.2.1.1.
R. 9. Selection of Directors	Recommendation applied by the Company	3.2.1.1.1.
R. 10. Terms of office of members of the Board	Recommendation applied by the Company	3.2. & 3.2.1.1.
R. 11. Information for members of the Board	Recommendation applied by the Company	3.2. & 3.2.1.1.3.
R. 12. Establishment of committees	Recommendation applied by the Company	3.2.1.2. & 3.2.1.3.
R. 13. Meetings of the Board and the Committees	Recommendation applied by the Company	3.2.1.2.
R. 14. Compensation of Directors - Directors' fees	Recommendation applied by the Company	3.2.1.2. & 3.2.4.
R. 15. Assessment of the work done by the Board	Recommendation applied by the Company	3.2. & 3.2.2.1.2.1.

3.2.1. Composition, preparation and organization of the activities of the Board of Directors

3.2.1.1. The Board of Directors

In accordance with Article 10 of the articles of association, the Company is administered by a Board of Directors composed of at least three members and no more members than that allowable under the law, unless a decision is made to increase this maximum in the event of a merger.

The Board of Directors has an ongoing objective to increase the diversity and complementarity of skills required for service on the Board and to ensure the balanced representation of all shareholders and women.

Members of the Board of Directors are appointed by an Annual General Meeting, based on the recommendations of the Board of Directors, for a term of four years, this term complying with the recommendations of the Corporate Governance Code (R. 10). These duties expire at the end of the Annual General Meeting called to approve the financial statements of the previous fiscal year and held during the year in which the term of the Board member in question is scheduled to expire. Members of the Board of Directors may be re-elected. They may be dismissed at any time by the Annual General Meeting. People over the age of 80 may not be appointed as members of the Board of Directors if their appointment would bring the number of Board members over this age to over one-third. If this fraction is exceeded, the oldest Board member shall be deemed to have resigned automatically at the end of the Annual General Meeting called to approve the financial statements for the fiscal year during which the limit was surpassed.

Four of the eight members of the Board of Directors are independent members, in compliance with the Corporate Governance Code, which recommends that there be at least two independent members on the Board (R. 8). Board members' "independence" is reviewed by the Board of Directors, which deliberates this matter at the recommendation of the Compensation, Nomination and Governance Committee. The selected criteria and the review of the situation of each Board member are discussed at least once a year and published in this report.

3.2.1.1.1. Composition of the Board of Directors

The Board of Directors is currently made up of the following eight members:

First name – last name	Position	Starting date	End of term	Age
Mr. Alain de Rouvray(2)	Chairman and Chief Executive Officer	1991	AGM 2015	71 years old
Mr. Jacques Dubois(2)	Board member	1991	AGM 2015	70 years old
Mr. Vincent Chaillou	Board member	2004	AGM 2016	65 years old
Ms. Cristel de Rouvray (1)	Board member	1999	AGM 2017	38 years old
Mr. Charles-Helen des Isnards	Independent board member	2008	AGM 2017	70 years old
Mr. Éric d'Hotelans (2)	Independent board member	2008	AGM 2015	64 years old
Ms Véronique Jacq	Independent board member	2014	AGM 2018	47 years old
Ms Rajani Ramanathan	Independent board member	2014	AGM 2018	48 years old

(1) Ms. Cristel de Rouvray is the daughter of Mr. Alain de Rouvray, Chairman and Chief Executive Officer.
(2) The renewal of the appointments of these Directors is submitted for approval by the Combined General Meeting of July 22, 2015

In 2013, the Board of Directors acknowledged the request of Mr Michel Barbier de la Serre, independent Director since 2005, to resign his directorship for personal reasons. Also, the term of office of Mr. Francis Jacques Bernard, independent board member since 2007, expired at the end of the General Meeting convened on July 24, 2014. Following a selection process led by the the Compensation, Nomination and Governance Committee and aiming to increase the representation of women, the Board of Directors submitted the appointments of Ms Véronique Jacq and Ms Rajani Ramanathan as Independent Directors for approval by the General Meeting dated July 24, 2014. The Board considered that both Ms Véronique Jacq and Ms Rajani Ramanathan would contribute their experiences in the digital industry and their expert knowledge of innovative companies' business and that they met all of the Middle-Next code's criteria to qualify as an independent Director.

The following provides a summary of the changes in the Board of Directors' composition that occurred over the course of the 2014 fiscal year as well as the changes expected to be made over the course of the current fiscal year:

	Fiscal year 2014	Fiscal year 2015
Resignation/ End of term	Mr Michel Barbier de la Serre Mr Francis Jacques Bernard	Mr Alain de Rouvray Mr Jacques Dubois Mr Éric d'Hotelans
Reappointment	N/A	Mr Alain de Rouvray Mr Jacques Dubois Mr Éric d'Hotelans
Appointment	Ms Véronique Jacq Ms Rajani Ramanathan	N/A

Board members personal information

Alain de Rouvray, 71 years old, Chairman and CEO

Founder of ESI Group Company, Alain de Rouvray has been the General Manager since its creation in 1991. He holds an engineering degree from Ecole Centrale de Paris (1967), a degree from La Sorbonne (Economic sciences (1967), and a Ph.D. in civil engineering from the University of Berkeley (1971). Alain de Rouvray started his career as Research Engineer at Ecole Polytechnique (Solid Mechanics Laboratory) in 1972; he then became Director of the Advanced Mechanics Department for the international software subsidiary of CISI Group from 1972 to 1976. In 1973, he founded ESI SA and was the COO and Commercial Director from 1973 to 1990.

Jacques Dubois, 70 years old, Board member

Graduated from the Ecole des Ponts et Chaussées, Paris (1968) et holding a Ph.D. in civil engineering from the University of California Berkeley (1972). He co-founded ESI SA in 1973, where he was Research Director from 1973 to 1990. He participated in the creation of Engineering System International GmbH, ESI Group's German subsidiary, and ESI MW, the American subsidiary who was later renamed as ESI Corp and then ESI North America, Inc. From 1994 to 1998, he was COO in charge of inter-company Special Projects in pre-industrial Research and Development.

Vincent Chaillou, 65 years old, Board member and COO

Vincent Chaillou is the COO of the Company in charge of the Product Operations unit. Vincent Chaillou holds a PhD in civil engineering from the Ecole des Ponts et Chaussées (1973) and an engineering degree from Ecole Polytechnique (1971). Before joining ESI Group in 1994, he was General Manager of the AEC business unit of Computervision for worldwide operations (which has now merged with PTC). During his 16 years with Computervision, he served several management positions in sales, marketing and general management, specifically of Asia-Pacific. From 1994-1998, he was Regional Vice-President for the American territory within ESI Group. Since May 2004 he is also President and CEO of ESI Software India and ESI US R&D.

Cristel Anne de Rouvray, 38 years old, Board member

Graduated from Stanford University, she holds a PhD in Economy from London School of Economics. She joined College Track in Oakland, California to be their Director of Program Evaluation in October 2005.Cristel is a resident of the United States.

Charles-Helen des Isnards, 70 years old, Board member

After an international carrier within the BUE, the UBAF and the CIC Group, in France and in Italy, Charles Helen des Isnards contributed to the creation of CIC Finance as member of the Board. As Senior Advisor, he was in charge of merging and acquisitions in this subsidiary of the CM-CIC Group. He is graduated from the Paris 'Institut d'Etudes Politiques' and has a degree in law.

Eric d'Hotelans, 64 years old, Board member

Eric d'Hotelans held positions in the information technology sector, and first at Tandem (American manufacturer of computers), where he was the director of the Emea Finance Business Unit. In 1998, he decided to join CMG, one of the oldest European IT Services companies, as a member of the executive committee, where he created CMG France (1,200 employees), the group's French subsidiary, of which he became the chairman. Eric d'Hotelans left the CMG group in 2003, following its acquisition by UK group Logica. He then participated in the development of an investment fund based in Riyadh (Saudi Arabia), specializing in the research and analysis of IT-related activities. In 2003, Eric d'Hotelans joined M6 group's as Deputy Chairman of board of Directors, in charge of management activities and in 2009 took the responsibility of the internet sales of the Group. Since 2009 he is Chairman and CEO of Mistergooddeal SA and Home Shopping Services SA.

Véronique Jacq, 47 years old, Board member

Civil Engineer, graduated from the Ecole des Mines de Paris (French engineering School), Véronique Jacq began her career in the Nuclear Safety Authority (1994-2000). In 1997, she was appointed deputy director in charge of monitoring the safety of EDF nuclear power plants. In 2000, she joined Anvar (now OSEO) as Director of Business Development. Then in 2003, she joined the 2nd Chamber of the French Audit Office, where she is responsible for auditing financial statements and management of companies and government agencies as well as international organizations. In 2007, she joined CDC Entreprises, a CDC subsidiary company specialized in private equity, and in 2010 became Deputy General Manager in charge of Business Development. In 2012, she took responsibility for investment in digital technology first in CDC Entreprises and then in 2013 in Bpifrance.

Rajani Ramanathan, 48 years old, Board member

Graduated in psychology and post graduated in sales and marketing management, Rajani Ramanathan spent over 26 years in the industry. She has varied experiences, spanning from running her own companies in India to holding leadership positions in both small and large organizations in the US, with Salesforce.com being her most recent position. Rajani Ramanathan joined Salesforce.com in 2000 and the most recent position she held was as COO (EVP) of Technology & Products. In 2014, she was awarded the YWCA TWIN (Tribute to Women and Industry) Award, which has long been considered one of Silicon Valley's most prestigious awards honoring women who exemplify leadership excellence in executive-level positions.

For further information on the management responsibilities of the Board members outside the Company, see the list under appendix I to this report.

Pursuant to the Board members' short biographies presented above which highlight education, professional experience and offices held and exercised within other companies, each Director has extensive expertise in business management. Furthermore, most of Directors are perfectly familiar with the Company's area of technology.

Independent members of the Board of Directors

There are no potential conflicts of interest within the administrative and management bodies or executive management with respect to their responsibilities to the Company and their personal interests.

The criteria used by the Compensation, Nomination and Governance Committee and then by the Board of Directors to deem a Board member independent and to prevent potential conflicts of interest between the Board Member and the management, the Company or its Group are as follows, in accordance with the recommendations of the Corporate Governance Code (R. 8):

- They must not be a salaried employee or corporate officer of the Company or of a company in the Group, and must not have held such a position within the last three years;
- They must not be a significant client, supplier or banker of the Company or of a company in the Group, or a client, supplier or banker for whom the Company or its Group represents a significant share of its business;
- They must not be a reference Shareholder of the company;
- They must not have a close family relationship with a corporate officer or reference Shareholder;
- They must not have been an auditor of the company in the course of the previous three years.

As for Board members who hold a significant number of shares in the Company, the Board has recommended that they be considered independent as long as they do not take part in control of the Company. If Board members come to hold more than 10% of the Company's capital or voting rights the Board of Directors must systematically review their status as an independent, at the recommendation of the Compensation, Nomination and Governance Committee, in consideration of the Company's capital structure and the existence of any potential conflicts of interest.

Consequently, the following individuals are considered independent directors:

- Mr. Charles-Helen des Isnards;
- Mr. Éric d'Hotelans;
- Ms Véronique Jacq (since her appointment July 24, 2014)
- Ms Rajani Ramanathan (since her appointment July 24, 2014)

In accordance with French Law No. 2011-103 of January 27, 2011, relative to the balanced representation of women and men on Board of Directors and Supervisory Board and to professional equality, providing a 20% quota for women on the Board within a period of three years from the date the law was enacted, followed by a 40% quota six years after such date, the Board had taken all necessary measures to comply with aforementioned legal requirements. Consequently, in order to increase women's representation within the Company's Board, the Annual General Meeting of July 24, 2014 appointed two women to take place of retiring Directors. Thus, the Board of Directors has eight members, five men and three women, and the proportion of women currently reaches 37.5 %. The Company is in full compliance with French laws relating to the balanced representation of women and men on Board of Directors.

3.2.1.1.2. Chairman of the Board of Directors

In accordance with Article 11 of the articles of association, the Board of Directors elects one of its members, who must be a private individual, to serve as Chairman for a term that may not exceed his or her term as Board member. The Board of Directors also determines the compensation to be paid to the Chairman.

People over the age of 80 may not be appointed Chairman of the Board of Directors. If the current Chairman comes to exceed this age, he or she will automatically be deemed to have resigned.

Mr Alain de Rouvray, one of the Company's co-founders, is Chairman of the Board of Directors. The Board of Directors believes that it is appropriate for Mr Alain de Rouvray to serve both as Chairman and Chief Executive Officer.

The term of office of Mr Alain de Rouvray expiring at the end of the General Meeting convened on July 22, 2015, his reappointment is recommended by the Board of Directors and will be submitted for approval at the aforementioned General Meeting.

3.2.1.1.3. Rules of procedure of the Board of Directors

The Board of Directors, under the leadership of the Chairman, approved a set of rules of procedure for the Board on November 26, 2009. These rules of procedure were revised and approved by the Board of Directors on April 25, 2013to account for changes in corporate governance best practices and translated into English. The rules of procedure define the operational rules of the Board of Directors and aims to improve working methods and the procedures used to keep members informed. It also specifies the rules and powers of the Company's Board of Directors in line with the provisions set forth in the articles of association.

The internal regulations can be consulted on the Company's website, (www.esi-group.com).

In accordance with the Corporate Governance Code (R. 6), these rules of procedure specify the following items in particular:

- The composition of the Board of Directors and the procedure for determining whether a Board member is an independent member;
- The members' duties and responsibilities (especially in terms of conduct and ethics);
- The operational procedures of the Board of Directors (frequency of meetings, procedure for calling meetings, procedure for notifying members, use of videoconferencing technology) and the Committees;
- The rules relevant to the Board members' compensation;
- The role of the Board of Directors and the Committees;
- Access to the information and documents necessary to carry out their duties so that members are informed sufficiently in advance.

For the Code of Ethics of the members of the Board, in its internal regulations the Board chose to refer to the Director's Charter proposed by the *Institut Français des Administrateurs* (French Institute of Directors).

3.2.1.2. Duties and powers of the Board of Directors

Responsibilities of the Board of Directors

The Board of Directors is and must remain a collegial body that collectively represents all Shareholders. It must act in keeping with the Company's corporate interests under any and all circumstances. The Board of Directors determines the guidelines for the Company's operations and oversees the application thereof. Subject to the powers expressly given, under the law, to General Meetings, the Chairman and Chief Executive Officer and the Presidents and Chief Operating Officers and in keeping with the corporate purpose, the Board of Directors may handle any matter relevant to the Company's operations and meets to decide all matters within its remit.

The Board of Directors has the following responsibilities in accordance with the law:

- Preparing for and calling Annual General Meetings;
- Preparing the wording of the resolutions to be voted on by the Shareholders;
- Choosing the executive management structure of the Company by opting to either have the Chairman of the Board of Directors serve as Chief Executive Officer or another individual appointed by the Board of Directors;
- Determining the powers that may be delegated to a subsidiary's General Manager and setting monetary limits on these powers;
- Preparing separate financial statements consolidated annual financial statements and interim financial statements, the annual

management report and the interim financial report, as well as the approval thereof;
- Approving the report on corporate governance, internal control and risk management;
- Approving the agreements referred to in Article L. 225-38 of the French Commercial Code;
- Authorizing guarantees and similar undertakings;
- Appointing or dismissing the Chairman and Chief Executive Officer and the Presidents and Chief Operating Officers, and supervising their management of the Company;
- Creating committees within the Board of Directors, establishing the rules of procedure that set out their responsibilities and operational procedures, appointing and determining the compensation of the members of these committees;
- Distributing directors' fees.

Decisions and meetings of the Board of Directors

The Board meets as often as required for the interests of the Company. The frequency and length of Board of Directors' meetings must be such as to allow members to conduct an in-depth review and discussion of the topics falling under its responsibility. The same principle applies to meetings of Board Committees.

In accordance with the Corporate Governance Code, it is recommended that the Board of Directors meet at least four times per year. During the 2014 fiscal year, the Board of Directors met seven times in compliance with recommendation R. 13 under the Corporate Governance Code.

Other than the mandatory dates on which the Board must meet to:

- Draw up the annual financial statements and prepare for the Annual General Meeting called to approve these financial statements;
- Report on performance for the first half of the year;
- Discuss the financial position, the cash position, the Company's obligations and the share buyback program.

The Board of Directors must also meet, when convened by the Chairman, in the event of major operations such as the following:

- Business acquisitions or divestitures;
- Significant operations outside the Group's established strategy;
- Organic growth restructuring or restructuring operations.

Before each Board meeting, the Board members each receive a dossier containing the agenda for the meeting, the draft minutes from the previous meeting and any pertinent document for each of the items on the agenda. All topics addressed during the meeting are reviewed and discussed in depth among the members before being put to a vote following the discussion.

The draft minutes of each Board of Directors meeting are formally approved and signed by the members of the Board during the subsequent meeting. The minutes relate the discussions, specify the decisions made and mention the questions and hesitations raised.

Furthermore, during each meeting any major facts or events pertaining to the Company's operations or its general situation arising since the previous meeting are brought to the Board members' attention.

The Board of Directors' meetings are not valid unless at least half of its members are in attendance. The decision of the Board are made by majority vote among the members present or represented. In the event of a tie, the Chairman of the meeting casts the deciding vote. In accordance with the provisions of the articles of association, Board members who take part in the Board meeting via videoconference or teleconference are considered present for the purpose of determining whether a quorum is present. This provision does not apply to decisions for which the French Commercial Code expressly bars the use of these methods.

An attendance sheet is drawn up and signed by the Board members taking part in the Board of Directors' meeting.

Your Board of Directors met seven times, on the dates listed below, during the previous fiscal year, with an average attendance rate of 95% by its members.

Date	Board member attendance
February 7, 2014	100%
March 12, 2014	100%
April 4, 2014	100%
April 23, 2014	100%
July 24, 2014	80%
September 24, 2014	88%
November 26, 2014	100%

In 2014, aside from approving the budget for the fiscal year, reviewing and monitoring this budget, drawing up the annual and interim financial statements, preparing for the General Meeting, examining forward planning documents during the first and second half of the year, reviewing any agreements like those defined under Article L. 225-38 of the French Commercial Code and other ongoing management decisions, the Board of Directors' focused primarily on:

- transactions involving access by employees to stock in the Company: capital increase reserved for French employees who belong to the Company savings plan;
- establishing the terms of and implementing a share buyback program approved by the Combined General Meeting of July 24, 2014;
- approving the procedure to determine directors' fees;
- corporate governance: acknowledgement of the resignation of one director and the term of office of another, appointment of two directors to replace retiring ones;
- reviewing the status of mergers and acquisitions.

As part of this work, the Board of Directors relied on the work and recommendations of the Committees established within the Company. These specialized committees were established in accordance with the guidelines set forth in the corporate governance code (R. 12).

3.2.1.3. Specialized committees

The purpose of the committees is to optimize the discussions of the Board of Directors and to help ensure that the Board is prepared to make its decisions. The Committees thus draw up proposals, recommendations and opinions relative to their respective areas at each of their meetings. The following Committees have been formed within the Company:

- The Audit Committee;
- The Compensation, Nomination and Governance Committee;
- The Audit Committee; and
- The Technology and Marketing Committee.

Strategic Committee

The Strategic Committee is currently composed of the four following members:

- A Chairman, Mr Alain de Rouvray;
- 4 Board members, including two independent directors:
  - Mr. Vincent Chaillou,
  - Ms. Cristel de Rouvray;
  - Mr. Charles-Helen Des Isnards,
  - Mr. Francis Bernard (until the term of his office expired July 24, 2014)

A secretary, Ms. Corinne Romefort-Régnier, attends also the meetings.

As defined in the Rules of Procedures of the Board of Directors, the Strategic Committee is in charge of preparing the deliberations of the Board of Directors on the major strategic challenges of the Group, especially development axes and financing as well as examining the evolution of the Group's business portfolio.

The Strategic Committee met one time during the previous year with an average attendance rate of 80%.

Compensation, Nomination and Governance Committee

The Compensation, Nomination and Governance Committee is composed of the five following members, mostly independent under the criteria adopted by the Board of Directors.

- A Chairman: Ms Cristel de Rouvray;
- 4 Board members, including three independent directors:
  - Mr. Alain de Rouvray,
  - Mr. Francis Bernard (until the term of his office expired July 24, 2014),
  - Mr. Charles-Helen des Isnards,
  - Mr. Eric d’Hotelans,
  - Ms Rajani Ramanathan (since her appointment July 24, 2014)

A secretary, Ms. Corinne Romefort-Régnier, attends also the meetings.

As defined in the Rules of Procedures of the Board of Directors, the mission of Compensation, Nomination and Governance Committee is to firstly prepare the decisions of the Board of Directors concerning the compensation of executive officers and the policy for granting stock options and / or purchase of actions (and, where appropriate, policy of free shares) and secondly to prepare changes in the composition of the governing bodies of the Company.

A special assignment was given to Ms. Cristel de Rouvray with regard to the succession and capital structuring plan and to organizing and managing the annual Board Retreat, as well as to her participation in the governance of certain Group subsidiaries. She received a special Director's fee for this particular assignment.
In addition, special assignments were given to Mr. Charles-Helen des Isnards as part of the transition of the Administration and Finance Department and financial transactions. He received a special director's fee for said assignments.

The Compensation, Nomination and Governance Committee met four times throughout the 2014 fiscal year with an average attendance rate of 100%.

Audit Committee

Board members in management roles within the Company are not allowed to serve as members of the Audit Committee. Besides at least one of its members must have be an independent member with expertise in the area of finance or accounting.

The Audit Committee is currently composed of the three following independent members:

- A Chairman: Mr. Charles-Helen des Isnards;
- Mr. Michel Barbier de la Serre (until his resignation July 24, 2014),
- Mr. Eric d'Hotelans,
- Ms Véronique Jacq (since her appointment July 24, 2014).

A secretary, Ms. Corinne Romefort-Régnier, attends also the meetings.

The Chairman of the Company is invited and attends the meetings of the Audit Committee.

According to the regulation in force the Audit Committee monitors issues relating to the preparation and control of accounting and financial information.

Without prejudice to the powers of the bodies responsible for the administration, management and supervision, this committee is responsible in particular for monitoring:

- Process of developing financial information;
- Effectiveness of internal control systems and risk management;
- Statutory audits of annual financial statements and, where appropriate, consolidated accounts by external auditors;
- Independence of auditors.

It makes a recommendation when necessary as to the statutory auditors whose appointment is proposed to the General Meeting

The Audit Committee met seven times throughout the 2014 fiscal year with an average attendance rate of 90%. In most cases, the statutory auditors are also invited to attend these meetings.

Technology and Marketing Committee

The Technology and Marketing Committee is composed of the three following Board members, including two independent directors:

- A Chairman: Mr. Francis Bernard (until the term of his office expired July 24, 2014);
- Replaced by Mr Vincent Chaillou (since July 24, 2014);
- Mr. Alain de Rouvray,
- Ms Véronique Jacq (since July 24, 2014),
- MsRajani Ramanathan (since July 24, 2014).

A secretary, Ms Corinne Romefort-Régnier, attends also the meetings since July 24, 2014.

The Technology and Marketing Committee is in charge of advising the Board on aspects of product strategy, the organization of the publishing company in particular the methodologies of product management and R&D, and evaluate potential partnerships or acquisitions related to technology and marketing.

The Technology and Marketing Committee met two times throughout the 2014 fiscal year with an average attendance rate of 100%.

3.2.2. The internal control and risk management procedures

3.2.2.1. Control environment

3.2.2.1.1. General structure

ESI Group is a multinational corporation that includes 32 subsidiaries (the "subsidiaries"), 30 of which are headquartered outside of France.

To ensure that business operations and management activities run efficiently, that objectives are met and that the Group's control system is effective, executives are determined to harmonize the operational rules of the subsidiaries. This also applies to internal control activities and is reflected in the gradual standardization of information systems and processes throughout the organization. This is facilitated by the fact that the subsidiaries' business activities are similar to those of the parent company, ESI Group SA, as regards the distribution of products.

Given current constraints, namely in terms of the size of the subsidiaries, available human resources and regulations that differ from country to country, the structure is based on the following key factors:

- A matrix-based structure organized around business activities and markets that ensures Group-wide sharing of information;
- A centralized organization to manage the Group's business activities;

- Limited hierarchy to streamline decision-making processes;
- A relatively small size for efficient communication among the various departments.

The Company considers internal control processes as intended to provide reasonable assurance that the following objectives are met; the principles implemented cannot provide absolute control of risks:

- Ensuring that management acts and operations, as well as employee behavior, are in keeping with the guidelines set forth by the Company's management and the operational departments overseeing the various business activities and countries, as well as any applicable laws and regulations and the Company's core values and internal rules;
- Anticipating and managing risks that stem from the Group's business activities and risks or fraud, especially in the areas of accounting and finance;
- Verifying that the accounting, financial and management information reported to the corporate bodies, the Shareholders or to third parties accurately reflect the Company's position and the business situation.

3.2.2.1.2. Personnel responsible for internal control

3.2.2.1.2.1. Internal personnel

The Board of Directors

The Board of Directors is responsible for the Company's policies in relation to risk assessment, for the implementation of an internal control system suitable to manage these risks and to monitor the effectiveness of this system. This policy encompasses a system of checks and verifications, financial management procedures, operational monitoring and compliance monitoring.

Group Executive Committee

The Group Executive Committee oversees the internal control policy. As a rule, the latter meets once a month.

The Group Executive Committee is composed as follows:

- Alain de Rouvray: Chairman and Chief Executive Officer of the Company;
- Vincent Chaillou: Board member and Chief Operating Officer in charge of the software publishing Activity;
- Christopher St.John: Chief Operating Officer in charge of the distribution and support Activity;
- Tomasz Kisielewicz: Executive Vice President, Engineering Services (until his retirement January 31, 2015);
- Lauren Bastian: Chief Financial Officer;
- Mike Salari: Executive Vice President, Engineering Services (since his appointment February 1, 2015);
- Peter Schmitt, Executive Vice President, Marketing and Sales (since his appointment February 1, 2015).

Corinne Romefort-Régnier: Corporate Governance Director, Secretary of the Committee.

The Board Retreat

The Board Retreat is held once per year to bring together the members of the Board of Directors, the Group Executive Committee and employees of the Company or its subsidiaries depending on the topics to be discussed. Its aim is to assess the activities of the Board of Directors and the specialized committees, to review ongoing strategic matters and to define specific objectives to be achieved during the coming year, which are then submitted to the Board of directors for approval. The Board Retreat also examines the synthesis of Board of Directors' and Specialized committees' self-assessment reports.

For 2014 this meeting took place in September and for 2015 it is planned for September 2015.

Operational departments

In particular, these departments supervise business processes and manage projects.

Their role is to oversee the implementation of procedures in order to guarantee:

- Effective business processes: identification of business opportunities, sales and distribution network, partnerships, responsiveness, evaluation of economic interest, negotiation, the signing of contracts and profitability monitoring;
- Effective project management: evaluation of technical feasibility, management and leadership of teams, conformity to specifications, customer satisfaction tracking and customer service.

Functional departments

The functional departments are responsible for formalizing internal control procedures in their respective areas and coordinating and applying these procedures.

a) The Finance Department

The Finance Department handles implementation of the internal control policy on a financial level by:

- Establishing the procedures making up the internal control system;
- Holding meetings between the managers of major business units and the main entities of the Company in order to review responsibilities and the manner in which the internal control system should be organized across the various areas.

The Finance Department encompasses the following units:

- The Accounting Unit, responsible for:
  - Verifying and recording transactions;
  - Closing the financial statements at the end of each period;
  - Consolidating Group-wide information;
  - Ensuring compliance with legal, tax-related and labor-related obligations.
- Management Control, in charge of:
  - Preparing and monitoring the budget;
  - Issuing periodic reports;
  - Internal control on both an operational and financial level.
- Cash management, in charge of:

  Cash Management is
  - Managing cash flows;
  - Project financing;
  - Hedging currency and interest rate risks.

Since February 1, 2014 the Information Systems Department (ISD) has also been attached to the Administration and Finance Department.

b) The Legal Affairs Department

Its role is to prevent contractual risks (commercial contracts). Procedures to ensure the free flow of information require that all contracts be centralized for optimal management of the risk of disputes.

The Legal Affairs Department is divided into two divisions:

- The corporate legal affairs division, which is responsible for monitoring, researching and optimizing the Group's legal situation as well as coordinating the legal aspects of the operations of the Group's subsidiaries;
- The intellectual property division, which makes sure the Group's intellectual property rights are protected and takes all necessary measures to safeguard them (registration of trademarks, filing of patents, non-disclosure agreements and other types of contracts).

The Legal Affairs Department manages and anticipates disputes risks by regularly reviewing contracts and monitoring the Company's legal situation. Management of known disputes is handled by third-party experts under the supervision of the Legal Affairs Department. They can be also involved in mergers and acquisitions.

c) The Human Resources Department

Working closely with Senior Management, ESI Group Human Resources Department assists the Company's strategy by factoring in employer-employee considerations.

The policy of ESI Group Human Resources Department has four main thrusts:

- Personnel management;
- Performance management;
- Compensation management;
- Advising line managers.

Personnel management includes the following activities and initiatives, whose objectives are:

- to ensure that all legal and regulatory requirements are complied with;
- to administer payroll and personnel files;
- to oversee and lead labor relations;
- to see that employment reporting is carried out and to produce performance indicators;
- to see that employees are kept properly informed;
- to see that information is passed to senior management;
- to develop the HR procedures in the Group.

Performance management consists of attracting, integrating, retaining and developing each employee's highest performance level and ensuring that it is aligned with the Company's strategy.

- Hiring:
- employment management: to anticipate the skills needed, both qualitatively and quantitatively;
- Training:
- needs identification,
- preparation of a training plan and provision of in-house and external training courses;

– Performance evaluations:
– employee reviews,
– personal development plans,
– identification of potential,
– career planning and promotions.

Compensation management consists of co-ordinating and overseeing the Group's compensation policy and:

– ensuring the process of wage and salary adjustments, with respect to time frames, budgets and reporting;
– leading the annual process of setting and paying variable compensation;
– overseeing the stock options, free share awards and company savings programs in the Group;
– prepare all the items needed by the Company's governance bodies (such as the Compensation Committee, the CSR Committee, etc.)
– ensuring that employee and employment data are reported from the subsidiaries using the HR IS.

Advising line managers: fostering independence among line managers on employment issues by helping them on a daily basis, in the field and by making available to them services tailored to their specific needs.

The Group Human Resources Department sets the guidelines for the Group's human resources policy, broken down into operational objectives for the regional directors of human resources. The latter coordinate the implementation of these objectives in collaboration with a team of HR operating managers located in each country and with support from the central human resources department.

3.2.2.1.2.2. External personnel

Statutory auditors

The statutory auditors, who certify the regularity, truthfulness and faithfulness of the financial statements provided to Shareholders at the balance sheet date may give opinions and recommendations regarding the internal control system applicable to the preparation of financial information as part of their audit of the financial statements.

Legal counsel

The Company uses the services of a renowned law firm for dispute management and tax advising. The Company also calls on specialists from time to time to review the legal aspects of complex mergers and acquisitions.

3.2.2.2. Organization of internal control

The increasing globalization of our business and the cross-organizational nature of projects involving international interactions of increasing complexity and speed have highlighted the need to improve the Group's ability to respond quickly in its methods and tools for operational management, both centrally and in the subsidiaries.
In order to improve the Company’s internal controls, the Administration and Finance Department has therefore implemented an action plan as discussed and reviewed by the Audit Committee in 2013.

This action plan will primarily deal with the three areas which support internal control:

– an organization and network of local financial controllers located in most of the Group's subsidiaries;
– centralized tools and data;
– processes that arrange for the reporting up of financial data and its control.

A network of financial controllers

This network makes it possible to cover all aspects of finance at the local level and to pass the financial information required by the articles of association and reporting data up to central staff.

The financial control system for the Group's subsidiaries is implemented by a network of some fifteen local financial controllers spread across three regions: EMEA, Asia and the Americas, each region being overseen by a regional financial controller. Each local and regional financial controller, while operationally attached to his or her local manager (the person in charge of the local entity) is hierarchically and functionally attached to the Administration and Finance Department and, ultimately, to the Group Director of Administration and Finance.

These local controllers head up a local team of financial, accounting or administrative staff (from one to three depending on the size of the entity) in order to carry out all local financial control tasks. In the case of smaller entities, local outside firms handle financial controls under the direction of the regional financial manager.

Added to this network is a central team of six financial controllers divided over the three principal business lines of the Group, namely Publishing, Distribution and Support

The management information system

Financial control relies on a management information system consisting of the following centralized tools and databases:

– a single commercial database (SalesForce) serves as the backbone of the organization and internal control system for sales. This tool flows into a single database (NCA) for financial and accounting purposes to determine monthly revenues and the order book;

- a financial reporting and consolidation tool more tailored to the Company's needs, Talentia CPM, has replaced the consolidation tool used heretofore by the Group. The consolidation aspect of this new tool is operational as of the April 2014 closing (Q1) and the reporting aspect at the end of the first half of 2015. This tool enables the Company to centralize the financial data from the subsidiaries and the various accounting departments. It should be noted that the subsidiaries account for their operations using their own accounting systems and provide the correct reporting of data to the parent company using consolidation and reporting packages which will now be centralized and processed by the new Talentia tool;
- a HR data management tool called HR-Information System (HR-IS base) allows consolidation at the Group level of the data relating to salaries and wages as well as to headcount. A new stage was specially focused on improving the hiring procedure and establishing information for every manager allowing him or her to manage his or her team better.

The Information Systems Department, in conjunction with the Administration and Finance Department to which it is now attached, launched several projects to improve and optimize these tools.

The main processes for monitoring accounting and financial information

The Group prepares consolidated financial statements on a quarterly basis. Its revenue is also published on a quarterly basis, with income statements published twice a year. A Group-wide budget is established at the beginning of the fiscal year and monitored on a monthly basis.

Consolidation process

The process to prepare the consolidated financial statements follows procedures that make it possible to centralize the accounting and financial data coming from each entity with the Group. These procedures include:

- A reporting schedule and calendar of tasks to be carried out by personnel;
- The use of a specialized consolidation software application;
- Separation of the preparation of consolidated financial information, performed by the accounting director, and the control activities performed by the Chief Financial Officer;
- Assistance from accounting experts for certain complicated, technical issues, especially in relation to business outside of France;
- A review of the interim and annual financial statements by the Audit Committee and Board of Directors.

Budget monitoring and reporting process

The yearly budgets are prepared at the start of the fiscal year in accordance with the assumptions in the three-year business plan established in year N-1 and with the five-year strategic objectives redefined annually by senior management. Throughout the year a monthly reporting system enables us to:

- monitor the budget so as to track the amount, nature and allocation of expenses versus the current year budget;
- and make monthly forecast updates so as to predict firstly the earnings of the first half year and secondly those of the second half year.

Management Control thus provides key management indicators used to monitor the Company's performance. These indicators, reported to executives, provide the information necessary to oversee the Company. They include the following four indicators:

- Orders in the Licensing and Service Divisions;
- Output and backlog of the Service Division;
- Change in headcount and in the average personnel costs;
- The cash position and three-month projections.

In conjunction with the budgeting and reporting process, the Company has implemented a performance unit-based structure with business unit directors in charge of the management based on key performance indicators (KPI) in a balanced scorecard format. These indicators cover financial aspects, commercial aspects, internal processes, the organization and trainings.

Revenue recognition process

The Finance Department is responsible for recognizing revenues and ensuring:

- That actual revenue is consistent with contractual data as regards the Licensing Division;
- The accuracy of billing information;
- The completeness of the services billed, primarily for the Service Division.

Customer risk management process

Customer risk is managed at two different levels:

- Upstream, by assessing customer risk before processing orders;
- Downstream, through a periodic follow-up procedure adapted to each customer in order to reduce outstanding debt.

Regular monitoring of average payment times makes it possible to assess how effectively accounts receivable are managed across the various subsidiaries.

Cash management process

The Chief Financial Officer, with the support of the treasurer, is responsible for managing cash flows and monitoring:

- Cash levels necessary to cover the Company's ongoing business needs while tracking inflows and outflows;
- Profitability and the risk of various cash surplus investments;
- Foreign exchange risks, in order to take any necessary corrective actions
- The use of loans necessary for the expansion of the Company.

The cash position of each entity is reported each week and a consolidated quarterly outlook is drawn up each month.

Payroll management process

The payroll process is under the responsibility of the Director of Human Resources and makes it possible to:

- Process the various items involved in calculating salaries;
- Enter payroll information in the accounting system;
- Provision for paid vacation in order to distribute the expense throughout the year;
- Comply with labor-related reporting obligations.

3.2.2.3. Risk management

Process management and ISO 9001:2008 certification

The Company has implemented a quality system based on its ISO 9001:2008-certified quality processes that reinforces process-based management and facilitates risk management. The Company is in the process of gradually obtaining certification for all Group entities worldwide so that all of its subsidiaries, whether already certified or not, can be integrated into this system.

Insurance and risk coverage – general information

The Company has taken out an insurance policy that covers the cost of information recovery, additional operating costs and operating losses (loss of profit resulting from the decrease in revenue caused by the interruption or decline in the Company's business activities) in the event of direct damage to its equipment.

For its foreign subsidiaries, damages that would fall under operational civil liability coverage, including so-called "employer liability" and/or "workers' compensation" policies and automobile-related risks are excluded from this policy.

The French policy (headquarters and subsidiaries) is not a replacement for those taken out outside of France in accordance with local laws from local insurance companies licensed to operate in the country in question.

In addition, ESI Group has taken out an insurance policy covering the liability of senior executives and corporate officers of the Company and its subsidiaries.

ESI Group has also taken out a Group-wide international insurance policy to cover all employees who travel outside of France.

3.2.3. Limits on the powers of the Chief Executive Officer and Chief Operating Officers

The law provides that the Board of Directors elect from among its members a Chairman who is a natural person, who organizes and directs its work and sees that the Company's various bodies function properly. The Board entrusts general management either to the Chairman of the Board of Directors or to another natural person, whether or not a director of the Board, who carries the title Chief Executive Officer.

The Board of Directors chose to appoint the Chairperson of the Board of Directors as Chief Executive Officer no limits have been put on the powers of the Chairman and Chief Executive Officer.

This arrangement was chosen as the most appropriate, given the Company's size and the presence of two Chief Operating Officers who can assist the Chairman and Chief Executive Officer.

However, the powers of the Presidents and Chief Operating Officers to act as legal and commercial representatives of the Company have been delegated by the Chairman of the Board of Directors. The following powers have thus been delegated to the Chief Operating Officers, Mr. Vincent Chaillou and Mr. Christopher St.John:

1. To represent the Company, in general, in all ongoing business affairs of ESI Group with respect to third parties and in compliance with the Group procedures;
2. To enter into commercial contracts or agreements on behalf of the Company within its commercial territory and authority;
3. To hire or terminate any employee, executive, consultant, sales representative, distributor or agent and to determine the scope of their powers and their title (with the exception of managers and directors) and to establish or increase any compensation, commission or pension for all such individuals or legal entities. Annual compensation cannot exceed EUR 100,000.

At any rate, the Chief Operating Officers need the Company's prior written consent to carry out the following transactions on behalf of the Company:

- To hire managers and directors and determine or modify their annual compensation;

- To purchase or acquire, sell or dispose of, lease or rent, or mortgage any real estate property;
- To pledge any movable property or receivable;
- To enter into credit arrangements;
- To take out loans on behalf of the Company (with the exception of the use of bank overdrafts granted to the Company);
- To create or acquire stakes in other companies, to perform any other type of similar undertaking, to accept management positions in other companies, to establish or dissolve subsidiaries and to divest ownership interest;
- To propose a merger;
- To grant loans;
- To bind the Company as a guarantor or in any other debt-related situation with respect to third parties;
- To settle any disputes and to take legal action, with the exception of debt recovery actions that form part of the Company's ongoing operations and with the exception of urgent actions such as provisional or conservatory measures that cannot be postponed in the interests of the Company;
- To set up retirement plans for the employees of the Company;
- To sell or dispose of, purchase or acquire, transfer or mortgage any assets belonging to the Company worth more than EUR 50,000;
- Enter into commercial contracts or transactions exceeding EUR 250,000, with the exception of inter-group contracts issued by the Company, which Mr. Vincent Chaillou and Mr. Christopher St.John may sign without any limitation as to amount;
- In general, to take any action related to the Company involving an amount greater than EUR 50,000;
- In general, to enter into any agreement or transaction involving other companies within the Company, customers or partners falling outside the Company's commercial territory or authority.

3.2.4. Principles and rules for determining the compensation paid to corporate officers

Fees are paid to the Board of Directors, at the recommendation of the Compensation, Nomination and Governance Committee, based on the frequency of meetings, members' attendance and participation rate and whether or not they chair one of the specialized committees and in light of the special assignments that they may be given.

In accordance with recommendation R. 2 of the Corporate Governance Code, corporate offers' compensation complies with legal and regulatory requirements, as well as the seven principles set forth in said Code. These seven principles are as follows: exhaustive, balanced, benchmarked, consistent, clear, measured and transparent.

The Chairman and Chief Executive Officer and the Chief Operating Officers received both a fixed salary and a variable bonus. The Chief Operating Officers are also eligible for free share awards.

The compensation policy, including stock options and free share awards, is regularly discussed by the Compensation, Nomination and Governance Committee and approved by the Board of Directors (R. 5 of the Corporate Governance Code).

3.2.4.1. Compensation paid to members of the Board of Directors

In accordance with the provisions of Article L. 225-102-1 of the French Commercial Code, the total compensation received by Mr. Alain de Rouvray, Chairman and Chief Executive Officer of the Company, and by the other corporate officers during the year 2014 is listed below.

Directors' fees received by executive and non-executive corporate officers	Fiscal year 2014	Fiscal year 2013
Executive corporate officers		
Mr. Alain de Rouvray	10,000	10,000
Mr. Vincent Chaillou	6,000	6,000
Non-executive corporate officers		
Mr. Jacques Dubois	6,643	5,929
Ms. Cristel de Rouvray	45,036	46,911
Mr. Michel Barbier de la Serre	8,393	11,500
Mr. Francis Bernard	12,902	18,200
Mr. Charles-Helen des Isnards	31,500	31,500
Ms Véronique Jacq	7,363	0
Ms Rajani Ramanathan	8,893	0
Mr. Éric d'Hotelans	16,500	16,500
TOTAL	**153,230**	**146,539**

Through its sixth resolution, the Combined General Meeting of July 24, 2014 set the total compensation paid to members of the Board of Directors in the form of directors' fees for the 2014 fiscal year at EUR 160,000, stipulating that this amount would be distributed by the Board of directors among its members.

3.2.4.2. Compensation of the Chairman and CEO and the Chief Operating Officers

The terms of compensation for the Chairman and Chief Executive Officer and the Chief Operating Officers are proposed by the Compensation, Nomination and Governance Committee, which is composed primarily of independent members. As part of its work, this Committee makes recommendations to the Board of Directors regarding the type and amount of such compensation.

The Board of Directors, which half of its members are independent, then decides on these recommendations and establishes the compensation to be paid to executives.

The variable compensation of senior managers thus depends on quantitative criteria drawn up by the Board of Directors. The degree to which each of these criteria has been met has been precisely noted but is not made public for reasons of confidentiality.

This process ensures the fairness and transparency of the compensation paid to the Chairman and Chief Executive Officer and the Chief Operating Officers in accordance with recommendations R. 2 to R. 5 of the Corporate Governance Code.

	Fiscal year 2014	Fiscal year 2013
Alain de Rouvray		
Compensation owed for the year	508,429	458,278
Value of options granted during the year	-	-
Value of performance shares granted during the year	-	-
Vincent Chaillou		
Compensation owed for the year	230,939	229,701
Value of options granted during the year	-	-
Value of performance shares granted during the year	-	-
Christopher St. John		
Compensation owed for the year	243 947	225,818
Value of options granted during the year	-	-
Value of performance shares granted during the year	-	-

Mr. de Rouvray	2014		2013	
	Amount owed	Amount paid	Amounts owed	Amounts paid
Salary	305,344	309,160	244,214	240,457
Bonuses	2,443	0	20,901	20,901
Travel bonus	57,819	0	52,414	60,989
Directors' fees	10,000	10,000	10,000	10,000
Fringe benefits	132,824	164,885	130,768	99,188
TOTAL	**508,429**	**484,046**	**458,278**	**431,535**

The change in the amount of fringe benefits follows from Mr. de Rouvray's relocation to the United States, due to our goal of accelerating our expansion into that geographic region.

Mr. Chaillou	2014		2013	
	Amount owed	Amount paid	Amounts owed	Amounts paid
Salary	190,000	190,000	185,000	185,000
Bonuses	1,920	1,920	15,690	15,690
Travel bonus	25,560	13,657	14,793	30,201
Directors' fees	6,000	6,000	6,000	6,000
Fringe benefits	7,459	7,459	8,218	8,218
TOTAL	**230,939**	**219,036**	**229,701**	**245,109**

Mr. St.John	2014		2013	
	Amount owed	Amount paid	Amounts owed	Amounts paid
Salary	170,000	170,000	155,000	155,000
Bonuses	1,760	14,264	14,264	14,264
Travel bonus	30,187	1,683	14,554	1,683
TOTAL	**243,947**	**238,225**	**225,818**	**212,947**

Executive corporate officers	Employment contract		Supplementary retirement plan		Payments or benefits due as a result of termination or change in position		Compensation payable under a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Alain de Rouvray Chairman and Chief Executive Officer		X		X		X		X
Mr. Vincent Chaillou Board member and Chief Operating Officer	Suspended			X		X	25% of annual compensation	
Mr. Christopher St.John Chief Operating Officer	X			X		X		X

3.2.4.3. Options and free shares awarded

STOCK OPTIONS GRANTED DURING THE 2014 FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER

Stock options granted to each executive corporate officer during the fiscal year by the issuer and any other companies within the Group					
Name of the executive corporate officer	Plan number and date	Option type (options to purchase existing shares or to subscribe new shares)	Value of the options	Number	Price *(in euros)*
Vincent Chaillou	Not applicable				
Christopher St.John	Not applicable				
TOTAL	**Not applicable**				

PERFORMANCE SHARE GRANTS TO CORPORATE OFFICERS (LIST OF NAMES) DURING THE 2014 FISCAL YEAR

Performance shares granted to each corporate officer						
Performance shares granted by the Annual General Meeting of Shareholders during the 2014 fiscal year to each corporate officer	Plan number and date	Number of shares granted during the fiscal year	Value of shares based on the method used in the consolidated financial statements	Acquisition date	Vesting date	Performance requirements
Vincent Chaillou	Not applicable					
Christopher St. John	Not applicable					
TOTAL	**Not applicable**					

FREE SHARE AWARDS TO CORPORATE OFFICERS (LIST OF NAMES) DURING THE 2014 FISCAL YEAR

Free shares awarded to each corporate officer						
Free shares awarded by the Annual General Meeting of Shareholders during the 2014 fiscal year to each corporate officer	Plan number and date	Number of shares granted during the fiscal year	Value of shares based on the method used in the consolidated financial statements	Acquisition date	Vesting date	Performance requirements
Vincent Chaillou	Not applicable					
Christopher St.John	Not applicable					
TOTAL	**Not applicable**					

3.2.4.4. Options and free shares exercised

STOCK OPTIONS EXERCISED DURING THE 2014 FISCAL YEAR BY EACH EXECUTIVE CORPORATE OFFICER

Stock options exercised during the fiscal year by each executive corporate officer			
Name of the executive corporate officer	Plan number and date	Number of options exercised during the fiscal year	Exercise price
Vincent Chaillou	N°7 (June 30, 2005)	4,500	8.86
Christopher St.John	Not applicable		
TOTAL		4,500	8.86

3.2.4.5. History of stock option grants

Meeting date	Plan 7: 6/30/2005	Plan 9: 6/29/2006	Plan 10: 6/26/2012
Date(s) of the meeting(s) of the Board of Directors	July 10, 2008	July 10, 2008	December 19, 2012
Number of shares eligible to be subscribed or purchased	100,000	200,000	161,850
– Vincent Chaillou	32,000	0	3,500
– Christopher St.John	6,000	14,000	2,975
Starting date of exercise period	July 10, 2013	July 10, 2013	July 1, 2017
Expiration of exercise period	July 8, 2016	July 8, 2016	December 19, 2020
Subscription or purchase price *(in euros)*	8.86	8.86	27.82
Total number of subscribed shares	9,600	50,830	Not applicable
Total number of shares eligible to be subscribed or purchased expired or cancelled	86,900	114,100	41,325
Shares eligible to be subscribed or purchased remaining at the balance sheet date	3,500	35,070	120,525

3.2.4.6. History of free shares grants

Meeting date	Plan 14: 6/26/2012
Date(s) of the meeting(s) of the Board of Directors	December 19, 2012
Number of granted shares	21,755
– Vincent Chaillou	3,600
– Christopher St.John	3,100
Starting date of exercise period	December 20, 2016
Expiration of exercise period	December 19, 2020
Total number of subscribed shares	0
Total number of expired or cancelled shares	2,520
Shares remaining at the balance sheet date	19,235

3.2.4.7. Stock options granted to the top ten employee grantees (not including corporate officers)

Stock options granted to/exercised by the top ten employee grantees (not including corporate officers)	Total number of options granted/shares subscribed or purchased	Weighted average price	Plan number
Options granted to the top ten employee grantees during the fiscal year, by the issuer and any other companies within the issuer's group entitled to grant options	11,000	27.82	10
Options issued by the issuer and any aforementioned company exercised during the fiscal year by the top ten employees who thus purchased or subscribed the largest number of options	8,150	8.86	7&9

At this point the Chairman and Chief Executive Officer and the Chief Operating Officers do not receive any other type of compensation; specifically, they are not eligible for severance pay under any circumstances nor has any type of supplementary retirement plan been established for them, in accordance with the recommendations of the Corporate Governance Code (R. 3 and R. 4).

3.2.5. Other information required by L. 225-37 of the French Commercial Code

3.2.5.1. Special provisions related to the participation of shareholders in the Annual General Meeting

The procedures relative to Shareholder participation in the Company's Annual General Meeting are set forth under Article 18 of the articles of association. Specifically, all Shareholders have the right, upon presentation of proof of their identify, to take part in meetings by attending them in person, by videoconference or by other means of electronic telecommunication or transmission, or by returning the mail-in ballot or designating a proxy, subject to the conditions set forth in the articles of association.

3.2.5.2. Information required by Article L. 225-100-3 of the French Commercial Code

In accordance with Article L. 225-100-3 of the French Commercial Code, the following items are included under Section 1.3.4 (regarding the capital structure and direct or indirect shareholdings in the Company's capital), Section 1.3.2.3 (regarding double voting rights granted by the articles of association), and Section 3.4.3 (regarding the existing shareholders' agreement) of ESI Group's Registration Document.

The procedure for appointing and replacing members of the Board of Directors, as well as the powers of this Board, is also described in the Report.

3.2.6. Declaration by the members of the Board of Directors with respect to paragraph 14.1 of Annex I of EC Regulation No. 809/2004 ("Prospectus Regulation")

In the past five years, to the Company's best knowledge, no Board member nor executive has been convicted of any fraudulent offence, been associated with a company's bankruptcy, receivership or liquidation or, received an official public incrimination or sanctions by statutory or regulatory authorities.

Furthermore, to the Company's best knowledge, none of its Board members or corporate executives has been barred, by court order, from serving as a member of an administrative, management or supervisory body of any company or from participating in the management and business dealings of any company during the last five years.

The Report was approved by the Board of Directors on April 14, 2015.

Appendix I: List of other positions currently held by the Company's Board members and exercised outside the entity

Independent members of the Board of Directors*

** All of the positions held by independent Board members outside the entity are held outside the Group's scope of consolidation.*

Mr. Charles-Helen des Isnards

– Board member of Nature et Découverte

– Board member of LBD (Luxembourg)

– Board member of Les Arts Florissants association

Mr. Éric d'Hotelans

– Chairman and Chief Executive Officer of Mistergooddeal SA and Home Shopping Services SA since 2009

– Chairman of T-Commerce SAS

– Board member of M6 Films

– Board member of M6 Diffusion SA

– Board member of Société Nouvelle de Distribution SA

– Board member of Métropole Production SA

– Board member of the M6 Group's company Foundation

Ms. Véronique Jacq

Member of the Supervisory Board of DELFMEMS

Ms. Rajani Ramanathan

Not applicable

3.3 Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code (Code de commerce) on the report prepared by the Chairman of the Board of Directors of the Company

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended January 31, 2015

To the Shareholders,

In our capacity as Statutory Auditors of the Company, and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended January 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code *(Code de commerce)* in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code *(Code de commerce)*, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code *(Code de commerce)*.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code *(Code de commerce)*.

Neuilly-sur-Seine and Paris-La Défense, May 22, 2015

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit	Ernst & Young Audit
Pierre Marty	Frédéric Martineau

3.4. Potential conflicts of interest within the corporate bodies

With the exception of the items addressed below, executives do not have any other potential conflicts of interest.

3.4.1. Capital held by the members of the Board of Directors

As at July 24, 2014, the date of the Company's Annual General Meeting, the members of the Board of Directors held a total of 1,858,440 shares in the Company, representing 31.24% of the Group's capital, and 3,624,779 voting rights, representing 46.98% of the voting rights within the Group.

3.4.2. Transactions between the Company and its management bodies

Not applicable.

3.4.3. Shareholders' agreements

An agreement was signed on October 25, 2000 between Mr Alain de Rouvray (Chairman and founder of the Company), the members of his family Group (Ms Amy de Rouvray, Ms Cristel Anne de Rouvray, Mr John Alexandre de Rouvray and Ms Amy Louise de Rouvray), Mr Jacques Dubois (member of the Board of Directors and co-founder of the Company) and Mr Philippe Billaud in their capacity as ESI Group shareholders.

The parties indicated that the purpose of the agreement was to formalize a concert party agreement that took effect between them on the date that the Company's shares were first listed on the "*Nouveau Marché*" stock market.

This shareholders' agreement was published in *La Tribune* on Friday, October 27, 2000 following CMF decision No. 200C1608 dated October 27, 2000.

This agreement includes mutual first-refusal rights.

These rights of first refusal do not apply to transfers of shares to the heirs of any shareholder who is a private individual and a party to the agreement in the event of death or to transfers between members of the de Rouvray family who are party to the agreement.

This agreement also contains:

- An obligation, on the part of the parties to the agreement, to either purchase or sell their shareholding: in the event that Mr Alain de Rouvray decides to sell all ESI Group shares that he currently holds or holds at some point in the future, each party is irrevocably bound to either:
  - Exercise its first-refusal rights and purchase the shares under the conditions set forth under the agreement;
  - Waive its right of first refusal and consequently sell its entire shareholding at the sale price;
- A commitment to act in concert prior to the purchase of any additional shares that would force the parties to the agreement to jointly file a draft takeover bid.

In keeping with this agreement, the parties declare that they act in concert.

In accordance with the so-called "Dutreil" law in France, an agreement was also signed on December 22, 2003 between Mr. Alain de Rouvray (Chairman and founder of the Company), Ms. Cristel Anne de Rouvray, Mr. John Alexandre de Rouvray and Ms. Amy Louise de Rouvray in their capacity as shareholders of the Company. This agreement represents 28.46% of the Company's capital and 41.22% of its voting rights and collectively binds its signatories to retain half of their shares for at least six years.

This agreement was renewed on December 31, 2011 for a further term of six years.

4 Management report from the Board of Directors to the Combined General Meeting of July 22, 2015

Fiscal year 2014 (ended January 31, 2015)

Dear Shareholders,

We have called this Annual General Meeting pursuant to the articles of association and the French law on business corporations in order to report on the Company business activities throughout the fiscal year 2014 ended January 31, 2015, the outcomes of these activities and the outlook for the future, as well as to submit the balance sheet and annual financial statements for this fiscal year for your approval. These financial statements are attached to this report.

The notices required under the law have been duly sent to you and all of the documents required by current regulations have been made available to you by the mandatory deadlines.

4.1. Business activities during the 2014 fiscal year

4.1.1. Business activities during 2014

Financial data

The marked improvement in our earnings over the year testifies to the success of our policy of improved profitability and controlled costs.

The period's revenue attests to the strength of our Licensing business and the refocusing of our Services business onto high value-added projects.

The period showed significant improvement in profitability, though on modest revenue growth.

The Group was negatively impacted, however, by two major external factors: a foreign exchange impact, although less than in 2013, due to devalued currencies, especially the yen and the US dollar, throughout the year, and adverse business conditions in the BRIC, especially China and Russia.

A change in the product mix emphasized Licensing, which now accounts for 75.0% of total revenue, as compared to 73.7% the previous year.

Total gross margin therefore improved, both because of the change in the product mix (Licensing has a higher percentage margin) and because of improved margins in Services. In addition, along with a continued substantial investment in R&D, ESI introduced tools and processes for cost control that improved its profitability in 2014.

The sharp recovery of currencies, especially the yen and the US dollar, in January 2015, which is the final month of ESI's fiscal year, also had a significant positive impact on the Group's earnings, due to the re-measurement of its customer receivables.

Structural changes

Since February 1, 2014 the AVIC ESI (Beijing) Technology Co., Ltd Joint Venture has been in effect, with ESI Group owning 45%. Accordingly, that entity is consolidated by the equity method..

On April 30, 2014, ESI Group acquired 13.2% of CyDesign Labs Inc., thereby bringing its stake in that company to 99.2%.

Roll-out of solutions

The year saw the roll-out of solutions not only to leaders in their segments but also to their subcontractors. This attests yet again to the essential strategic character of the technology solutions in generating productivity gains for industry and in the constant quest for innovation. In particular, the success of the immersive virtual reality product and the growth in solutions dealing with environmental issues such as air quality and renewable energy sources illustrate the strength of the strategy and its diversification potential.

<u>Success of the immersive virtual reality solution</u>

Deployment of the IC.IDO immersive virtual reality solution has accelerated among clients in the Transportation sector. In particular, ESI Group won a tender launched by Bombardier Inc.’s railway equipment division. ESI Group’s solution delivers high quality operational results and enables industry to reduce development costs thanks to a significant reduction of engineering change requests.

Extension of the Group's collaboration with the Fiat Chrysler Automobile Group also demonstrates the quality of ESI Group's immersive virtual reality solution. After equipping its Italian centers the Italian manufacturer chose to do the same for its Brazilian development center. This move is illustrative of the strategic measures aggressively deployed by the world's major car manufacturers as they seek to reduce the development and production cycles of their products.

Intensification of ESI Group's contribution to environmental constraints

The buoyant increase in 2014 sales reflects the need for production process flexibility among manufacturers, who are being impacted by increasingly restrictive environmental standards that require them to better control their carbon footprints. In the field of Transportation, ESI Group's virtual engineering solution is establishing itself as representing major leverage in terms of reducing development costs and speeding up the finalization of future products ; most notably by enabling companies to address, from the design phase, restrictive constraints, such as making vehicles and airplanes lighter .

In the field of Energy, ESI Group has signed a 5-year strategic partnership with EDF Energies Nouvelles (EDF EN). The objective is to develop innovative products for the renewable energies market by making the most of virtual prototyping solutions. EDF EN intends to optimize, using virtual prototypes, its day-to-day operations and test the performance of its future solar and wind power plants in standard, disrupted or accidental operating conditions.

4.1.2. Figures from the consolidated financial statements

4.1.2.1. Review of financial performance

The consolidated financial information presented below adheres to IFRS standards.

4.1.2.1.1. Consolidated key figures

(€ millions)	FY 14	FY 13	Δ actual terms		FY 14 constant currency	Δ constant currency	
			Amount	%		Amount	%
TOTAL SALES	111.0	109.3	1.7	+ 1.6 %	112.1	2.7	+ 2.5 %
Licenses	83.3	80.6	2.7	+ 3.3 %	84.2	3.6	+ 4.4 %
Services	27.8	28.7	(1)	- 3.3 %	27.9	(0.8)	- 2.9 %
GROSS MARGIN	79.1	75.0	4.1	+ 5.4 %	80.0	5.0	+ 6.6 %
% of sales	*71.3 %*	*68.6 %*			*71.4 %*		
EBITDA*	10.1	9.6	0.6	+ 5.8 %	10.8	1.3	+ 13.6 %
% of sales	*9.1 %*	*8.7 %*			*9.7 %*		
CURRENT OPERATING RESULT	9.0	7.9	1.1	+ 14.0 %	9.7	1.8	+ 23.6 %
% of sales	*8.1 %*	*7.2 %*			*8.7 %*		
EBIT	8.4	6.2	2.2	+ 35.6 %	9.1	2.9	+ 47.9 %
% of sales	*7.5 %*	*5.6 %*			*8.1 %*		
ATTRIBUTABLE NET PROFIT	5.5	2.4	3.0	+ 127.2 %	5.9	3.5	+ 145.6 %
% of sales	*5.0 %*	*2.2 %*			*5.3 %*		

NB: the financial statements for Year N cover 02/01/N to 01/31/N+1.
**Excluding acquisition costs, amortization of goodwill and before the impact of capitalizing R&D as per IFRS*

4.1.2.1.2. General information

Revenues

2014 annual sales came to €111.0 million, up +1.6% on the previous year in actual terms and up 2.5% at constant currency. There was a negative currency effect of -€1.0 million over the period, mainly due to the negative evolution of the Japanese Yen.

At constant currency, the following key indicators confirm the sales performances and the solidity of our Licenses activity:

- growth in Licensing revenue: +4.4%;
- Licensing installed base up significantly: +4.8%;
- repeat business remained at a high rate: 85.7% ;
- New Business ratio: 20.1% of Licensing revenues.

Services activity recorded sales of €27.8 million in 2014, down -3.3%. This negative figure was a result of the reduction over the first three quarters of the year due to refocusing on projects with higher value added ; an action completed before the last quarter, when a jump of +10.7% was recorded.

In 2014, the geographical split in sales shifted towards Europe (48.2% versus 45.2%), driven by increased Licenses activity, most particularly in France and Germany. The reduction of share in the Asia zone's (34.7% vs. 35.8%) was mainly a result of a negative currency effect and the difficult business context in China. The decrease in the Americas share to 17.2% of sales in 2014 compared with 19.0% in 2013 was a result of the refocusing of the Services activity. Although the impact decreased through the year, the abandoning of certain non-strategic and lower margin services was not compensated by the increase in Licenses activity over the year.

Over the year as a whole, the weight of activity in BRIC countries decreased compared with 2013, accounting for 12.7% of total sales over the period compared with 15.3% the previous year. This decrease reflected falls recorded in China and Russia and was not offset by upward trends in Brazil and India.

Zone	2014	2014 at constant currency	2013
EMEA	48.2 %	48.0 %	45.2 %
Asia	34.7 %	35.3 %	35.8 %
Americas	17.1 %	16.7 %	19.0 %
TOTAL	**100 %**	**100 %**	**100 %**

Gross margin and operating expenses

The gross margin was 71.3% of sales compared with 68.6% in 2013. This improvement is due to the favorable development of the product mix (75.0% of Licenses in 2014, versus 73.7% in 2013), combined with a significant improvement in the Services margin consequent to the strategic refocusing of the business. The licensing margin was sustained at a high level.

ESI Group retained an active investment policy by maintaining a growth of 12.4% in its R&D expenses in actual terms. These expenses amounted to €23.9 million (excluding the French research tax credit), and represent 28.8% of Licensing sales; a slight increase compared to 2013, when they were at 26.2%. These investment expenses include development activity by the recent external growth operations, such as virtual reality (IC.IDO), fluid dynamics (OpenCFD) and systems (CyDesign technology). The total R&D expenses recorded in the income statement in IFRS format are €20.0 million in actual terms, up 16.9% on the previous year.

Sales & Marketing and G&A costs remained largely stable (€35.0 million and €15.2 million respectively) thanks to the Group's efforts to control costs.

Income

In actual terms, EBITDA grew 5.8% to €10.1 million, i.e. a margin of 9.1% compared with 8.7% in 2013. This growth improves to 13.6% when reported at constant rates (for an equivalent of €10.8 million, i.e. 9.7% margin). This trend is the result of improved gross margins and our cost-cutting policy. In particular, total payroll is down, largely because of the refocusing in the United States and control of headcount, which fell from 1,026 to 1,003 FTEs.

Current Operating Profit rose 14.0% to €9 million, showing a margin of 8.1% up 0.9 point compared with last year. At constant rates, it would be €9.7 million, up 23.3%, with a margin of 8.7%. In terms of EBITDA, the higher growth was primarily due to less provision expense.

EBIT rose 35.6% to €8.4 million, corresponding to a margin of 7.5% and up 1.9 points compared with 2013. At constant rates, the EBIT would be reported as €9.1 million, up 47.6%, i.e. €2.9 million. The stronger growth in EBIT (vs. current operating profit) reflects the recognition of lower non-recurring costs in 2014, particularly with regard to acquisitions.

The increasing difference in growth between the EBITDA and the ROC on the one hand and the EBIT on the other hand is mainly due to the exceptional items recorded in 2013; including provisions for risks and acquisition costs.

Net Financial Income was €0.7 million vs. a loss of €0.9 million in 2013. This €1.7 million change is due mainly to the impact of the exchange rates evolution, particularly of the US dollar right at the end of the year.

Tax expense of EUR 3.6 million, being an average rate of 39.5%, as compared with a 52.9% rate in 2013, that higher rate being due mainly to a provision for tax liability.

The attributable Net Profit was €5.5 million, i.e. 5.0% of net margin, compared with €2.4 million in 2013, an increase of 127.2% in actual terms.

4.1.2.2. Financial position – consolidated balance sheet

The main changes in the balance sheet over the fiscal year are described below:

– Non-current assets, less non-current liabilities (excluding financial debt), increased by EUR 1.0 million. Capitalization of R&D costs had a EUR 1.2 million impact on non-current assets;

– Total financial debt (long-term and short-term) decreased by EUR 2.1 million over the 2014 fiscal year. This change chiefly reflects the annual repayment on the syndicated loan (of negative EUR 2.8 million) and the surplus from short-term financing at year-end (EUR 0.7 million).

Overall, equity stood at EUR 86.9 million. Long-term and short-term financial debt came to EUR 22.6 million, representing 26.0% of equity, versus 30.7% one year earlier.

Financial debt, net of available cash flows, totaled EUR 10.7 million and represents 12.3% of equity (the gearing ratio), versus 17.3% at January 31, 2014.

Cash and cash equivalents rose from EUR 7.6 million to EUR 10.7 million at January 31, 2015.

At January 31, 2015 ESI Group also held 7.1% of its equity in treasury stock.

4.1.2.3. Risk management

Country risks and foreign exchange risk

During the fiscal year ended January 31, 2015, 48% of the Group's revenues were earned inside of Europe and 52% outside of Europe with 35% coming from Asia (mainly Japan, South Korea, China and India) and 17% coming from the Americas (mainly the United States but also Brazil, Mexico…). The Group is, thus exposed to economic and political uncertainties in these zones. 2014 was especially hard hit by poor business conditions in Russia (the Russo-Ukrainian crisis) and the anti-corruption policy in China (known as "Tiger and Flies").

The Group is also highly exposed to risks stemming from changes in foreign exchange rates. For the fiscal year ended January 31, 2015, 47.5% of revenues were generated in EUR (euro), 14.7% in USD (US dollars), 19.4% in JPY (Japanese yen) and 5.5% in KRW (Korean won).

Furthermore, 53.9% of the costs are spent in EUR (euro), 15.2% in USD (US dollars), 7.2% in JPY (Japanese yen), 6.0% in INR (Indian rupee), 4.2% in CZK (Czech crown) and 3.3% in KRW (Korean won).

The Group's policy aims, whenever possible, to hedge net operating cash flows projected in the budget based on the exchange rate applied for budgetary purposes.

Interest rate risk

(in thousands of euros)	< 1 years	1 to 5 years	> 5 years	Total
Fixed rate financial liabilities				
Variable rate financial liabilities *	(12,244)	(8,729)		(20,973)
Variable rate financial assets *				
Net position before hedging *	(12,244)	(8,729)		(20,973)
Off balance sheet				
Hedging against a rate increase, at 0.74%	1,127	3,372		4,499
NET POSITION AFTET HEDGING	**(11,117)**	**(5,357)**		**(16,474)**
Sensitivity to a 1% decline	**111**	**54**		**165**

** The financial liabilities presented in the table above correspond to the syndicated loan signed on November 17, 2011, as well as the short-term financing obtained during 2014. EUR 1.6 million in other financial debt was recorded in the balance sheet; however, since this debt does not bear interest it is excluded from this table. This debt includes repayable advances, liabilities for employee profit-sharing and capital leases for insignificant amounts.*

In November 2011, ESI Group entered into a EUR 30 million syndicated loan to refinance the remaining amount owed on the former syndicated loan (tranche A), the acquisitions made during the 2011 fiscal year (tranche B1), as well as future acquisitions (tranche B2).This loan is provided in the form of commercial paper with 1-, 3- or 6-month maturity dates (with a reference rate equal to Euribor rate for the given period) not to exceed the tranches drawn. This arrangement is used to manage the ESI Group's cash flows, which are greatly impacted by the seasonal nature of its turnover.

To manage the interest rate risk posed by the syndicated loan, ESI Group took the following interest swaps:

- EUR 1.2 million swap between the variable Euribor 1-month rate and a fixed rate of 0.37%;
- EUR 0.8 million swap between the variable Euribor 1-month rate and a fixed rate of 1.14%;
- EUR 1.4 million swap between the variable Euribor 1-month rate and a fixed rate of 0.49%;
- EUR 1.1 million swap between the variable Euribor 1-month rate and a fixed rate of 1.11%.

Given the tools used to optimize cash flows management, as discussed above, we are of the opinion that ESI Group will not be continuously exposed to 100% of the interest rate risk related to this syndicated loan. To estimate the maximum risk at January 31, 2015, the table above simulates the potential impacts of interest rate risks, if 100% of the syndicated were to be used throughout the entire fiscal year.

4.1.2.4. Cash flows and financing

Net cash flows came to EUR 7.9 million versus EUR 4.4 million for the previous fiscal year, due primarily to the substantial improvement in net profit. The changes in the different line items of net working capital had a negative effect of EUR 3.1 million. Note that the change in receivables was affected positively by the sale of the remaining R&D tax credit receivables (2012 and 2013) in the amount of EUR 2.7 million.

Cash from operations was EUR 4.8 million. Without the sale of the R&D tax credit receivables, cash from operations would have been EUR 2.1 million, a sharp increase from the prior year (2013), in which cash from operations was a positive EUR 1.4 million / EUR (1.5) million without the R&D tax credit. This strong increase was due to:

- the EUR 3.5 million rise in net cash flows;
- the EUR (2.3) million impact of the unused R&D tax credit;
- the impact of cash gains from foreign exchange hedging in the amount of EUR 0.1 million;
- late cash collections in early February 2014 (for FY2014) and certain payments received at end January 2015 (vs. more commonly in February in prior years).

The Company's current capital expenditures were EUR 1.3 million, as against EUR 3.0 million the previous year. These expenditures for 2014 include the sale of non-current assets for EUR 0.1 million euros. Adjusted for these sales, capital expenditures were EUR 1.4 million and largely involved investment in computer equipment. Note, moreover, a positive effect of EUR 0.3 million on NWC for suppliers of non-current assets.

Along with this capital expenditure there were investments linked to the capital contribution of the Chinese Joint-Venture for EUR 0.6 million as well as EUR 0.4 million of earn-outs on past acquisitions.

The main flows relating to financing operations had to do with the repayment of debts in the net amount of EUR 2.8 million (including finance leases), the drawdowns made on the B2 tranche of the loan agreement signed in November 2011 to finance the earn-out for EUR 0.3 million. To that it must be added the EUR 1.9 million pre-financing obtained in the second half to offset the impact of the unused 2014 R&D tax credit, the repayment of five short-term loans totaling EUR 6.9 million contracted in late 2013 to finance the 2013 end-of-year net working capital and obtaining EUR 7.5 million in new loans or commercial paper in late 2014 to finance the sharp growth in revenues at the end of the year and thus the strong impact on changes in net working capital.

The cash position also reflected a favorable foreign exchange impact of EUR 1.0 million resulting from the difference in exchange rates between the opening and the closing balance sheets.

Overall, cash fell EUR 1.2 million between 2013 and 2014.

4.1.3. Research and development

4.1.3.1. Research and development costs

Research and development costs are recorded as soon as they are incurred. This amounted to EUR 23.9 million in 2014.

See notes 2.8 and 4.2 of the appendix to the consolidated financial statements.

The capitalization of R&D costs had a EUR +1.2 million impact on the income statement in 2014. A breakdown of the expenses is provided in the appendix to the consolidated financial statements.

Research and development (R&D) policy

The Edition Department in charge of R&D delivers products in line with the Group's strategy and market needs. It also seeks to maintain the competitive edge of ESI Group's solutions. It focuses on:

- Generic analysis and simulation tools needed to approach the market (Virtual Tool);
- Business solutions that provide realistic physical modeling properties via simulation (Virtual Test);
- Component lines to manage processes and best practices by industrial segment or multi-model design (Virtual Component);
- Systems involving component chains or mechatronic sub-systems and systems (Virtual Systems);
- Complete prototyping lines covering all aspects of the virtual engineering process in line with the customer's product life-cycle management process, providing optimization and 3D visualization capabilities and assisting in the local, departmental or global decision-making process;
- Comprehensive, "living” virtual prototyping platforms that support all product modules and customer processes and that improve the customer's performance.

The R&D policy:

- Supports the business model in an effort to adapt to changes in how products are used and to push boundaries for new computer platforms (GPU, SaaS, Cloud) or platforms in development with a view to upgrading the installed base;
- Supports product improvements with a view to expanding the installed base or winning over new customers with existing products;
- Supports new products with a view to encouraging our customers to deploy new products and new processes or to improve their performance by working jointly with ESI Group.

The Products Department allots different levels of investment depending on the maturity of the product:

- Investments are made in mature products in order to ensure maintenance, product improvements, widespread adoption of major innovations and the delivery of new competitive products;
- Investments are made in emerging products with greater demand and with the potential to drive growth in order to accelerate adoption of these products in industrial applications;
- Investments are made in innovative products by increasing the research contracts with leading customers in order to ensure the viability of these new tools and to increase the chance of commercial success, where applicable;
- Technology intelligence is performed to support all products.

The Edition Department follows an approach that is both specific and generic in nature to meet different goals:

- To ensure generic products and components to meet multiple needs in multiple industrial segments and to support developments of services, customers or third parties;
- To ensure the competitiveness and productivity of our products by targeting specific, high-potential business applications and solutions;
- To maximize synergies between products to make it easier to release competitive, affordable versions and minimize maintenance efforts;
- To integrate this generic know-how into a comprehensive virtual prototyping platform that makes it easy to take needs into account for specific applications or custom services.

The Edition Department continues to partner actively, to ensure:

- the identification of technologies, acquisition targets and market opportunities in collaboration with its Scientific Committee;
- an evaluation of financing opportunities to guide the levels of investment;
- a discovery process in partnership with the various approaches to research and development (academic chairs, European projects, co-creation projects);
- rapid industrialization for optimal market introduction.

This environment reduces risks and ensures a high rate of co-financing and research tax credits.

The Edition Department follows a methodology that is tailored to the needs of highly innovative customers and always uses the best tools on the market to avoid redundancies and the obsolescence of in-house solutions. In addition, near-shoring or multi-shoring, which are used to strike a balance between human interests and financial interests, is being expanded to reduce dependence on exchange rate effects and to reduce related expenses.

4.1.3.2. Intellectual property (excluding trademarks)

Most of the Company’s intellectual property consists of software and databases that are protected by copyright and by specific laws concerning database producers within the European Union.

The ownership of all development work performed by ESI Group's subsidiaries and ordered by these latter is transferred to the Company. The Group's publishing division thus holds all intellectual property rights.

Most of the software products and databases published by the Company belong to ESI Group.

The Company is the beneficiary of publishing contracts for the few products that belong to third parties. These products represent either software integrated within its offer (for which replacement solutions could be obtained in the event that the third-party software is discontinued) or complementary solutions which are not, however, critical to the operation of the Company's software.

The Company also owns several patents.

4.1.4. ESI Group SA annual financial statements and allocation

4.1.4.1. ESI Group SA annual financial statements

ESI Group SA oversees all of its subsidiaries and centralizes major software publishing activities.

ESI Group SA is the parent company of the Group; therefore, it owns or controls all of its holdings.

ESI Group SA's revenues consist mainly of:

1. Royalties paid by subsidiaries, distributors and agents and received by the Group for the use of software;
2. Amounts billed to direct customers for user licenses and/or services, in territories not covered by its subsidiaries;
3. Group services fees billed to the various subsidiaries as part of its leadership and oversight responsibilities;
4. Self-created assets stemming from research and development work;
5. The licensing of exclusive software distribution rights to the subsidiaries.

The operating result for 2014 is a loss of EUR 846 thousand versus a profit of EUR 1,167 thousand for the previous year.

This EUR 2,014k decrease is summarized in the table below:

Description *(in thousands of euros)*	2014	2013	Change
Operating profit	**(846)**	**1,167**	**(2,014)**
Provision for impairment of accounts receivable at ESI North America			(3,538)
TOTAL EXCLUDING THE PROVISION FOR IMPAIRMENT OF ACCOUNTS RECEIVABLE AT ESI NORTH AMERICA			**1,524**
Increase in revenues			2,744
Increase in production held as inventory			250
Increase in external expenses			(1,556)
Change in capitalized research and development			(545)
Increase in income tax expense			(74)
Increase in wages and social security taxes			(366)
Change in provisions for operating liabilities and charges			1,617
Change in provision charges and/or reversals, and losses on current assets			(373)
Depreciation and amortization expense			(137)
Other			(35)
TOTAL EXCLUDING THE PROVISION FOR IMPAIRMENT OF ACCOUNTS RECEIVABLE AT ESI NORTH AMERICA			**1,524**

The change in provision for contingencies and charges principally includes a risk of a tax audit, provisioned in 2013. It bore on fiscal years 2009 to 2011. As of today, ESI Group has received a proposed rectification for those three years and disputes all of the areas of adjustment proposed.

The financial result is a profit of EUR 291k versus a profit of EUR 4,024k in 2013. This figure can be broken down as follows:

Description *(in thousands of euros)*	2014	2013
Foreign exchange gain/(loss)	666	649
Gain/(loss) on the foreign exchange rate provision	30	143
Provisions for investments	-	(8)
Subsidiary dividends	-	3,716
Interest on borrowings	(292)	(305)
Interest on current trade payables, subsidiary payables	(146)	(200)
Interest on current accounts receivable, subsidiary receivables	157	152
Other financial income/(expenses)	(124)	(123)
TOTAL	**291**	**4,024**

After these items have been taken into account, current income before tax (and exceptional items) is a loss of EUR (0.6) million.

The Company has also recorded EUR (229)k in exceptional loss, which can be broken down as follows:

Description *(in thousands of euros)*	Total
Results on sale of treasury stock	(11)
Accelerated capital allowances	(200)
Miscellaneous	(18)
TOTAL	**(229)**

Income tax amounted to an expense of EUR 1.1 million, to which the EUR 2.8 million R&D tax credit and the EUR 0.1 million tax credit for competitiveness and employment are added, for a net tax credit of EUR 1.9 million.

After accounting for exceptional profit and income tax, net profit stands at EUR 1.1 million, versus EUR 6.6 million in profit in 2013.

Equity rose from EUR 86.3 million to EUR 87.7 million due to retained earnings (EUR 1.1 million), capital increases after the exercise of options (EUR 0.1 million) and regulated provisions (EUR 0.2 million).

The table below outlines the Group's working capital:

(in millions of euros)	2014	2013
Equity	87.7	86.3
Provisions/reserve	2.4	2.5
Borrowings and conditional advances	13.0	16.1
Short-term borrowings	(3.9)	(4.7)
LONG-TERM CAPITAL	**99.2**	**100.2**
Net assets	90.8	87.4
WORKING CAPITAL	**8.3**	**12.8**
Working capital requirement	(2.2)	(3.4)
CASH AND CASH EQUIVALENTS	**6.2**	**9.4**

In spite of recent acquisitions and refinancing, the Group's financial position remains strong. Equity represents 88% of long-term capital (versus 86% in 2013).

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code regarding reporting of payment terms, at January 31, 2015, the balance of ESI Group's liabilities to its vendors could be broken down as follows:

	2014		2013	
Term	**Trade payables**	*(in thousands of euros)*	Trade payables	*(in thousands of euros)*
≤ 30 days	37.17 %	(5,550)	29.41 %	(4,458)
≤ 60 days	7.07 %	(1,055)	4.03 %	(611)
≤ 90 days	3.36 %	(501)	4.18 %	(633)
≤ 120 days	6.92 %	(1,033)	4.95 %	(750)
> 120 days	45.48 %	(6,792)	57.43 %	(8,705)
SUB-TOTAL	**100.00 %**	**(14,932)**	**100.00 %**	**(15,157)**
Invoices not received	NA	(7,720)	NA	(8,760)
TOTAL		**(22,652)**		**(23,917)**

The social balance sheet should be read in relation with the consolidated financial statements

4.1.4.2. Allocation of profits

Net profit for the fiscal year ended January 31, 2015 comes to EUR 1,081,263.08, which we propose to allocate as follows:

Origin:

– Net profit for the year: EUR 1,081,263.08;

– Profit carried forward:EUR 29,209,639.01;
– Total to be allocated: EUR 30,290,902.09.

Allocation:

– EUR 54,063.15 to the legal reserve;
– EUR 30,236,838.94 to profit carried forward;

Following this allocation, the balance of the legal reserve stands at EUR 1,641,768.12.

4.2. Outlook

4.2.1. Events after the reporting period

In March and April 2015, ESI successively announced the acquisitions of CIVITEC and the assets of Picviz Labs and Ciespace. These acquisitions will enable ESI to expand in the advanced driver assistance systems market and the big data visual data processing market and to offer a complete Cloud/SaaS product from its Virtual Prototyping solutions. Finally, in May 2015 ESI Group acquired the PRESTO software from AMOEBA, which allows us to address the electronic device cooling market.

In addition, in a streamlining move, CyDesign AB in Sweden was liquidated as of March 17, 2015. CyDesign International LLC in the United States will also be liquidated in 2015. Merger and liquidation operations are also under way so as to recombine entities in India and China during 2015.

4.2.2. Business trends

The quality of the business indicators in the first months of 2015, combined with recent strategic advances in marketing and recent acquisitions, places ESI Group in an ideal position to increase its business volume and achieve profitable growth this new fiscal year.

The reinforcement of the management team with the arrival of Peter Schmitt, PhD., as Executive Vice President of Sales & Marketing, and the promotion of Mike Salari, as Executive Vice President of Engineering Services, is expected to enhance our ability to deploy global strategies and implement actions with major industrial actors, including new clients.

The business dynamic will also be supported by the accelerated growth of ESI Group in markets of the future, such as advanced driver assistance systems (ADAS) vehicle safety and the visualization of scientific Big Data. This diversification, into areas with strong potential such as active security, cyber-security, machine learning and life sciences, derive in part from the acquisition of CIVITEC and the purchase of the assets of Picviz Labs., both owners of leading edge technology solutions. These technologies also have an established commercial base which broadens diversification across industry sectors. Finally, they play a role in reinforcing the innovative potential of ESI Group's digital modeling and Virtual Prototyping solution. The Group expects to draw on its solid experience in acquisitions to successfully integrate these acquired top class companies.

Because it is aware how crucial competitive innovation is to its leadership in guiding manufacturers to the smart digital factory, ESI Group plans to maintain its investment strategy and targeted acquisitions policy in 2015, while also improving its financial performance.

4.3. Report on sustainable development and Corporate Social Responsibility (CSR)

4.3.1. ESI Group approach in terms of corporate social responsibility

Aware of its responsibility in each of the three pillars of sustainable development, ESI has gradually devised a CSR policy that contributes to shared economic and social development and the preservation of human equilibrium. In 2014, the Company defined the major areas and commitments of its approach, taking into account a wider scope of analysis so as to structure and develop its actions with respect to sustainability.

This second report outlines a more involved policy, providing not just goals but their context, by redefining the Company's values.

From the outset, by developing innovative virtual prototyping products, ESI has sought to measure the impact of its solutions on society. Indeed, ESI's solutions enable reductions in the number of physical prototypes, which are costly and require large amounts of energy, raw materials and time, and bring to the market production which is more environmentally friendly and socially responsible. Furthermore, making models virtual also means optimizing the sustainability of products by letting manufacturers refine their reflection on the solutions they put into production and spend more time on socially important issues such as safety, comfort and performance. ESI Group's ambition is to become the leader in virtual prototyping through responsible innovation. The Group therefore plans to be the favored development partner, able to understand and assist its customers in more quickly bringing to market quality products that are also sustainable, ethical and highly resource-efficient.

In the eyes of its employees the CSR policy is seen as a genuine corporate commitment and one that will create value. In 2014 the Company's CSR efforts were all focused in this direction. ESI has made a list of the stakeholders inside and outside the Group on whom it has the greatest influence: employees, customers, the environment and civil society, towards all of whom serious commitments have been made.

4.3.1.1. Commitments

The major focus is on the following four broad commitments:

Being a committed employer

- Develop talents and encourage leadership and collaborative management,
- Promote diversity and global thinking;

Being an outstanding partners for our customers

- Provide innovative and sustainable high-quality solutions that meet our customers' requirements,
- Build long-term, trusting relationships;

Serve civil society

- Boost innovations and establish partnerships with the academic and scientific communities,
- Act ethically and responsibly;

Being an environmentally friendly player

- Develop solutions that will help reduce the environmental footprint of manufacturers and comply with regulatory requirements,
- Limit the environmental impact of our global offices.

4.3.1.2. ESI Group values

ESI strongly affirms its values, which infuse its culture and its ambition, which is to be a highly respected organization that has produced innovation for the sake of its customers and its employees for more than 40 years.

ESI's values — Passion, Global, Change, Trust, Social Responsibility and Energy — anchor its identity and fit logically together, as can be seen in the corporate social responsibility actions defined below.

4.3.1.3. Our CSR efforts

An evolving approach

In 2013 the Group carried out diagnostics that enabled it to make an inventory of the existing process, survey the measures and initiatives taken in support of sustainable development and identify the relevant indicators, which were real issues for the Group.

Starting in 2014, the Group's CSR has been guided by a pragmatic goal of continuous improvement, as ESI seeks to advance the implementation of best practices in the areas where it has the greatest responsibilities and the greatest impact.

The collection of quantitative and qualitative data has been organized in close collaboration between top Management and the various professional groups in the countries, with the goal of gradually broadening the scope until it covers every subsidiary in a reliable manner.

The data available are sorted into three geographic areas corresponding to the Company's business divisions:

- The Americas = the USA and Brazil;
- Asia and Pacific = China, South Korea, Japan, Vietnam and India;
- Europe and Middle East = Czech Republic, France, Germany, Italy, Netherlands, Russia, Spain, Sweden, Switzerland, Tunisia and United Kingdom.

Scope

In keeping with our commitments made last year, ESI Group continued its actions to expand the gathering and analysis of indicators internationally.

- Scope of social reporting:

Using the employment data management software (called HR-IS, or human resources information system) installed in 2012, the majority of employment indicators, now managed on a single source, have been analyzed for the entire workforce since 2013. Furthermore, thanks to the worldwide survey conducted in 2014 on the operations, legislation, practices and norms of the different subsidiaries, the Group now has a reliable, international picture of all employment indicators. One exception remains, though, concerning the absenteeism rate, which not all subsidiaries are able to report in a sufficiently reliable way, partly due to terminology and partly to local practices. To improve this situation, these indicators will be supplied in 2015.

- Scope of societal and environmental reporting:

The scope for consolidating societal and environmental data was France, Germany and the United States, representing 48% of the total workforce.

4.3.2. Our social responsibility as employer

The Human Resources Information System (HR-IS), implemented in 2012, consolidates the HR reporting process worldwide and lends greater flexibility to the organization. It also promotes better use of resources by focusing on skills, to encourage a more involved, multi-disciplinary managerial culture.

The platform provides an ongoing view of changes in employment indicators and makes it possible to drive our resource needs more easily.

A selection of employment indicators is provided monthly to the Management Committee in order to measure the effectiveness of HR policies.

The data from HR-IS are provided on a worldwide scope.

4.3.2.1. Employees headcount

ESI's employees consist primarily of highly-trained engineers and Ph.Ds. from prestigious universities and institutes in France and abroad. In addition to the close relationship that ESI has always had with these schools, there are a number of other factors that exemplify ESI's commitment to its employees' well-being and ability to recruit highly qualified employees, e.g. ESI's leadership and strong reputation in the field of virtual simulation that takes into account the physics of materials, the Group's prominence as a publicly listed company on the Paris stock exchange, the Group's continuing education programs and its focus on internal promotion within its international network.

Employee data are calculated on a "Full-Time Equivalent" basis in which one employee is based on a ratio of "hours worked / work hours at standard full time."

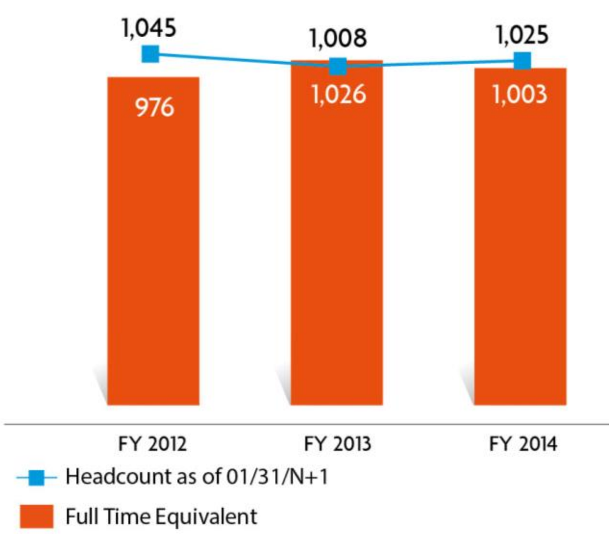
Data related to headcount are calculated on the number of employees on January 31, 2015.

The Group's total headcount includes permanent and fixed-term employees as well as those on student contracts such as work/study and internships. It does not include temporary workers, consultants and external distribution networks.

At January 31, 2015 the ESI Group workforce consisted of 1,025 employees as against 1,008 for FY2013. The average headcount in 2014 was 1,003 employees.

With very few limited employment contracts (mostly for temporary replacements), 96.8% of the Group's workforce is on permanent contracts. Internships and apprenticeships account for 1.6% of the total workforce.

EVOLUTION OF NUMBER OF EMPLOYEES OVER 3 YEARS

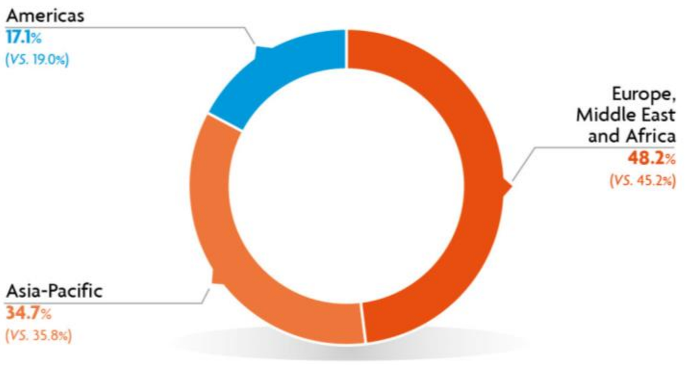


In 2014, ESI has pursued its ambition to control its staff in connection with business growth.

It should be noted that the scope is not comparable from one year to the next because of mergers and acquisitions made over the period.

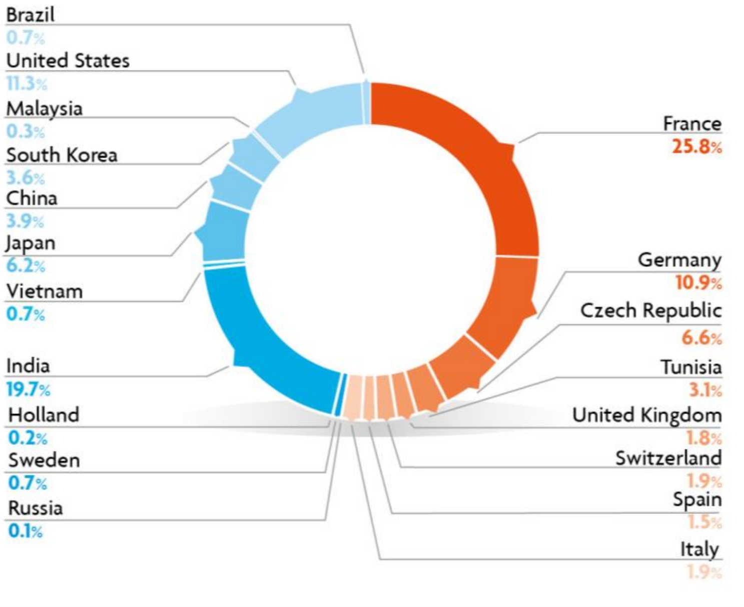
The charts below present a breakdown of employees by entity, region and general business activity.

EMPLOYEES' DISTRIBUTION PER AREA

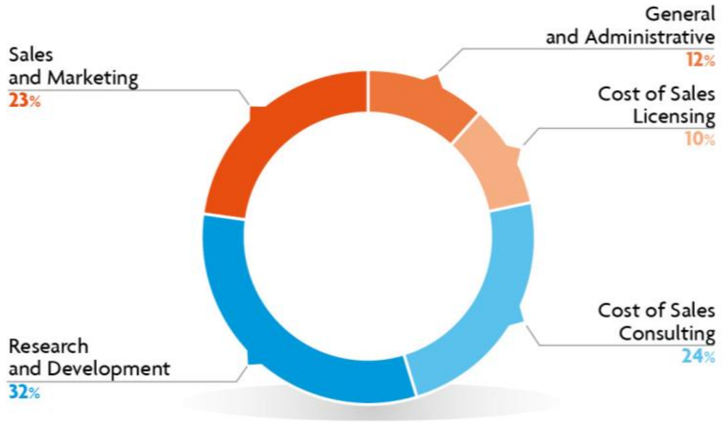


Note: Among the 53.7% of employees located in the Europe/MIddle East/Africa region, 50.0% are located in Europe.

EMPLOYEES' DISTRIBUTION PER COUNTRY



EMPLOYEES' DISTRIBUTION PER ACTIVITY



R&D resources

These teams are made up primarily of highly-educated engineers; their expertise and experience are key to the Group's value added.

R&D teams are primarily located in France, India and the United States, where synergy and versatility of teams are developed.

Sales & Marketing (S&M) activities

At the central level:

– Product Marketing;

– Marketing and Communication;

– Business development for the sale of products and related services in the deployment phase.

At the distribution level:

– Pre-sale support;

– Direct sales;

– Customer support.

Consulting and Support

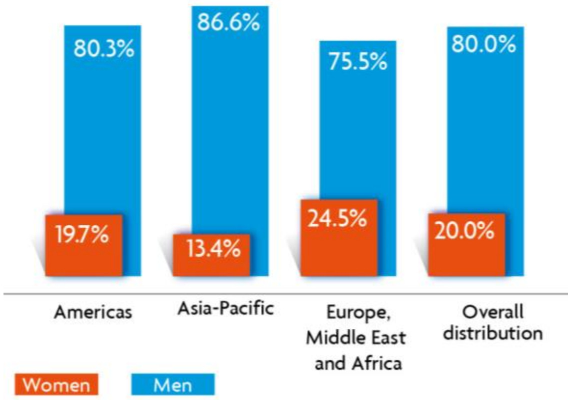
These teams are made up of engineers in charge of projects production and engineers responsible for providing technical support (including via a hotline) both directly to customers and via our subsidiaries.

General & Administrative (G&A)

General & Administrative (G&A)

Consisting of teams from Legal, Quality, Finance and Human Resources departments, along with a part of management and IT teams.

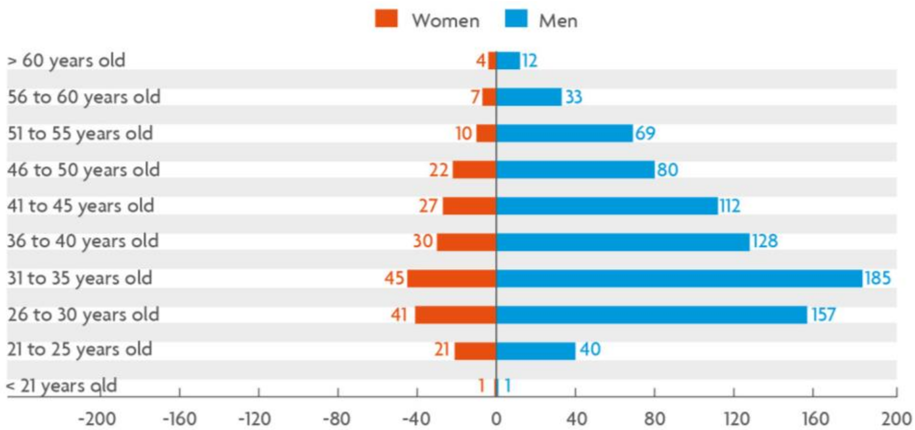
MEN/WOMEN BREAKDOWN



The percentage of women among permanent employees was 20%, which is relatively low and unchanged from previous years. This low representation is primarily due to the small number of women in engineering schools, which are our main source for recruiting. The proportion of women is very low in post-secondary engineering courses (12.9% in 2012). Female students are much better represented in the social sciences, biology and psychology (62% in 2012). The poor representation of women in engineering is even more pronounced in Asia, where females made up 2.6% of students in 2012 (source: NFS Study, "Women, Minorities, and Persons with Disabilities in Science and Engineering" – January 2015).

Nevertheless, our HR professionals are aware of the need to add women to local teams and carefully consider female candidates whenever the Group is hiring. In this way the proportion of women hired in Asia increased by over 60% with the hiring of 11 women in 2014 as compared with 5 in 2013 and 4 in 2012.

WORKFORCE BREAKDOWN PER AGE



The average age of employees is 38 years old (male employees: 38.4 years old / female employees: 37 years old).

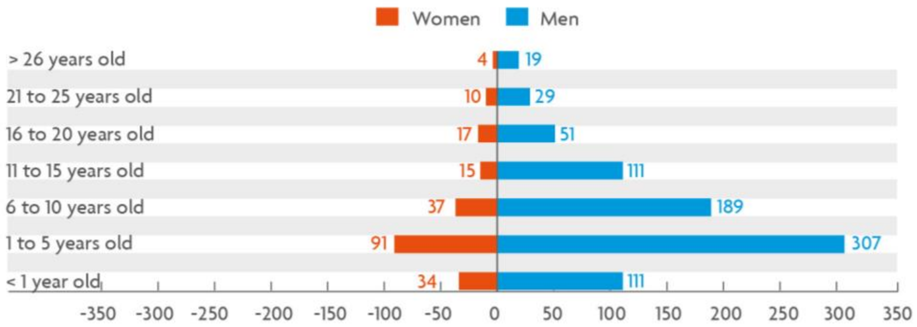
ESI Group is compliant with the laws in favor of hiring and continuing to employ people regardless of their age. Thus 15% of employees are aged 50 or more, i.e. 155 people worldwide (131 men and 24 women).

68% of those over 50 years old are located in Europe, compared to 20% in the Americas and 12.3% in Asia.

In France, the Group, together with employee representative bodies, is working out an agreement concerning the employment of seniors, with the objective of keeping them employed. This agreement primarily provides for priority access to training later in careers, as well as for making skills inventories available for employees over 50 years of age. In 2014, 357 training hours were devoted to older employees, including skills inventories..

In addition, 44% of Group employees are under 35 years of age, which contributes to the employment of young people overall. In 2014, 74% of employees hired were younger than 35.

WORKFORCE BREAKDOWN PER SENIORITY



The average length of service in the Group is seven years. This relatively low level of seniority is due on the one hand to the high proportion of employees under the age of 35 (43.9%), who are currently in a strong position on the labor market and therefore more mobile early in their careers, and on the other hand to the fast growth of the software publishing industry.

The average length of service for employees over the age of 35, however, is 10 years.

4.3.2.2. Employee turnover

Changes in the number of entries	2014	2013	2012
EMEA	**99**	**105**	**110**
Unlimited contracts	56	70	84
Limited contracts	8	13	7
Apprenticeship/ traineeship	35	22	19
AMERICAS	**24**	**27**	**43**
Unlimited contracts	14	19	35
Apprenticeship/ traineeship	10	8	8
ASIA-PACIFIC	**63**	**24**	**82**
Unlimited contracts	55	24	81
Limited contracts	7		1
Apprenticeship/ traineeship	1		
TOTAL OF ENTRIES	**186**	**156**	**235**

Changes in the number of exits	2014	2013	2012
EMEA	**90**	**72**	**63**
Unlimited contracts	48	40	41
Limited contracts	10	8	5
Apprenticeship/ traineeship	32	24	17
AMERICAS	**24**	**76**	**35**
Unlimited contracts	17	62	25

Limited contracts	1		
Apprenticeship/ traineeship	6	14	10
ASIA-PACIFIC	**61**	**43**	**27**
Unlimited contracts	61	43	26
Limited contracts			1
TOTAL OF EXITS	**175**	**191**	**125**

In 2014, ESI Group hired 125 employees on unlimited contracts, with a very low rate of limited contracts (8%).

The Group has actively replaced nearly all of the 126 employees leaving their jobs. These, terminations, largely in Asia-Pacific (49%), are due to the boom in engineering in emerging countries. In India especially, the highly competitive environment in engineering and the excellence of our people mean they have a dominant position in a very active local job market. India represents nearly 20% of the Group's workforce.

The departure rate of permanent employees in 2014 was 12.6% [(departures/average headcount) x 100] as against 13.5% in 2013.

The 2014 turnover rate excluding fixed-term employees was 12.2% [(departures in year N + new hires in year N)/2 divided by average headcount in year N-1] x 100 as against 12.7% in 2013.

4.3.2.3. Work organization

Work schedules

Distribution of working time	
Number of full-time employees	**982**
Women	183
Men	799
Number of part-time employees	**43**
Women	25
Men	18
TOTAL	**1,025**

In 2014, 4% of the total workforce was part-time. Nearly 80% of part-time employees work over half-time as defined locally.

Additionally, most part-time jobs are created to meet the needs of employees who request them.

The length of the working week is set in compliance with local legislation.

The global average working week is 39.1 hours

In the great majority of its subsidiaries, ESI Group offers its employees flexible work schedules. In other countries, particularly Japan, schedules are set to meet the requirements of the job but are limited to eight hours per day.

In France, work hours are organized based on days worked or according to a fixed schedule. An employee who works on a days-worked basis works a certain number of days during the year, while an employee who works on a schedule basis works the number of hours stipulated under the employment agreements:

- Managers who work on a full-time, days-worked basis, work 217 days per year, plus one extra day for France's "national solidarity day";
- Non-managers work an average 35-hour workweek following France's "RTT" (days off) law to reduce work hours.

Absenteeism

Absenteeism is monitored locally in accordance with the regulations in force in the various countries where ESI is present. The Group does not have a standardized system in place to manage absences across all of its subsidiaries.

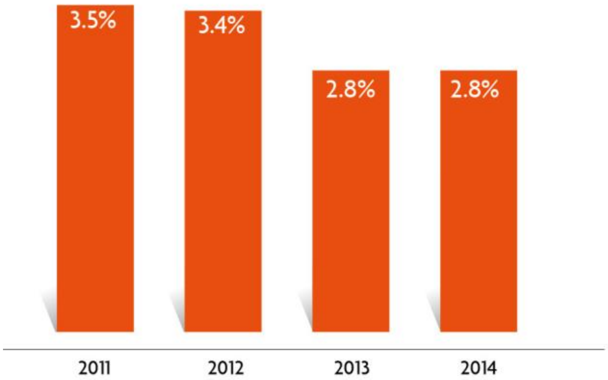
However, given the variety of laws and the numerous particular factors considered by countries in terms of absenteeism, ESI Group has chosen to limit defined absenteeism to the following two circumstances:

- an accident that befalls an employee while performing his or her job or during job-related travel (workplace and travel accidents);
- or an illness that befalls an employee due solely to his or her work in the Company (occupational illness).

The Group's intention is to be able to measure the impact of these days of absence on the employment of staff so as to make the necessary corrections to our procedures, working conditions and, if necessary, internal safety procedures.

However, the Group's business is such that the great majority of its employees are sedentary, limiting the risk of workplace accidents. We therefore only noted one day of lost work for this reason in the whole scope of data.

In France the absenteeism rate in 2014 was stable at 2.8%. We note that the trend over the past four years has been downward (-0.7%).



Absences can be broken down by reason, excluding paid vacation, as follows:

- 1,019 days of sick leave;
- 534 days of maternity and paternity leave;
- No accident for workplace and commuting.

The total number of days of approved leave (parental leave, leave for family events, etc. excluding paid vacation) stands at 397 days, i.e., 0.50% of the number of hypothetical work days versus 0.55% in 2013.

4.3.2.4. Recruiting and retaining talent

The Group pays special attention to the inclusion of new hires through an induction program managed locally by each subsidiary. In order to standardize and globalize the induction process for new employees, an integration program is being implemented to guide and support subsidiaries in their assistance to new employees during their first days, weeks and months on the job at ESI Group.

ESI uses an evaluation process to find the high potential employees in the Group. The employees thus identified then benefit from a personalized development plan to assist their personal and professional development and enable them to realize their potential.

The Group plans to create a more ambitious internal mobility plan to highlight the skills of each employee and thereby promote transfers. Internal mobility allows us to retain the expertise and skills of employees while increasing their ambitions to contribute to new experiences.

4.3.2.5. Professional development, training and career management

Professional development and career management

The Group has established an individual performance and development review process that calls for at least one meeting per year between an employee and his or her supervisor in order to evaluate the employee's performance during the past year in relation to predetermined objectives and to set goals for the coming year.

85% of all Group employees underwent a performance evaluation interview during the 2014 fiscal year, a 13% increase over the previous year.

These assessment interviews are the most important source for collecting information as to training needs and staff development, and make it easier to construct appropriate local training plans that meet the needs of a changing business.

Professional training

Structured training programs have also been implemented within the Group's various subsidiaries. Training plans are in line with ESI Group's strategy and market trends. They allow employees to learn more about the portfolio of solutions available and to boost their managerial and professional skills (techniques, sales, etc.).

This year, 427 employees, or 38% of the workforce, received training, at a cost to the Company of EUR 402,043. In India, training was particularly active this year, helping over 57% of the workforce.

In total for 2014, 11,494 training hours were provided, or an average of 27 hours of training per employee.

Actions supporting apprenticeship

Numerous partnership agreements have been signed with universities and engineering schools and allow ESI Group to play an active role in the training of young people. In Europe, one can point to the École centrale de Paris, the Technical University of Dresden (Germany), the University of West Bohemia (Czech Republic), ENIT of Tunisia, etc., with which ESI Group has special arrangements.

The Universities of Alabama, Shanghai and Beijing, along with the Indian Institute of Sciences among others, work closely with ESI in the Americas and in Asia-Pacific.

Additionally, the Group is very involved in working with young people and took on 52 students in 2014 (24 interns, 19 apprenticeships and 9 doctoral students).

4.3.2.6. Labor relations

Employer-employee dialogue

The quality of the employer-employee relationship is guaranteed through frequent exchanges between the Group's management and the employees and their representatives.

The employee representative bodies are appointed in accordance with the applicable laws in the countries. We had 17 employee representative bodies at our various sites in Europe and Asia-Pacific.

These bodies, based in United Kingdom, France, Germany, China, Japan and India, involved a total of 46 employees who actively participated in a total of 48 meetings during 2014.

- Summary of collective agreements: the French subsidiary signed a variety of agreements with its employee representatives, such as the reduced workload agreement, the profit-sharing agreement and the company savings plan agreement;
- Summary of agreements relating to health and safety: to our knowledge, no company signed an agreement in this regard except the Spanish subsidiary.

Health and safety

ESI Group has set as an objective to provide high quality welfare cover for all its employees throughout the world with regard to healthcare, aging, disability and death. This cover takes the form of negotiated policies that are best tailored to the needs of employees and in compliance with local regulations and cultures.

The subsidiaries already offer all their employees supplementary health insurance, except for Tunisia where a majority of the employees, when asked to vote on a collective plan, declined the subsidiary's offer.

In addition, eight subsidiaries in Europe and two in Asia-Pacific have an organization whose mission is to monitor and advise the Company and its employees about risks related to workplace health and safety. In all, 28 employees are involved in these local organizations.

4.3.2.7. Well-being at work

The Group is aware that improving conditions at work has a direct impact on the well-being, effectiveness and motivation of employees and that it significantly improve the Company's overall performance.

The majority of projects carried out for our customers are completed in-house, in that engineers do not necessarily need to be at the customer's site to develop the software. This limits lengthy travel by employees and so improves the balance between personal life and working life.

Furthermore, in the various countries a range of initiatives has been undertaken in recent years in favor of employees' well-being.

The Rungis plant in France, the Plsen plant in the Czech Republic and the Tunisian plant have pleasant, well-equipped break rooms where employees, can meet, relax and eat meals.

At the Neu-Isenburg (Germany), Plsen (Czech Republic) and Rungis (France) plants, showers are available to employees who wish to exercise during their lunch break. In the Czech Republic a table tennis table has been set up, offering moments of relaxation to employees, who can also receive a massage each week.

In addition, in the majority of countries (India, Japan, South Korea, China, Germany, Czech Republic, Tunisia, United States, etc.) employees have self-service hot drinks available, and even fruit.

4.3.2.8. Equal opportunity and anti-discrimination

Gender equality

The ESI Group strives to comply to all its subsidiaries with the applicable regulations regarding gender equality in the workplace and non-discrimination. Job postings are written in a unisex manner.

In France an agreement on occupational equality is being negotiated with employee representatives; it aims to make it a priority to promote gender equality in the following three areas: hiring, effective compensation and promotion.

Principles of non-discrimination

ESI Group is presently formalizing its internal Code of Conduct in order to promote the observance of its values. This Code of Conduct will include the legal, regulatory and internal provisions relating to the respect of fundamental rights at work, professional integrity, the elimination of discrimination, and the prohibition of child labor and forced labor.

In addition, the Group is sensitive to the observance of the ethical rules promoted by the conventions of the International Labor Organization.

ESI's employees consist primarily of engineers and Ph.Ds. from prestigious universities and institutes in France and abroad. At January 31, 2015 the youngest employee in the Group was 19 years old.

To provide more detailed information, particularly as regards gender equality and non-discrimination, the Group completed to its social HR database by introducing the status of Manager for individuals who supervise one or more employees. 13% of our managers are women.

Inclusion of employees with a disability

The Company has undertaken to ensure that employees with a disability have access to all advertised positions.

In France and Japan, there were respectively two and one persons with disabilities in 2014.

4.3.2.9. Wages

To attract and retain the best talent on the market, ESI Group offers a competitive salary and benefits package. This policy aims to recognize employee talent by rewarding both individual and collective performance.

The compensation of employees comprises both direct and indirect elements. The latter includes deferred cash or in-kind additions to their monthly remuneration (bonuses, commissions, savings plan, benefits, etc.).

All the countries in the employment reporting scope offer their employees indirect compensation.

In Europe and the Americas six subsidiaries out of 15 have created an employee savings program.

The FCPE for employee shareholders, created in France in 2013 to house future profit sharing amounts and voluntary contributions within the Company savings plan lasting until 2015, acquired 21,463 shares of ESI Group during its first subscription period of November 11 - 22, 2013, on behalf of 151 employees. Total subscriptions by French employees were EUR 340,403. Given the success of this operation in France, with a 60% participation rate, senior management would like to encourage investment in ESI stock by the employees of the Group's foreign subsidiaries so that all employees will have a stake in the Company's development

In 2014, however, there were 97 voluntary payments totaling EUR 92,550, of which EUR 89,800 went into the ESI ACTIONS fund. As regards these voluntary payments, the matching contribution was EUR 47,720 gross, and EUR 43,952 net.

CROSS-REFERENCE TABLE - INDICATORS REQUIRED BY ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE - EMPLOYMENT INFORMATION

1.1 | Employment	1.1.1 | Total workforce and breakdown by gender, age and geographic area	4.3.2.1
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	1.1.3 | Compensation and changes in compensation over time	4.3.2.9
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	1.3.2 | Summary of collective agreements	4.3.2.1
1.4 | Health and safety	1.4.1 | Workplace health & safety conditions	4.3.2.6
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	1.4.3 | Workplace accidents, in particular their frequency and severity, as well as occupational illnesses	4.3.2.3
1.5 | Training	1.5.1 | Policies implemented in terms of training	4.3.2.5
	1.5.2 | Total number of training hours	4.3.2.5
1.6 | Equal treatment	1.6.1 | Steps taken in support of gender equality	4.3.2.7
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	1.6.3 | Anti-discrimination policy	4.3.2.7
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	1.7.2 | Elimination of discrimination in employment and occupation	4.3.2.7
	1.7.3 | Elimination of forced or mandatory labor	4.3.2.7
	1.7.4 | Effective elimination of child labor	4.3.2.7

4.3.3. Our responsibility to society

Scope adopted: France, Germany and the United States.

Exemplary corporate conduct and excellent relationships with all stakeholders are, for our Company, the foundation necessary for balanced and durable growth. For this reason ESI Group is especially attentive to the following points:

- complete transparency to all of its stakeholders;
- complete satisfaction of customer needs;
- support of regional development by favoring local hiring and partnerships;
- and support of innovation through co-creation projects.

The Group considers its major stakeholders to comprise all of its employees, customers, suppliers, industry and academic partners and its investors and shareholders.

Innovation, which is at the core of ESI Group business lines, is also a central issue of CSR. It is innovation that continually improves production processes, shortens the design period and the time it takes to develop new, higher performing, more reliable products.

Innovation makes it possible to resolve the multiple constraints and pressures that weigh on all manufacturers: to develop a safer and better performing product to a shorter timetable, at lower cost and that is more environmentally friendly. The innovative virtual prototyping solutions offered by ESI Group allow us to deal with these ever-present economic challenges.

ESI Group strongly believes that its ability to innovate and research is a key factor in its differentiation and hence its competitiveness, two essential levers for sustainable growth.

4.3.3.1. Regional, economic and social impact

ESI Group attaches great importance to the relationships it holds with neighboring communities, and works to promote constructive dialogue with and to support the development of local players.

Relations with the digital community

The Group makes a point of creating and maintaining excellent relationships with the various members of the digital community, in industry, academic institutions and voluntary associations. It does so in order to facilitate collaboration and thus to foster industrial innovation.

The Company is an active member of the Board of Directors of AFDEL (the French association of software publishers), an association that helps promote the software publishing industry and develop digital simulation, and that today represents over 350 members.

Participation in regional competitiveness clusters and technology research institutes (IRT)

ESI Group participates in several competitiveness clusters, principally in France. These clusters provide the proximity needed for collaborative work with the major industrial players and research and development organizations in order to bring highly innovative products to market. Located all over France, they are: Aerospace Valley (Toulouse), ASTech Paris Région (Île-de-France), Pôle Nucléaire Bourgogne (Burgundy), Mov'eo (Normandy and Île-de-France), I-Trans (Nord Pas-de-Calais and Picardy), iD4CAR (Brittany and Pays de la Loire), Systematic (Île-de-France), Minalogic (Grenoble and Rhône-Alpes) and Pôle Pégase (Provence Alpes-Côte d'Azur).

Since 2013 ESI Group has had a presence on the campus and the Board of Directors of Ter@tec, Europe's largest intensive computing center, based on the Saclay platform in Ile-de-France, alongside the CEA (the atomic and alternative energy commission), a major player in research, development and innovation. Today, ESI Group is involved in several collaborative projects on that campus, under the leadership of the System X IRT. The Group also participates in the Complex Systems Design Lab project, led by the Systematic Paris Region Competitiveness Cluster, of which the Group is a member of the Executive Committee.

ESI Group is a member of the Board of Directors of AS Tech Paris Region, the competitiveness cluster, of the aerospace industry, whose main objective is to make recommendations to the Paris region concerning the certification of R&D projects within its field.

A prime mover of innovation in its key segments, ESI Group was a member of the iD4CAR Board of Directors in 2014. The aim of this cluster is to increase the competitiveness of the sustainable vehicles and transportation sector in western France, through innovation.

In that same sector, ESI chairs 3DMat, an innovation platform specifically for developing a digital simulation and virtual prototyping channel for new multi-material and composite architectures, with priority given to the automotive industry.

ESI is one of the founding members of Excelcar. Created in 2014, the aim of this association is to revitalize and create jobs around a technical platform for R&D excellence in Brittany, devoted to automotive applications and supported by PSA. This is an initiative supported by the *Union des Industries et des Métiers la Métallurgie d'Ille-et-Vilaine et du Morbihan* (UIMM 35-56), for the purpose of stimulating the automotive industry in Brittany around PSA Rennes, which has announced its strategic plan for the coming years.

Again in the transportation sector, ESI is an active member of the Board of IRT Railenium, whose main mission is to lengthen the life cycle of the railway infrastructure and capitalize on the rapid international development of its new products. Involving a broad consortium of manufacturers and research organizations, in 2011 ESI Group was selected under the *Programme Investissements d'Avenir (Grand Emprunt)*. ESI is also a founding member of the CADEMCE SAS railway testing platform.

ESI also assists the mechanical engineering field and promotes its activities. The Company is a member of the Board of Directors of the *Association Française de Mécanique* (AFM), a body for information, dialogue and discussion for the mechanical engineering community (industry professionals and technology transfer organizations, teachers and researchers) and representing French mechanical engineering to its foreign counterparts.

Relations with academia

The Group has always worked towards establishing favored, long-term relationships with the worlds of secondary and higher education, all over the world. To encourage young people to join the industry, train the best employees of tomorrow in its software and foster innovation in education, ESI Group works with a great many universities, technological institutes and elite specialized colleges in the various countries where the Group is located. These partnerships also enhance the reputation of ESI Group by making known its lines of business and its values, so as to facilitate the hiring of recent graduates.

In order to support its growth and meet its hiring goals, ESI Group enjoys close, trusting relationships with many elite schools and universities, in France such as UTC in Compiegne, Ecole centrale in Paris, INSA Lyon, ENSEEIHT in Toulouse and ENSIMEV in Valenciennes, ENS des Mines in Saint-Étienne; in Germany, with the University of Stuttgart and the Institute of Aircraft Design (IFB) which is associated with it and the Technological University of Dresden; in the United States with MIT (Massachusetts Institute of Technology), Virginia Tech and the Universities of Iowa, Michigan and Alabama.

ESI Group places a high priority on hiring employees locally in order to boost regional economic development. In 2014 ESI Group had facilities in 18 countries and covered over 40 countries through its distribution network.

Service projects

Aware of the beneficial effect on team spirit and employee motivation, ESI Group has an ongoing commitment to social initiatives and actions.

Thus, in 2014, ESI Group gave a EUR 62,080 grant to its works council in France. The ESI Group Works Council offers employees and their families a broad array of cultural and social activities at reduced prices. ESI Group employees also receive extraordinary financial contributions on such occasions as weddings, births, Christmas, etc.

Finally, ESI Group subsidizes the entry fees and provides t-shirts in the Company colors to employees who take part in runs such as, among the better known ones, the Paris marathon or half marathon.

4.3.3.2. Subcontracting and suppliers

The definition of outside subcontracting for purposes of this report is the following: any service provider that generates revenue as part of the Group's production.

ESI Group remains fully responsible for all outside subcontractors. In this regard, the subcontractors are subject to the same rules and verifications as any other employee of the Company.

To provide its customers with quality products, ESI Group follows a specific procedure to monitor and regularly evaluate all suppliers having an effect on quality. A list of approved suppliers is made available for this purpose on the intranet and updated periodically.

With respect to using outside providers, the Group is very careful to only contract with entities that observe the fundamental conventions of the International Labor Organization.

A comprehensive approach to quality

In 2000, ESI Group obtained its first ISO 9001 certification, followed by the independent certification of its subsidiaries, so as to guarantee the quality of its products and services and ensure the satisfaction of its customers. Since 2010, ESI Group has extended the scope of its certification using a system common to all its subsidiaries. Since risk management and quality management are closely linked processes, this worldwide certification is a sign of confidence in the quality of the solutions that the Group offers its customers and offers a guarantee that particular attention is given to excellence and to the alignment of all the Group's processes.

In 2014, the overall certification applied to 72.3% of the workforce as compared to 56.9% in 2013.

Global certification is now successfully applied in Europe, Asia and the United States, within the ESI Group parent company and most of its subsidiaries: ESI US R&D, ESI France, ESI Japan, ESI Calcom in Switzerland, ESI SW India and ESI SW Germany. FY2014 also proved to be very successful with the integration of three new entities: ESI NA in the United States, MECAS ESI in the Czech Republic and ESI Services Tunisia.

In 2015, the integration of additional entities will continue in Europe and Asia. ESI Group's objective is to have full global certification by 2020.

In France, 100% of those hired in 2014 (including all types of contacts of more than six months) took or are about to take training in Quality. In 2014, this represented 58 hours of training in all.

The benefits of ISO 9001 certification accrue to outside as well as in-company stakeholders. Outside the Company, certification guarantees that ESI Group provides products and services that meet the needs of its customers, while it continues to evaluate and improve its processes. Within the Company, certification calls on employees to actively engage in a totally consistent management system.

4.3.3.3 Fair trade practices

Action taken to prevent corruption

All ESI Group employees are made aware of the identity and values conveyed by the Group. To ensure that all actions and activities are carried out in accordance with these values, numerous internal procedures have been established and can be accessed on the intranet.

Moreover, restrictions on powers are in place through which the Group's corporate officers expressly agree to comply with all internal procedures.

Nevertheless, a Code of Ethics is currently being drafted. Its purpose will be to lay down individual and collective rules of conduct to guide each employee in their actions and choices so as to give life to the Group's values and commitments on a daily basis, throughout the world.

In 2014, an IT charter for the group has been proposed but requires some adjustments before a global deployment. This charter is a real Code of Ethics formalizing the legal and safety rules governing the use of any information and communication system within the Group, first so as to preserve the Group's interests without disserving employees, and second so as to control the risks associated with the use of the information system.

Measures promoting the health and safety of consumers

Due to the nature of its business, rooted in the sale of software and services, the Group's impact on the health and safety of its direct customers is very limited.

However, the products developed by ESI Group are used to bring to market innovative products at a lower cost and with greater reliability. The Group's virtual prototyping solutions enable it to satisfy its customers' main needs, namely to:

- identify challenges in terms of safety and performance early in the design cycle;
- assess ways in which new materials and manufacturing processes will impact the overall performance of the product and its operation;
- predict the performance of equipment used in extreme conditions and anticipate any necessary adjustments.

Virtual Product Engineering gives manufacturers a "live" and comprehensive vision of problems in relation to manufacturing, assembly and coupling between the characteristics of different products and their performance. It provides vital information during the successive iterations of the design phase, and offers the privilege of anticipating the results of physical tests, allowing the necessary changes to be carried out before the actual manufacture of a product.

TABLE OF CORRESPONDENCE – INDICATORS REQUIRED UNDER ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE – SOCIETAL INFORMATION

3.1 | Territorial, economic and social impact of the Company's activity	3.1.1 | In terms of employment and regional development	4.3.3.1
	3.1.2 | On neighboring or local communities	4.3.3.1
3.2 | Relationships with persons or organizations with an interest in the activity of the Company, including NGOs, educational institutions and local communities	3.2.1 | Terms of dialog with such persons or organizations	4.3.3.1
	3.2.2 | Sponsorship and partnerships	4.3.3.1
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	3.4.2 | Measures promoting the health and safety of consumers	4.3.3.3

4.3.4. Our environmental responsibility

Scope adopted: France, Germany and the United States.

4.3.4.1 Overall environmental policy

ESI Group believes that environmental responsibility should be a priority for all companies, and strives to reduce its environmental impact both directly and indirectly.

However, considering the nature of its activity — sales of software and consulting services — the Group believes its impact on the environment to be very limited. All of its activities are carried out in offices.

The main environmental challenges facing the Group are:

1. externally: to help clients significantly reduce their environmental footprint by providing solutions allowing the realistic simulation of the behavior of a product throughout the design, manufacturing and assembly cycle;

2. internally, to limit impacts linked to:

- emissions of greenhouse gases associated with travel by Group employees,

- waste electrical and electronic equipment (WEEE),
- energy consumption in its buildings and data centers.

Aside from these direct environmental impacts, ESI Group enables its clients to significantly reduce their environmental footprint through the use of its virtual prototyping solutions. Digital prototypes can significantly reduce consumption of raw materials and energy, and help achieve compliance with environmental standards for new products.

In view of its business, ESI Group has no knowledge of industrial or environmental risks liable to have a significant impact on its assets or earnings. Most of its assets being intangible in nature, ESI Group believes that its environmental footprint is very small.

Indeed, the Group does not expect to have major exposure to climate change in the short to medium term; to the best of its knowledge, ESI Group's activities do not have a significant negative impact on biodiversity, and do not generate noise or odor liable to affect local residents; no site in its scope generates hazardous waste or environmentally detrimental discharges into the air, water or soil (excluding electrical and electronic equipment); no French site has ICPE (Classified Installations for Environmental Protection) or Seveso classification; all ESI Group sites are located in urban areas, and their water is accordingly supplied by urban networks. No real supply constraints have been reported.

Lastly, given the limited industrial and environmental risks inherent to the Group's operations, costs related to the assessment, prevention and treatment of industrial and environmental risks are not material. As all Group sites are leased, building improvement costs are borne entirely by the owners. ESI Group accordingly has no control over these aspects.

Moreover, no provisions or guarantees for environmental risks were recorded in the Group's 2014 consolidated financial statements.

However, the Group is increasingly recognizing its responsibility for protecting the environment, and seeks to take initiatives in favor of sustainable development, as outlined below.

To anticipate newly applicable environmental regulations liable to have an impact on its business, ESI Group regularly monitors regulatory developments on these topics, and gathered some actions to be included in an environmental policy or "green attitude".

Awareness raising among permanent employees

For ESI Group, the implementation of an environmental policy only makes sense if all of the Group's employees are associated. That is why the Group constantly strives to raise its employees' awareness of measures taken to avoid the wasting of energy, and thereby to reduce its environmental impact. In France, in Germany and in the United States:

- emails are automatically sent to all employees to announce the establishment of new initiatives such as the use of bins for selective waste sorting, the use of recycled paper, etc.;
- documents of general interest, such as the "Travel policy" or the "Good driver charter," are available on the intranet.

4.3.4.2 Use of resources and measures to reduce consumption

Energy consumption

In 2014, electricity consumption on the Rungis site totaled 831,683 kWh, an average of roughly 7,561 kWh per employee. This consumption, up slightly over 2013, was partly due to the installation of additional servers. Note, however, that Rungis is the largest French site, and has a 152 sq.m. server room requiring a large cooling system.

Electricity consumption data are not available for the other French sites, as it is either included in rental charges or collective.

German electricity consumption totaled 161,366 kWh in 2014, or 1,440 kWh per employee.

Energy consumption in the United States is not measurable since the facilities are leased. Energy usage is therefore included in the utility fees, re-evaluated annually, in which factors other than electricity are included.

ESI Group does not use renewable energy on the sites contained in the 2014 reporting scope.

To minimize energy consumption, the Group has installed LED lights at its Paris and Rungis offices as it was done at its Ter@tec site in 2013. In addition, during upgrades of certain workspaces in France, the Group has given preference to lighting with low power consumption

Paper consumption

Everyday use by employees is the main source of paper consumption.

In France, 727 reams of 500 pages were purchased in 2014, or 30% less than in 2013. For several years, ESI Group has taken a number of measures to reduce the consumption of paper, for environmental reasons, but also to control costs.

Thus, over a part of the reporting scope, copying equipment is programmed to favor dual-sided black and white printing. This measure should be extended to all sites in the coming years.

In France, ESI Group continues to pursue its electronic documents program by implementing IT tools and processes to reduce the use of paper and energy consumption related to printing. Dematerialization has been established for many documents, including travel orders, leave requests and offer reviews. In addition, document management software for archiving and electronic document storage was installed in September 2012.

In 2014, in a process of environmental responsibility, a new environmentally friendly paper was promoted among all purchasers of French office consumables, and an email was sent to all employees to encourage them to use this "greener" paper, more respectful of the environment. On a lighter basis weight of 75g versus 80g, this paper helps reducing the environmental impact.

Water consumption

The software publishing business is not very water-intensive as software publishing activities do not require water for its production. ESI Group's water is solely for sanitary use and drawn from urban networks.

It is difficult to perform an accurate assessment of water consumption. The Group is the lessee of all of its offices, and the water consumption of each site is included in rental charges. As such, it cannot be broken down in detail.

However, at the Rungis site, water consumption totaled 103 cu.m. for 138 employees in 2014, putting average consumption at 0.7 cu.m. per employee.

4.3.4.3 Waste management and pollution

Treatment and recycling of waste

By virtue of its activity, ESI Group mainly produces non-hazardous waste, as well as paper, cardboard and plastic. To the best of its knowledge, the Group does not generate hazardous waste.

In 2014, recycling bins were introduced on the Lyon site, the second biggest site in France, as it was done in 2013 on the Rungis site. Thus almost 100% of the French workforce are aware of this action in their daily lives

All five German and American sites are also equipped with bins for sorting waste.

It is planned to extend this measure to all European sites in the future.

As regards other specific waste, notably waste electrical and electronic equipment (WEEE), ESI Group attaches great importance to the environmental management of its IT equipment, in terms of both its use and its recycling.

The Group's IT equipment mainly comprises desktop and laptop computers, servers, copiers and printers. The Company cannibalizes computer hardware (uses parts of one machine to repair another) whenever possible to give a second life to some faulty equipment.

In France and in the United States, end-of-life or obsolete hardware is collected by an authorized provider that manages the processing of electronic waste. In France, the total volume of waste removal was 1,100 kg in 2014.

Furthermore, on request to our supplier, printer cartridges are collected and recycled via a completely ecological chain.

Like ink cartridges, batteries, defective light bulbs and fluorescent tubes are recovered by our various suppliers. Containers are available to staff for this purpose in offices.

In Germany, the cleaning and facilities management department, in coordination with the IT departments, is tasked with collecting used electronic equipment. Waste management is then passed on to the local authority of each city.

In 2014, the cost of removal and treatment of electrical and electronic waste for five German sites was estimated at approximately EUR 3,400.

Noise pollution and other types of pollution linked to activities

The majority of ESI Group's activities are not a source of noise pollution. The only facilities that generate noise liable to affect the vicinity are data centers located on four sites in France, with a total surface of 258 sq.m. To protect employees authorized to enter computer rooms, the Company provides anti-noise headphones.

A memo governing working conditions in computer rooms is given to employees with access to such areas in the course of their duties.

Other types of pollution linked to specific activities shall not apply.

Land use

Non applicable. ESI Group is the tenant of all its offices.

4.3.4.4 Emissions of greenhouse gases (GHG) related to business travel

As ESI Group operates both in France and internationally, and as its activity is within the tertiary sector, transport is the main source of its greenhouse gas emissions. This being the second year of application of Article 225 of the Grenelle 2 law, only business travel by French employees was subject to reporting.

In 2014, emissions resulting from business travel by French employees by train and by plane totaled 345,535 kg of CO_2, down 16% from 2013. In 2014 the Company was able to measure the first results of limiting employee travel. In particular, the Group extended the use of video conferencing for working meetings among employees, whether or nor located in different countries.

Nearly 66% of these emissions resulted from business travel by members of senior management or employees with corporate functions.

The estimate of average annual emissions from company car travel in France is 97,985 kg of CO_2.

Overall, business travel by French employees using a car provided by ESI Group generated 443.5 metric tons of CO_2.

On the reporting scope, measures to reduce travel were introduced several years ago to reduce the environmental impact of travel. In the United States, at the plant in Huntsville, Alabama, employees have the use of a company car for visiting customers, in order to restrict fuel consumption.

In this context, and to limit the use of transport, the Group provides employees with web conferencing tools to facilitate cooperation between employees working in different locations without requiring them to travel. For the comfort and health of its employees, the Company takes care to provide good quality headphones. In the United States, in addition to the measures mentioned above, three audio conferencing systems are in use.

Moreover, and again with a view to limiting travel, ESI Group has adopted a travel policy. Employees are expected to favor web conferencing over travel for meetings, travel by train rather than by plane for journeys lasting less than three hours, and economy class for air travel (the carbon footprint being much smaller in economy class than in business class).

To optimize the organization of business travel, management of travel in France (excluding the Aix-en-Provence site) is centralized by a travel agency for the booking of trips by train and by plane, and for car rental.

A car policy is in force in France, applicable to those driving a company car. The auto fleet in France consists largely of vehicles less than three years old. In early 2014, ESI Group began to redraft its "Good driver charter" to incorporate limitations on, among other things, engine power and CO_2 emissions. In 2014, 33 people had a company car in France, and 39 people in Germany. The allocation of cars at a higher rate in Germany than in France is attributable notably to the higher proportion of sales staff in Germany and the fact that German cultural practices favor this type of compensation. In the United States a car policy is in force but it does not include CO_2 limitations in the selection of vehicles. The car policy is more oriented to usage.

Measures to reduce discharges into the air, water and soil

ESI Group's software publishing activity has very limited impact on the air, water and soil compared to other industrial activities requiring heavy production work.

TABLE OF CORRESPONDENCE – INDICATORS REQUIRED UNDER ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE – ENVIRONMENTAL INFORMATION

2.1 | Overall environmental policy	2.1.1 | Organization of the Company for the consideration of environmental issues or environmental evaluation or certification processes	4.3.4.1
	2.1.2 | Employee training and information on environmental protection	4.3.4.1
	2.1.3 | Resources used to prevent environmental risks and pollution	4.3.4.1
	2.1.4 | Amount of provisions and guarantees for environmental risks	4.3.4.1
2.2 | Pollution and waste management	2.2.1 | Prevention, reduction or remediation of discharges with serious environmental impact on the air, water or soil	4.3.4.4
	2.2.2 | Measures taken for the prevention, recycling and disposal of waste	4.3.4.3
	2.2.3 | Consideration of noise and other forms of pollution specific to an activity	4.3.4.3
2.3 | Sustainable use of resources	2.3.1 | Water consumption	4.3.4.2
	2.3.2 | Water supply in relation to local constraints	Not relevant
	2.3.3 | Consumption of raw materials	4.3.4.2
	2.3.4 | Measures taken to improve efficiency in the use of raw materials	4.3.4.2
	2.3.5 | Energy consumption	4.3.4.2
	2.3.6 | Measures taken to improve energy efficiency and use of renewable energy	4.3.4.2
	2.3.7 | Land use	Not relevant
2.4 | Climate change	2.4.1 | Greenhouse gas emissions	4.3.4.4
	2.4.2 | Adapting to the impact of climate change	Not relevant
2.5 | Protecting biodiversity	2.5.1 | Measures taken to preserve or enhance biodiversity	Not relevant

4.3.5. Report of the inspecting organization

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended January 31, 2015

To the Shareholders,

Following the request made to us by ESI Group SA and in our capacity as an independent third-party organization accredited by COFRAC under no. 3-1081 (scope available at www.cofrac.fr), we submit to you our report on the consolidated corporate social responsibility information presented in the management report written with regard to the period ending January 31, 2015 pursuant to Article L. 225-102-1 of the French Commercial Code.

Company responsibility

It is the duty of the Board of Directors to prepare a management report including the consolidated corporate social responsibility information referred to in Article R. 225-105-1 of the French Commercial Code (hereinafter the "Information") and prepared in accordance with the guidelines (the "Guidelines") used by the Company and available on request at the Group's registered office, a summary of which appears in the methodological note available on the Group's website.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession, and the provisions of Article L. 822-11 of the French Commercial Code. Furthermore, we have implemented a quality control system including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Third party assurance report

It is our role, based on our work:

- To attest whether the required CSR Information is present in the Management Report or, in the case of its omission, that an appropriate explanation has been provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code and Decree No. 2012-557 of April 24, 2012 (Attestation of presence of CSR information);
- To express a limited assurance on whether the CSR information is presented, in all material aspects, in accordance with the Reporting Criteria.

Attestation of presence of CSR information

We conducted the following procedures in accordance with professional standards applicable in France:

- we compared the Information presented in the Management Report with the list as provided for in Article R. 225 -105-1 of the French Commercial Code;
- we verified that the Information covers the consolidated perimeter, namely the Company and its subsidiaries as aligned with the meaning of Article L. 233-1 and the entities which it controls as aligned with the meaning of Article L. 233 -3 of the French Commercial Code;
- in the absence of certain consolidated information, we have verified that explanations were provided in accordance with the provisions of Decree No. 2012-557 of April 24, 2012.

Based on this work, and given limitations mentioned above, we confirm the presence in the Management Report of the required CSR information.

Opinion stating reasons on the accuracy and fairness of the CSR information

Nature and scope of our work

Our work was carried out by a team of two people between April 1, 2015 and April 20, 2015, for a period of about four person-days.

We conducted the work in accordance with the standards of professional practice applicable in France, with ISAE 3000 and with the decree of May 13, 2013 stating how the third-party independent organization is to carry out the assignment.

We conducted three interviews with the persons responsible for preparing the CSR information in the departments in charge of the process of gathering the information and, when necessary, those responsible for the internal control and risk management procedures, so as to:

- assess the appropriateness of the Guidelines in terms of their relevance, completeness, neutrality, comprehensibility and reliability, taking into consideration best practices, if any, in the sector;
- verify the implementation within the Group of a process for collecting, compiling, processing and checking the CSR Information with regard to its completeness and consistency. We reviewed the internal control and risk management procedures relating to the preparation of the CSR Information.

We identified consolidated information to test and determined the nature and extent of tests, taking into account the importance of the information in question in relation to the social, societal and environmental consequences of the activity and the characteristics of the Group, its CSR objectives and best practices in its sector.

For the CSR Information we judged to be most important at the level of the consolidating entity:

- we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.);
- we carried out analytical procedures on the quantitative information and, based on sampling, verified the calculations and the consolidation of the data;
- we carried out detailed tests based on sampling that consisted of verifying the calculations made and comparing them with the data in the supporting documents, and we verified their consistency with the other information contained in the management report.

For the other consolidated CSR information, we judged its consistency in light of our knowledge of the Company.

Finally, we judged the validity of any explanations given as to the total or partial absence of certain information.

It is our belief that the sampling methods and sample sizes we used in exercising our professional judgment allow us to draw a conclusion of moderate assurance. A higher level of assurance would have required a more extensive review.

Our work covered on average 80% of the consolidated value of the numerical indicators in the employment portion and 100% of the consolidated value of the numerical indicators in the environmental portion.

Due to the use of sampling techniques as well as to the limitations inherent in the operation of any information and internal control system, the risk of not detecting a material irregularity in the CSR information cannot be totally ruled out.

Comments on the Information

- ESI Group elected, as explained in the “Scope” paragraph, to collect CSR information for the year ended January 31, 2014 on a narrow scope.

Conclusion

Based on our work; we have not identified any significant misstatement that causes us to believe that CSR information, taken together, have not been fairly presented, in accordance with the Reporting criteria.

Lyon, May 05, 2015

FINEXFI
Isabelle Lhoste
Partner

4.4. Compensation

Table summarizing the stock option plans available to employees and corporate officers

Stock options plan for the subscription and purchase of new shares	Options available to be granted at January 31,2015	As a % of share capital	Options granted and not exercised at January 31,2015	Exercise price *(in euros)*	As a % of share capital	Options exercised at January 31,2015	As a % of share capital
N° 7 (June 30, 2005)	0	0 %	3,500	8,86	0.06 %	4,500	0.08 %
N° 9 (June 29, 2006)	0	0 %	35,070	8,86	0.59 %	8,290	0.14 %
N° 10 (SM of June 26, 2012)	0	0 %	114,400	27,82	1.93 %	0	0 %
N° 10 (SM of June 26, 2012)	18,150	0.31 %	6,125	24,42	0.10 %	0	0 %
N° 15 (SM of July 23, 2013)	294,538	5.00 %					
N° 16 (SM of July 24, 2014)	180,000	3.03 %					
TOTAL	**492 ,688**	**8.34 %**	**159,095**		**2.68 %**	**12,790**	**0.22 %**

The “allocable options” at January 31, 2015 represent the difference between the total amount granted by the General Meeting under its authorization to allocate options and the number of options actually allocated to beneficiaries.

The options forclosed or cancelled following an employee’s departure were removed from “options granted and not exercised” at January 31, 2015.

Free share awards to executive corporate officers and non-executive corporate officers

The table below lists the free share award plans for executive and non-executive corporate officers in effect during the 2014 fiscal year:

Free share award plans	Free shares eligible to be awarded as at January 31, 2015	As a % of capital	Free shares awarded as at January 31, 2015	As a % of capital
Autorisation of the AGM of July 23, 2013	0	0 %	19,235	0.32 %
TOTAL	**0**	**0 %**	**19,235**	**0.32 %**

The “free shares eligible to be awarded” at January 31, 2015 represent the difference between the total amount granted by the Shareholders’ Meeting under its authorization to allocate shares and the number of shares actually allocated to beneficiaries.

The forclosed free shares were removed from “Free shares awarded as at January 31, 2015. It should be reminded that in December 2012 management granted five free shares to 211 employees of its French subsidiaries, representing a total of 1,055 free shares, and 20,700 shares, including forclosed shares, to persons who had made outstanding contributions to the success of the Company. As of this date, the number of awarded and not forclosed shares is 19,235.

Stock options granted to/exercised by corporate officers (list of names)

Stock options exercised by each corporate officers in the fiscal year 2014			
Name of corporate officer	**N° et date of plan**	**Number of options exercised in the fiscal year**	**Exercise price**
Vincent Chaillou	N° 7 (June 30, 2005)	4,500	8,86
TOTAL		**4,500**	

No stock options were granted to corporate officers in fiscal 2014.

Share subscription options granted to/exercised by employees (not including corporate officers)

8,290 shares were exercised during the 2014 fiscal year.

Grants of free shares employees who are not corporate officers

No free shares were granted to employees who are not corporate officers in fiscal year 2014.

Compensation of the Chairman and Chief Executive Officer and the Chief Operating Officers

See Section 3.2.4.2., *Chairman's report on corporate governance, internal control and risk management*.

4.5. Agreements

We also ask Shareholders to approve the agreements referred to under Article L. 225-38 of the French Commercial Code, duly approved by your Board of Directors during the past fiscal year or signed during a previous fiscal year and remaining in effect during the fiscal year in question.

4.5.1. Agreements signed during the fiscal year

Agreements falling under Article L.225-38 of the French Commercial Code

On June 11, 2014, the Company purchased 10 000 shares held by Mr Jacques Dubois, Director, under its share buy back program.

These shares were bought back at 20 day average trading value after deduction of 5%, the price corresponding to 25,72 euros per share or 257,200 euros for 10,000 shares.

The reason for this purchase was the Company's intention to maintain the shares and subsequently use them for payment or exchange within the context of possible external growth operations.

Agreements falling under Article L.225-39 of the French Commercial Code

Not applicable.

4.5.2. Agreements signed during prior years that remained in effect during the past fiscal year

In accordance with the provisions of Article L. 225-39 of the French Commercial Code, we must disclose any agreements concerning the day-to-day business of the Company and concluded under normal conditions. These agreements are as follows:

Type of agreement	Nature	Company(ies) involved	
Group Services Fees	Income	Engineering System International	ESI Group Hispania SL
		Engineering System International GmbH	MECAS ESI s.r.o.
		ESI Italia SRL	Calcom ESI SA
		Hankook ESI Co., Ltd	ESI UK Limited
		Nihon ESI K.K.	ESI US R&D, Inc.
		ESI North America, Inc.	Pacific Mindware Engineering Private Limited
Royalties	Income	Engineering System International	ESI ATE Holdings Ltd
		Engineering System International GmbH	ESI Italia SRL
		MECAS ESI s.r.o.	ESI Group Hispania SL
		Nihon ESI K.K.	ESI UK Limited
		ESI North America, Inc.	ESI Software (India) Private Limited

		Hankook ESI Co., Ltd	
Cash management agreements	Income/expenses	ESI Services Tunisie	
Loan agreements	Income	ESI North America, Inc.	Engineering System International GmbH
		Engineering System International	Nihon ESI K.K.
		ESI ATE Holdings Ltd	Hankook ESI Co., Ltd
		MECAS ESI s.r.o.	ESI Group Hispania SL
		ESI Software Germany GmbH	CyDesign Labs. Inc.

Other similar arrangements have been entered into during the past year, but due to their purpose and/or financial implications these other arrangements are not considered material for any of the parties and do not, therefore, need to be mentioned.

Your statutory auditors have been informed of these regulated agreements with related parties.

Your statutory auditors confirm successful completion of their duties in their general report.

4.6. Disputes

The Company is not involved in any dispute or litigation likely to have a material impact on the financial statements or the assets of the Group or that imply specific mention due to the amounts.

Aside of an on-going tax inspection, there are no governmental, legal or arbitration proceedings (including pending or threatened proceedings of which the Group is aware) that may have, or have had in the past twelve months, a material impact on the Group's financial position or profitability.

4.7. Other items to be decided by the Annual General Meeting

Fifth: Reappointment of three Directors

As the term of office of Alain de Rouvray, Jacques Dubois and Eric d'Hotelans expires at the close of the General Meeting, it is proposed under **Resolution No. 5** to reappoint them as Directors for a term of four years.

It is noted that their term will expire at the close of the General Meeting called to approve the financial statements for the year ending January 31, 2019.

Sixth resolution: Reappointment of Auditors

As the term of office of PricewaterhouseCoopers Audit and Ernst & Young Audit as Statutory Auditors, as well as the term of office of Auditex and Mr Yves Nicolas as Alternate Auditors expires at the close of the General Meeting, it is proposed under **Resolution No. 6** to reappoint them as Directors for a term of six years.

It is noted that their term will expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ending January 31, 2021.

Seventh resolution: authorization to the Board of Directors to purchase its own

It is proposed under **Resolution No. 7**, pursuant to Article L. 225-209 of the French Commercial Code, to authorize the Board of Directors to buyback the Company's shares for a term of 18 months beginning July 22, 2015, not to exceed 10% of capital.

The purpose of this authorization is to stimulate the secondary market or the liquidity of ESI Group shares through a liquidity contract signed with an investment service provider in compliance with the AMAFI's code of ethics dated September 23rd, 2008 and approved by the French Financial Markets Authority (AMF), as well as to fulfil its share issue obligations, in accordance with the terms and conditions set forth by law, undertaken as part of the following:

- Programs granting stock options for the purchase of existing shares by the Group's employees or corporate officers;
- Employee profit-sharing programs under which these shares would be awarded to employees and/or corporate officers;
- Free share awards to the Group's employees and corporate officers;
- Shares provided upon exercise of the rights attached to securities giving access to shares by any means, whether immediately or in the future, under the conditions set forth by the AMF and at any time deemed appropriate by the Board of Directors;

In addition, this authorization will make it possible to retain shares and to provide them at a later date in exchange or as payment for future business acquisitions.

The purchase price per share may not exceed EUR 40.

Shares may be purchased or retained at the Board of Directors' discretion by any means by trading on the market or off the market, by private sale, on one or more occasions. All shares purchased under the authorized share buyback program may be acquired in the form of blocks of securities. Such transactions may be effected at any time, including during public offering periods, in accordance with the regulations in force.

The Company may not, at any time, hold, either directly or via an intermediary, more than 10% of the total shares making up its legal capital.

The Company may not pay out more than EUR 6,500,000 under the share buyback program.

Eighth resolution: determination of the compensation paid to members of the Board of Directors (directors' fees)

In **Resolution No. 8** you are asked to set the compensation paid to members of the Board of Directors in the form of Directors' fees at EUR 160,000 for the 2015 fiscal year.

The amount of Directors' fees allocated would accordingly be identical to that set for the prior year.

The Board will freely distribute this amount among its members.

5 Financial statements

5.1. Consolidated financial statements

5.1.1. Consolidated income statement

(in thousands of euros)	Note	January 31, 2015	January 31, 2014
Licenses and maintenance		83,266	80,604
Consulting		24,284	26,516
Other		3,468	2,197
TOTAL REVENUES	**4.1**	**111,017**	**109,317**
Cost of revenues		(31,901)	(34,281)
Research and development costs	4.2	(19,969)	(17,010)
Selling and marketing expenses		(35,030)	(34,935)
General and administrative costs		(15,161)	(15,234)
CURRENT OPERATING RESULT		**8,956**	**7,858**
Other operating income and expenses	4.4	(607)	(1,701)
Total operating expenses	4.3	(102,668)	(103,161)
INCOME FROM OPERATIONS		**8,350**	**6,157**
INCOME (LOSS) FROM FINANCIAL ACTIVITIES	**4.5**	**741**	**(931)**
Share of profit of associates		100	-
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS		**9,191**	**5,226**
Provision for income tax	4.6	(3,595)	(2,724)
INCOME BEFORE MINORITY INTERESTS		**5,596**	**2,502**
Minority interests		*101*	*83*
NET INCOME		**5,496**	**2,419**
Earnings per share (in euros)		0.99	0.44
Average number of shares		5,539,558	5,470,186
Diluted earnings per share (in euros)		0.99	0.44
Average number of diluted shares		5,553,743	5,533,887

The notes are an integral part of the consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	January 31, 2015	January 31, 2014
Net income before minority interests	**5,596**	**2,502**
Change in the fair value of financial instruments	4	(28)
Foreign exchange gains and losses	1,534	(443)
Losses and gains from yield to maturity (revised version of IAS 19)	(1,100)	(16)
INCOME AND EXPENSES RECORDED DIRECTLY IN EQUITY	**438**	**(487)**
COMPREHENSIVE INCOME	**6,035**	**2,015**
Attributed to the Group	5,905	1,940
Attributable to minority interests	130	75

The notes are an integral part of the consolidated financial statements.

5.1.2. Balance sheet

(in thousands of euros)	Note	January 31, 2015	January 31, 2014
ASSETS			
NON-CURRENT ASSETS		**84,801**	**81,998**
Goodwill	5.1	23,792	22,984
Intangible assets	5.2	45,476	44,477
Non-current assets	5.3	3,542	3,579
Investments in associates		752	-
Deferred tax assets	5.4	9,028	9,163
Other non-current assets	5.5	1,994	1,747
Cash-flow hedge instruments		216	47
CURRENT ASSETS		**86,585**	**76,879**
Customers	5.6	61,626	54,384
Other current receivables	5.7	10,129	9,332
Prepaid expenses	5.8	2,890	2,450
Cash and cash equivalents	5.9	11,940	10,714
TOTAL ASSETS		**171,387**	**158,878**
LIABILITIES AND EQUITY			
TOTAL EQUITY		**86,853**	**80,587**
Equity	**5.10**	**86,396**	**80,183**
Share capital		17,845	17,807
Additional paid-in capital		24,899	24,824
Reserves and retained earnings		38,126	36,643
Net income (loss)		5,496	2,419
Treasury stock		(3,982)	(3,793)
Share-based payment (Stock options...)		2,294	2,075
Fair value adjustment hedge instruments		(56)	(61)

Currency translation adjustment		1,773	269
Minority interests		**457**	**405**
NON-CURRENT LIABILITIES		**18,458**	**19,541**
Long-term share of financial debt	5.11	9,916	12,817
Other long term debts	5.12	7,061	5,820
Cash-flow hedge instruments	5.13	684	77
Deferred tax liabilities	5.4	797	827
CURRENT LIABILITIES		**66,076**	**58,750**
Short-term share of financial debt	5.11	12,684	11,884
Trade payables		7,936	6,500
Accrued compensation and income tax expense, and other short-term liabilities	5.14	24,170	21,148
Provisions for contingencies, risks and disputes	5.15	2,331	2,094
Deferred income	5.16	18,956	17,124
TOTAL LIABILITIES AND EQUITY		**171,387**	**158,878**

The notes are an integral part of the consolidated financial statements.

5.1.3. Consolidated statement of change in equity

(in thousands of euros except for the number of shares)	Number of shares	Share capital	Additional paid in capital	Income and retained earnings	Currency translation adjustment	Equity	Minority interests	Total Equity
AS AT JANUARY 31, 2013	**5,871,129**	**17,613**	**24,295**	**34,715**	**703**	**77,329**	**395**	**77,724**
Fair value adjustment hedging instrument				(28)		(28)		(28)
Currency translation adjustment					(435)	(435)	(8)	(443)
Change in accounting method (IAS19 revised)				(15)		(15)	(1)	(16)
Recognized income and expense directly in equity				**(43)**	**(435)**	**(478)**	**(9)**	**(487)**
Net result				2,419		2,419	83	2,502
COMPREHENSIVE INCOME				**2,376**	**(435)**	**1,940**	**75**	**2,015**
Capital increase	64,503	194	528			722		722
Treasury shares				265		265		265
Share-based payment transactions				350		350		350
Transactions with non-controlling interests				(422)		(422)	(62)	(484)
Dividend payment							(134)	(134)
Change in perimeter and others							131	131
AS AT JANUARY 31, 2014	**5,935,632**	**17,807**	**24,824**	**37,284**	**269**	**80,183**	**405**	**80,587**
Fair value adjustment hedging instrument				4		4		4
Currency translation adjustment					1,500	1,500	34	1,534
Change in accounting method (IAS19 revised)				(1,095)		(1,095)	(5)	(1,100)
Recognized income and expense directly in equity				**(1,091)**	**1,500**	**409**	**29**	**438**
Net result				5,496		5,496	101	5,596
COMPREHENSIVE INCOME				**4,405**	**1,500**	**5,905**	**130**	**6,035**
Capital increase	12,790	38	75			113		113
Treasury shares				(189)		(189)		(189)
Share-based payment transactions				219		219		219
Transactions with non-controlling interests				160	4	164	(78)	87
Change in perimeter and others								
AS AT JANUARY 31, 2015	**5,948,422**	**17,845**	**24,899**	**41,879**	**1,773**	**86,396**	**457**	**86,853**

The notes are an integral part of the consolidated financial statements.

5.1.4. Consolidated statement of cash flows

(in thousands of euros)	January 31, 2015	January 31, 2014
Income before minority interests	**5,596**	**2,502**
Share of profit of associates	(100)	-
Depreciation and provisions	3,054	5,294
Net impact of capitalization of research & development costs	(1,198)	(2,129)
Change in deferred income income tax expense	1,308	(2,261)
Unrealized gains and losses on hedging instruments	444	629
Share-based payment transactions (stock options...)	219	350
Loss (gain) on sales of assets	(78)	(21)
Forex impact on non cash flows	(1,376)	-
CASH FLOWS	**7,869**	**4,364**
Trade and other receivables	(5,380)	(7,615)
Trade payables	976	1,945
Other receivables and other liabilities	1,309	2,697
Changes in net working capital	**(3,094)**	**(2,973)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**4,775**	**1,391**
Acquisition of property, plant and equipment and intangible assets	(444)	(1,508)
Purchase of tangibles assets	(999)	(1,519)
Proceeds from the sale of assets	121	73
Purchase of subsidiaries	(999)	(2,393)
Cash of acquired companies	-	218
other investment operations	(99)	-
NET CASH USED FOR INVESTING ACTIVITIES	**(2,419)**	**(5,129)**
Proceeds from loans	9,787	12,635
Repayment of borrowings	(11,889)	(6,327)
Principal payments of capital lease obligations	-	(11)
Proceeds from issue of shares	113	722
Proceeds from disposal (acquisition) of treasury stock	(189)	265
Cash dividends paid	-	(134)
NET CASH USED IN FINANCING ACTIVITIES	**(2,177)**	**7,150**
Effect of exchange rate changes on cash and cash equivalents	1,047	(255)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,226**	**3,157**
Beginning of year	10,714	7,557
End of year	11,940	10,714
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,226**	**3,157**

The notes are an integral part of the consolidated financial statements.

5.1.5. Notes to the consolidated financial statements

Note 1. General information

Note 1.1. Businesses

ESI Group SA is a French limited company (*société anonyme)*, registered in France and governed by French law.

ESI Group SA is headquartered at 100-102, avenue de Suffren, Paris (75015), France.

ESI Group SA is the parent company of some 30 subsidiaries operating throughout the world (see 2.2.2. Legal organization), together comprising ESI Group.

ESI Group is a pioneer and world-leading provider in Virtual Prototyping that takes into account the physicsof 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 Group's fiscal year begins on February 1 and ends on January 31 of the following year; therefore the fiscal year 2014 ended on January 31, 2015.

Note 1.2. Highlights

Joint venture with AVIC-BIAM

Since February 1, 2014 the AVIC ESI (Beijing) Technology Co., Ltd joint venture has been operational, with ESI Group owning 45%. That entity is consolidated by the equity method.

Increased stake in CyDesign Labs Inc.

On April 30, 2014 ESI Group acquired 12.66% of CyDesign Labs, Inc., thereby bringing its stake in that company to 99.15%.

Note 1.3. Events after the reporting period

In March and April 2015, ESI Group successively announced the acquisitions of CIVITEC and the assets of Picviz and Ciespace. These acquisitions will enable ESI Group to expand in the advanced driver assistance systems market and the big data visual data processing market and to offer a complete Cloud/SaaS product from its Virtual Prototyping solutions. Finally, in May 2015 ESI Group acquired the PRESTO software from AMOEBA, which allows us to address the electronic device cooling market.

In addition, in a streamlining move, CyDesign AB in Sweden was liquidated as of March 17, 2015. CyDesign International LLC in the United States will also be liquidated in 2015. Merger and liquidation operations are also under way so as to recombine entities in India and China during 2015.

Note 2. Accounting policies and principles

Note 2.1. Basis for the preparation of financial statements

Since the Group is publicly traded on the Paris stock exchange, ESI Group's consolidated financial statements at January 31, 2015 were prepared in accordance with the IFRS standards, as approved by the European Union on January 31, 2015 and as published by the International Accounting Standard Board (IASB), in accordance with Regulation (EC) No 1606/2002 of July 19, 2002, amended by Regulation (EC) No 297/2008 of March 11, 2008. These standards are available on the European Union's website at the following address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Financial statements are prepared based on historical cost, except for certain financial instruments measured at fair value.

Figures in the financial statements are presented in thousands of euros. They were drawn up by the Board of Directors on April 14, 2015 and will be presented to the Annual General Meeting of July 22, 2015.

Note 2.2. New IFRS standards and interpretations

The new standards, amendments and interpretations published in the Official Journal of the European Union as of the reporting date of the annual financial statements applicable, for the first time, to the 2014 fiscal year, did not have any material effect on the Group's consolidated financial statements.

New standards, amendments and interpretations effective in the European Union and mandatory for annual periods beginning on or after January 1, 2014

The adoption of the following texts had no impact on the information presented by the Group:

- IAS 28 revised "Investments in Associates and Joint Ventures";

- amendments to IAS 32 "Offsetting Financial Assets and Financial liabilities";
- amendments to IAS 39 and IFRS 9 "Novation of Derivatives and Continuation of Hedge Accounting";
- IFRS 10 “Consolidated Financial Statements”;
- IFRS 11 “Joint Arrangements”;
- IFRS 12 "Disclosure of interests in other entities";
- amendments - Transitional provisions IFRS 10, 11, 12;
- amendments to IAS 36 "Impairment of Assets".

Application of new standards prior to their mandatory effective date

The Group did not make early application of standards and interpretations not mandatory as of January 1, 2014, in particular the following:

- IFRIC 21 "Levies" published by the IASB in May 2013 and applicable to periods beginning from June 17, 2014 forward;
- amendments to IAS 19 "Employee Contributions" published by the IASB in November 2013 and applicable to periods beginning from February 1, 2015 forward;
- annual improvements - 2010-2012 cycle, published by the IASB in December 2013 and applicable to periods beginning from July 1, 2014 forward;
- annual improvements - 2011-2013 cycle, published by the IASB in December 2013 and applicable to periods beginning from July 1, 2014 forward.

The Group does not anticipate that the adoption of these standards will have any material impacts on its consolidated financial statements.

In addition, the Group's consolidated financial statements do not take into account any new standards, amendments and interpretations not yet approved by the European Union as of January 31, 2015, in particular IFRS 15 "Revenues from Contracts with Customers" applicable to periods beginning from January 1, 2017 forward. The impact of applying IFRS 15 to the consolidated financial statements is presently being analyzed.

Note 2.3. Use of estimates and assumptions

The preparation of the consolidated financial statements requires the use of various estimates and assumptions made by the Group's management. These estimates and assumptions have an impact on the valuation of assets and liability, as well as on the amounts recorded as income or expenses throughout the fiscal year. Estimates include, but are not limited to, assumptions used to determine the impact of options granted to employees, business combinations, recognition of revenues, depreciation of non-current assets, valuation of deferred tax assets, capitalized R&D costs, provisions for doubtful receivables, taxes, risks and disputes, as well as provisions for restructuring.

Note 2.4. Consolidation principles

Consolidation method

The annual financial statements of the companies controlled by ESI Group are fully consolidated from the date on which ESI Group takes control of them until the date on which control is transferred outside the Group. Associated companies in which the Group does not exercise control but over which it does have significant influence are consolidated by the equity method. The Group does not own stakes in any entities in which it exercises joint control.

The Group's scope of consolidation at January 31, 2015 is indicated under note 3.

Date of issue of financial statements

Subsidiaries that close their financial statements on a date other than January 31 prepare interim financial statements at January 31 for consolidation purposes.

Internal transactions

All transactions between consolidated companies, including intra-Group gains, are eliminated in the consolidated financial statements.

Note 2.5. Conversion

Conversion of the financial statements of non-French subsidiaries

The Group's foreign subsidiaries generally used the local currency as their functional currency. The euro is ESI Group's functional and presentation currency.

Les bilans des filiales étrangères sont convertis en euros en utilisant les taux de change à la clôture de l’exercice, à l’exception des composantes de la situation nette qui sont maintenues au cours historique. Les comptes de résultat sont convertis en utilisant les taux de change moyens de la période. Les différences de conversion sont inscrites dans un compte spécifique « Écarts de conversion » sur une ligne distincte des capitaux propres.

The balance sheets of foreign subsidiaries are converted into euros using the exchange rate on the reporting date of the fiscal year, with the exception of components contributing to the net financial, which are recorded at their historical price. Income statements are converted using the average exchange rates for the period. Gains or losses on foreign currency conversion are recorded under the item "currency translation adjustment", on a line separate from equity.

Transactions and balances in foreign currencies

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are converted to the functional currency at the exchange rate valid as of the reporting date. Foreign exchange gains and losses on transactions in foreign currencies are recorded as such, with the exception of those arising from transactions that may be characterized as long-term investments, which are recorded as currency translation adjustments in equity.

Note 2.6. Recognition of revenues

ESI Group earns revenue from two main sources: user licenses for software and related maintenance services, which include updates and technical support, and services.

To ensure better management of orders and business opportunities, the Group has a customer base and CRM (Customer Relationship Management) software. As the revenue of the Licenses activity is recognized on installation or renewal, the notion of backlog is only relevant for the Services activity, whose revenues are recognized based on actual production. The backlog represents at all times the amount of revenue remaining to be recognized (future production) on orders already recorded. Each of the Group's production units is in charge of continuously monitoring the backlog of its activity.

a) User licenses and maintenance

Revenue from software sales stems from royalties paid under licensing agreements granted to end customers and related maintenance services. Royalties are earned for the following two types of services:

- Lease of annual renewable licenses that include the right to use the software plus maintenance services for a year. In this case, revenue from maintenance represents 15% of the total royalty;
- Sale of perpetual rights to use the software plus a year (renewable) of maintenance services. In this case, revenue from maintenance represents 5% of the total royalty;
- Sale of software maintenance services in cases where the customer has previously purchased perpetual user rights' for this software.

Revenue from user licenses is recorded if:

- The Group can demonstrate the existence of an agreement;
- The software has been delivered and accepted;
- The amount represented by the user license for the software is determined or determinable;
- Recovery is likely.

If any one of these four criteria is not met, the revenue generated by the license to use the software is deferred until all of the criteria are met. Revenues from maintenance is differed and recorded according to the straight-line method over the term of the maintenance agreement, which generally lasts one year.

b) Services

Revenue from services consists mainly of consulting and training fees. Revenues from services are recognized according to the percentage of completion method. Associated costs are recorded as expenses progressively as they are incurred based on project progress. A provision for losses on completion is recorded if necessary.

Note 2.7. Business combinations

Business combinations are created by applying the purchase method of accounting:

- The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date;
- Any non-controlling interest in the acquiree (i.e., minority interest) is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net asset. This choice of measurement method is made on an acquisition-by-acquisition basis;

Costs directly related to the acquisition are recorded as expenses as they are incurred.

Any contingent consideration related to business combinations is recognized at its fair value on the acquisition date. After the acquisition date, contingent consideration is measured at fair value at the end of each subsequent reporting period. Any changes in the fair value of contingent consideration arising more than one year after the acquisition date (the measurement period) are recognized in income. Changes in fair value with one year of the acquisition date are recognized in income if they clearly result from events after the acquisition date. Other changes are offset against goodwill.

At the date of acquisition, goodwill represents the difference between:

- The fair value of the consideration transferred, plus the total minority interests in the acquiree plus, in a business combination achieved in stages, the fair value of the stake previously held by the acquiring entity in the acquiree on the acquisition date, revaluated accordingly on the income statement; and

– The net fair value of the identifiable assets and liabilities acquired.

The Group has 12 months from the acquisition date to determine the fair value of the assets and liabilities and declare the amount of goodwill acquired. If the acquisition price is lower than the fair value of the assets and liabilities identified and any liabilities assumed, the difference is immediately recorded in the income statement.

In accordance with IFRS standards, goodwill is not amortized but is instead subject to an annual impairment test and recorded at cost, less any accumulated impairment loss.

Goodwill is allocated to cash generating units for impairment test purposes; these tests are performed once an impairment indicator is identified and at least once per year according to the procedure outlined in note 2.13.

The amortization expense of the intangible assets acquired as part of a business combination as well as the costs directly attributable to acquisitions are presented on a separate line of the income statement entitled "other operating income and expenses". Consequently, the "current operating result" presented in the income statement is equal to "income from operations" less "other operating income and expenses". Further information on these operations is provided under note 4.4 to the consolidated financial statements.

Note 2.8. Research and development costs

Research and development costs borne in order to gain an understanding or new scientific or technical knowledge are recorded as expenses when they are incurred.

Research and development costs are capitalized in situations where the six requirements set forth under IAS 38, "Intangible Assets," are met:

– Technical feasibility of completing the research and development project has been established;
– The Group has the intention of completing the project;
– The Group will be able to use or sell the product arising from the research and development project;
– There will likely be future economic benefits attached to the product arising from the project, and a market exists for this product;
– There are proper technical, financial and other resources available to complete the research and development project and to sell the resulting product;
– The Group has the ability to reliably measure the expenses attributable to the research and development project.

The expenses thus converted into assets include the cost of direct labor as well as sub-contracting. They are amortized on a straight-line basis over a period of 12 months for development work that leads to the yearly release of new software versions sold by the Group and on a straight-line basis over 24 months for development work that leads to major improvements to existing products.

Research and development costs that do not meet the criteria under IAS 38 are recorded as expenses when they are incurred.

In certain cases research and development costs entitle the Group to a tax credit, applicable to the fiscal year in which the expenses were incurred. These tax credits are deducted from research and development costs.

Note 2.9. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life include source code that allows the Company to obtain intellectual property rights to the software code. Specifically, it involves the translation of the laws of physics into programming language in the form of algorithms that make it possible to simulate the reaction of materials under external constraints.

The intangible assets stemming from the purchase of business units are deemed to have indefinite useful lives as long as no substitute technology currently exists and as long as the recurrent business model (yearly leases) ensure that the installed base continues to generate revenues over the long-term.

The Group is of the opinion that the useful life of these intangible assets cannot be determined as long as the underlying scientific content in the products purchased is not challenged by a technological breakthrough that would render it obsolete. Furthermore, significant research and development efforts (representing 29% of revenues from licensing) focusing on these up-and-coming products guarantees the long-term value of the asset.

Assets with an indefinite useful life are not amortized. They are subject to impairment tests each year, either on an individual basis or as part of cash-generating units (CGUs). The impairment testing process for CGUs is described under note 2.13.

The useful life of an intangible asset with an indefinite useful life is reviewed each year to determine whether events and circumstances continue to support an indefinite useful life assessment for this asset. If they do not, the change in the useful life assessment from indefinite to finite must be accounted for prospectively.

Note 2.10. Intangible assets with a finite useful life

Intangible assets with a finite useful life consist mainly of software.

In accordance with IAS 38, intangible assets are measured at cost.

For software assets are amortized, however, in the income statement based on the estimated useful life of the asset, according to the following criteria:

	Method	Useful life
Office and similar software applications	Straight-line method	1 year
Operational software	Straight-line method	3 years
Codes – third-party software integrated in the products	Straight-line method	5 years

The period and method of amortization for an intangible asset with a finite useful life are remeasured at least at the end of each period. Any change in the estimated useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are recorded by modifying the period or method of amortization, as appropriate, of such changes, which are treated as a change in accounting policy.

The amortization expenses of the intangible assets with finite useful lives are recorded under the proper expenses category on the income statement according to the function of the intangible asset.

Note 2.11. Tangible non-current assets

In accordance with IAS 16 "Property, Plant and Equipment", these assets are valuated at their historical cost. They are not subject to any type of revaluation. Amortization is recorded in the income statement based on the estimated useful life of the asset, according to the following criteria:

	Method	Useful life
Fixtures and fittings	Straight-line method	5 to 10 years
Computer hardware	Straight-line method	3 to 5 years
Office furnishings	Straight-line method	5 to 7 years

Note 2.12. Finance leases and operating leases

Operating leases for assets that serve to transfer almost all the economic benefits and risks of ownership to the Group are recorded as finance leases according to the principles set out in standard IAS 17. Assets and liabilities are recorded accordingly.

These assets are amortized according to the method and useful lives described under note 2.11.

The corresponding amortization provision is included in the amortization expenses.

Payments under operating leases (net of the benefits obtained from the lessor) are recorded as expenses on the income statement on a straight-line basis throughout the term of the lease contract.

Note 2.13. Depreciation of goodwill and other intangible assets with an indefinite useful life

ESI Group uses a single CGU for the entire Group. The Group's strategy is to focus on growth through innovation stemming from its R&D efforts and the integration of acquired technologies (source codes, algorithms, physical laws, etc.).

As ESI Group has grown, it has been found that certain technologies acquired to resolve a specific issue could be used to resolve other issues as well. The integration of this portfolio of technologies with the Group's software makes it potentially possible to use all of these technologies in all of the Group's projects depending on the solutions required. The consequence of this ever-increasing integration is that it is more and more difficult to allocate revenues to a specific technology and to thus create a CGU for each technology or software program.

In addition, the revenues earned by a sales subsidiary are dependent not only on its own commercial performance but also, even more so, on the software published. The large multinational corporations with which ESI Group works regard the Group as a partner. As both publisher and technological partner, ESI helps implement standardized methods within their organizations. It should be noted that the Group's top twenty customers represent about 40% of its order bookings for several years.

As regards the companies acquired in 2013 (CyDesign), integration follows the same principles. The research and development teams work to integrate the software solutions within the line of existing ESI Group products.

In 2014, this CGU was subject to impairment tests based on cash flows anticipated based on business projections, technology penetration and the competitive situation. More specifically, budget estimates are prepared and anticipated future financial flows are discounted at a rate of 10.3% for the fiscal year ended January 31, 2015 and at 11.7% for the fiscal year ended January 31, 2014.

The current value of the CGU is determined by adding:

– The present value of expected future cash flows for five years as described above;
– A residual value equal to the lesser of one year of revenues discounted at the end of this plan or the infinite value using a 0% growth rate.

This present value is used to justify the fair value of the assets in question or as a basis for calculation of any potential depreciation of these assets.

The impairment tests conducted on the CGU at January 31, 2015 did not indicate any impairment loss for these assets. Sensitivity testing to reasonably possible changes in key assumptions was conducted, based on a 5% reduction in revenue assumptions and a

1% increase in the discount rate. This change in key assumptions did not reveal any impairment.

Note 2.14. Trade and other receivables

Trade receivables are initially recorded at their par value on account of the immaterial effect of discounting. Trade receivables are subsequently recorded at their depreciated cost, less any depreciation for bad debts in cases where amounts are irrecoverable.

Receivables are impaired when their inventory value based on the probability of recovery determined by the type of receivable is less than their carrying value. Depending on the nature of the receivables, the risk associated with doubtful receivables is assessed individually or using statistical methods.

Other loans and receivables are measured at amortized cost using the effective interest rate method.

Note 2.15. Derivative instruments

The Group uses derivative instruments to manage its exposure to fluctuations in exchange rates and interest rates. Derivative instruments are recorded at their fair value and are revaluated at each reporting date.

The fair value of these derivative instruments is determined by reference to their market value on the reporting date.

Fluctuations in the fair value of derivative instruments are recorded in the income statement unless the required criteria are met to classify these instruments as hedging instruments. Fluctuations in the value of derivative instruments designated as instruments intended to hedge future transactions are recorded under equity and recognized in the income statement during periods in which the item hedged has an impact on income.

Note 2.16. Cash and cash equivalents

The "Cash and cash equivalents" item includes liquid assets, bank deposits, investments in interest-bearing accounts, money market funds, and other easily convertible liquid investments with little risk of change in value if interest rates fluctuate.

The Group classifies no-risk investments in interest-bearing accounts, commercial paper and certificates of deposit originally maturing in three months or less and not posing any significant interest rate risk. These cash equivalents are denominated in euros and recorded at their net asset value.

Note 2.17. Income tax expense

Deferred tax assets and liabilities reflect future decreases or increases in income tax expense to be paid that result, for certain asset and liability items, from temporary valuation differences between their carrying amounts and their tax base, as well as from tax loss and tax credit carry-forwards. Deferred tax assets and liabilities are assessed by tax entity or group based on the tax rates applicable to the years during which these temporary differences are likely to be reversed or paid. Deferred tax assets and liabilities are adjusted for each entity in order to present either a net asset position or a net liability position.

Deferred tax assets are only recorded in cases where it is likely that the future tax savings they represent will be realized. They are written down once it is no longer likely that they will be realized.

Company head of the tax group	Country
ESI Group	France
Engineering System International GmbH	Germany
ESI North America, Inc.	United States

Note 2.18. Capital, reserves and treasury stock

ESI Group's legal capital is made up of ordinary stock.

The "Currency translation adjustment" item is used to record losses or gains generated by converting the financial statements of foreign subsidiaries into euros as well as foreign exchange losses or gains on transactions characterized as long-term investments with foreign subsidiaries.

When the Group buys back its own shares, these shares are recorded at their net purchase price as treasury stock and deducted from equity. The proceeds from the sale of treasury stock are accounted for directly in equity.

Note 2.19. Minority interests

If, in the event of losses, the share corresponding to minority interests is negative, the excess and any further losses attributable to the minority interests are deducted from the minority interests.

Note 2.20. Provisions

In accordance with IAS 37, “Provisions, Contingent Liabilities, and Contingent Assets”, a provision is recorded if the Group has a present obligation towards a third party that results from past events and that is expected to result in an outflow of resources to this third party.

Note 2.21. Employee benefits

In certain countries, the Group's employees benefit from different pension plans, retirement compensation, bonuses linked to seniority requirements and additional post-employment benefits. To cover these benefits, the Group has defined contribution plans and defined benefit plans in place.

A defined contribution plan is a pension plan into which the Group pays fixed contributions to a third-party entity. The Group does not have any obligation other than to pay the premiums, and the corresponding expense is recorded in the income statement for the fiscal year.

A defined benefit plan is a plan that guarantees a certain level of benefits in the future depending on salary, age and seniority of the employee. Such is the case for benefits that may be paid when the employee retires.

For defined benefit plans, in accordance with IAS 19 R "Employee Benefits", obligations are determined using the so-called "projected unit credit method". This actuarial method stipulates that each period of service entitle the employee to one unit of rights to benefits and evaluates each of these units separately in order to arrive at a final commitment. These calculations use assumptions regarding mortality, employee turnover and future salary projections.

Defined-benefit pension plans and long-term benefits recognized in accordance with IAS 19 are as follows:

– For France: retirement compensation, supplementary pension plan provided by an insurance company;
– For Korea, India and Japan: severance pay owed to the employee regardless of the reason for his or her departure and calculated in proportion to his or her seniority within the company.

Note 2.22. Share-based payments

Stock options may be granted to certain employees of the Group. They entitle these employees to subscribe to new shares or purchase existing shares of ESI Group four or five years after they are awarded at a fixed exercise price set out on the award date. Criteria for the granting of stock options may include performance requirements as well as continued employment within the Group.

In accordance with standard IFRS 2, options are measured at the fair value of the benefit granted to the employee estimated at grant date. They are recognized as employee benefits expense in the income statement on a straight-line basis over the vesting period of the option, offset against equity. The expense is recorded in the income statement by function of expense according to the allocation formula for the personnel in question.

The fair value of the option is determined by applying the "Black–Scholes" model and using the exercise price of the options, their anticipated life, the share price on the date the options were granted, the inherent volatility of the share price and the risk-free interest rate as the parameters in the formula.

Free shares may also be awarded to employees of the Group. The fair value of the benefit granted to recipients is determined based on the share price on the day of the award multiplied times the number of shares awarded. This cost is distributed over the vesting period.

Note 2.23. Operating segments

The Group develops, markets and provides technical support for software that allows engineers conduct virtual tests designed to predict and improve the anticipated performance and quality of a product based on a series of constraints. The Group's "operating segments" refer to components making up the Group for which separate financial information is available and whose operating results are reviewed regularly by the Company's management in order to evaluate their performance and make decisions about how to allocate resources. ESI Group is classified as operating in a single segment since the two main business activities identified by the Group (sales of Licenses and Services) are closely linked. In accordance with paragraphs 31-34 of the IFRS 8 standard, ESI Group presents the revenues from ordinary activities and non-current assets by region (the three main regions being Europe, Asia and the Americas).

Note 3. Scope of consolidation

The table below lists the founding dates and headquarters of the subsidiaries and the percentage of capital directly or indirectly held:

Fully consolidated subsidiary	Date of creation or acquisition	Subsidiary headquarters	% ownership	
			January 31, 2015	January 31, 2014
Calcom ESI SA	December 2002	Lausanne, Switzerland	99 %	99 %
CyDesign Labs, Inc.	October 2013	Palo Alto, United States	99 %	86 %
CyDesign Ltd	October 2013	West Midlands, United Kingdom	99 %	86 %
Efield AB	December 2011	Kista, Sweden	100 %	100 %
Engineering System International	April 1973	Paris, France	100 %	100 %

Engineering System International GmbH	July 1979	Eschborn, Germany	100 %	100 %
ESI Group Beijing Co., Ltd	October 2010	Beijing, China	100 %	100 %
ESI Group Hispania SL	February 2001	Madrid, Spain	100 %	100 %
ESI Italia Srl	September 2008	Bologna, Italy	100 %	100 %
ESI North America, Inc.	March 1992	Troy, Michigan, United States	100 %	100 %
ESI South America Comércio e Serviços de Informática, Ltda	June 2008	Sao Paulo 015, Brazil	95 %	95 %
ESI Software (India) Private Limited	February 2004	Bangalore, India	100 %	100 %
ESI Services Tunisie	April 2009	Hammam Lif, Tunisia	90 %	90 %
ESI UK Limited	January 2002	London, United Kingdom	100 %	100 %
ESI US Holdings, Inc.	August 2002	Dover, Delaware, United States	49 %	49 %
ESI US R&D, Inc.	August 2002	San Diego, California, United States	74 %	74 %
ESI ATE Holdings Limited	July 2006	Hong Kong, China	100 %	100 %
ESI ATE Technology (China) Ltd	August 2006	Peking, China	100 %	100 %
ESI US Inc.	February 2012	Farmington Hills, United States	100 %	100 %
ESI Services Vietnam Co., Ltd	December 2013	Ho Chi Minh City, Vietnam	100 %	100 %
ESI Software Germany GmbH	August 2011	Stuttgart, Germany	100 %	100 %
Hankook ESI Co., Ltd	September 1995	Seoul, South Korea	99 %	99 %
Hong Kong ESI Co., Ltd	Février 2004	Hong Kong, China	100 %	100 %
MECAS ESI s.r.o.	May 2001	Plzen, Czech Republic	95 %	95 %
Nihon ESI K.K.	July 1991	Tokyo, Japan	97 %	97 %
OpenCFD Limited	September 2012	Berkshire, United Kingdom	100 %	100 %
Pacific Mindware Engineering Private Limited	December 2008	Maharashtra, India	100 %	100 %
Straco	April 2001	Compiègne, France	98 %	98 %
Zhong Guo ESI Co., Ltd	February 2004	Guangzhou, China	100 %	100 %

Subsidiary accounted for using the equity method	Date of creation or acquisition	Subsidiary headquarters	% ownership	
			January 31, 2015	January 31, 2014
AVIC ESI (Beijing) Technology Co., Ltd	February 2014	Beijing, China	45 %	-

ESI US Holdings is fully consolidated, as ESI Group has sole control.

Note 4. Information on the income statement

Note 4.1. Revenues

(in thousands of euros)	January 31, 2015	January 31, 2014
Total Licenses and maintenance	**83,266**	**80,604**
Consulting	24,284	26,516
Other	3,468	2,197
CONSOLIDATED REVENUES	**111,017**	**109,317**
Total co-financed research and development projects in revenues from services	2,888	2,317

2014 annual sales came to €111.0 million, up +1.6% on the previous year in actual terms and up 2.5% at constant currency. There was a negative currency effect of -€1.0 million over the period, mainly due to the negative evolution of the Japanese Yen.

At constant currency, the following key indicators confirm the sales performances and the solidity of our Licenses activity:

- growth in Licensing revenues: +4.4%;
- Licensing installed base up significantly: +4.8 %;
- repeat business remained at a high rate: 85.7%;
- New Business ratio: 20.1% of Licensing revenues.

Services activity recorded sales of €27.8 million in 2014, down -3.3%. This negative figure was a result of the reduction over the first three quarters of the year due to refocusing on projects with higher value added ; an action completed before the last quarter, when a jump of +10.7% was recorded.

In 2014, the geographical split in sales shifted towards Europe (48.2% versus 45.2%), driven by increased Licenses activity, most particularly in France and Germany. The reduction of share in the Asia zone's (34.7% vs. 35.8%) was mainly a result of a negative currency effect and the difficult business context in China. The decrease in the Americas share to 17.2% of sales in 2014 compared with 19.0% in 2013 was a result of the refocusing of the Services activity. Although the impact decreased through the year, the abandoning of certain non-strategic and lower margin services was not compensated by the increase in Licenses activity over the year.

Over the year as a whole, the weight of activity in BRIC countries decreased compared with 2013, accounting for 12.7% of total sales over the period compared with 15.3% the previous year. This decrease reflected falls recorded in China and Russia and was not offset by upward trends in Brazil and India.

Note 4.2. Research and development costs

NET IMPACT OF THE CAPITALIZATION OF RESEARCH AND DEVELOPMENT COSTS

(in thousands of euros)	January 31, 2015	January 31, 2014
Research and development costs capitalized during the period	21,109	19,043
Research and development costs amortized during the period	(19,910)	(16,913)
NET IMPACT OF THE CAPITALIZATION OF RESEARCH AND DEVELOPMENT COSTS	**1,198**	**2,129**

RECONCILIATION OF EXPENSES INCURRED AND EXPENSES CARRIED TO THE INCOME STATEMENT

(in thousands of euros)	January 31, 2015	January 31, 2014
R&D costs incurred during the period (1)	**(23,945)**	**(21,298)**
R&D costs capitalized during the period	21,109	19,043
R&D costs amortized during the period	(19,910)	(16,913)
French R&D tax credit	2,777	2,159
TOTAL R&D COSTS EXPENSED DURING THE FISCAL YEAR	**(19,969)**	**(17,010)**
(1) Including EUR 2,836k of expenses carried as direct charges in 2014, versus EUR 2,255k in 2013.		

Research and development costs are capitalized in accordance with the criteria set forth by accounting standard IAS 38 (see note 2.8 to the consolidated financial statements). Commissioning, which corresponds to the commercial launch of new versions or upgrades to our software, is the result of commercial and strategic decisions. In some cases, management decides to wait until several upgrades have been made to market a new version rather than to release several different versions with minor upgrades during the year; in other cases, a new version with a major upgrade may be marketed even if other improvements are planned in the near future. While projects are generally planned to be commissioned on a yearly basis, action commissioning dates may vary from one year to the next. These changes have an impact on the amortization start dates and, therefore, on the amortization amounts recorded.

Note 4.3. Operating expenses

Breakdown of operating expenses by type

(in thousands of euros)	January 31, 2015	January 31, 2014
Purchases and external expenses	(12,120)	(10,958)
Real estate rentals	(5,193)	(5,229)
Fees	(2,778)	(2,800)
Income tax expense	(642)	(694)
Amortization and provisions	(2,578)	(3,817)

Employee benefit expenses	(67,538)	(67,292)
Other external expenses and income	(11,215)	(10,670)
TOTAL CURRENT OPERATING EXPENSES	**(102,063)**	**(101,460)**
Acquisition costs	(24)	(512)
Other external expenses and income	(583)	(1,189)
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(607)**	**(1,701)**
TOTAL OPERATING EXPENSES	**(102,668)**	**(103,161)**

(1) From FY 2014 forward, the Research Tax Credit is carried as a deduction from "Other External Expenses and Income" and no longer as a deduction from "Employee benefit expenses" as previously.
In this table, figures for 2013 are reclassified to make comparison possible.

Headcount

Average headcount	January 31, 2015	January 31, 2014
France	271	251
Outside of France	732	775
TOTAL	**1,003**	**1,026**

Note 4.4. Other operating income and expenses

Other operating income and expenses for the 2014 fiscal year represent an expense of EUR 607k.

The major item is the amortization of intangible assets acquired in the amount of EUR 679k.

The other components are:

- The updating of the earn-outs in the acquisitions of Efield AB and ESI Services Vietnam Co., Ltd in the amount of EUR 19k;
- costs incurred to acquire companies in the amount of EUR 24k;
- reversals of provisions for severance or retirement for a profit of EUR 114k.

Note 4.5. Financial Result

Details of the financial charges and income

(in thousands of euros)	January 31, 2015	January 31, 2014
Interest on borrowings	(379)	(293)
Interest income	65	60
Foreign exchange gains and losses	1,598	60
Other financial expenses	(543)	(758)
FINANCIAL RESULT	**741**	**(931)**

Interest on borrowings corresponds to interest on the syndicated loan (see note 5.11).

Other financial expenses correspond mainly to financial expenses calculated on employee benefit obligations, interest related to specific financing of the R&D tax credit in respect of 2010, 2011, 2012, 2013 and 2014, and interest related to the various short-term financing facilities obtained at year-end.

Breakdown of foreign exchange gains and losses

The Group may purchase foreign currency options at any time and enter into any other type of foreign exchange contract. In general, the term of these contracts does not exceed one year and their purpose is to hedge the risk of depreciation of trade receivables denominated in foreign currencies following adverse fluctuations in the exchange rate.

The table below gives a breakdown of the foreign exchange gains and losses for the main currencies during the 2014 fiscal year:

(in thousands of euros)	January 31, 2015	January 31, 2014
USD	2,112	(76)
JPY	(657)	185
KRW	282	(4)
Other currencies	(140)	(45)
TOTAL	**1,598**	**60**

The change in foreign exchange gain/loss is broken down below:

(in thousands of euros)	January 31, 2015	January 31, 2014
Realized	164	468
Unrealized (revalued at the closing rates)	1,774	27
Hedging – realized	103	194
– *Of which JPY*	*103*	*226*
– *Of which KRW*	-	*(32)*
Hedging – unrealized (valued at market value)	(444)	(629)
TOTAL	**1,598**	**60**

The unrealized portion represents the revaluation of debt and foreign currency receivables at the closing rates. FY2014 was mainly impacted by the revaluation of the dollar (opening rate of 1.35 and closing rate of 1.13).

With regard to hedging exchange risk, on January 31, 2015 the Group placed tunnel hedges to hedge exchange risk on the Japanese currency for a nominal value of between JPY 851 million and JPY 1,318 million with the following average limits: 138.8/148.3. In addition, the Group hedged the South Korean currency (NDF forward sale) in the nominal amount of KRW 2,400 million at an average price of KRW 1,310, and the Indian currency (NDF forward purchase) in the nominal amount of INR 120 million at an average price of INR 83.0. The market value of these instruments is negative, in the amount of EUR 411.9k, which largely accounts for the negative effect of the table.

The Group has not used hedge accounting for foreign exchange risks.

Note 4.6. Income tax expense

Breakdown of income tax expense

(in thousands of euros)	January 31, 2015	January 31, 2014
Tax expenses payable	(2,287)	(3,442)
Deferred tax expenses	(1,308)	718
TOTAL	**(3,595)**	**(2,724)**

Tax reconciliation

(in thousands of euros)	January 31, 2015	January 31, 2014
Consolidated pre-tax profit	**9,191**	**5,226**
Including share of profit of associates	*100*	-
Statutory tax rate	**33.33 %**	**33.33 %**
Theoretical tax	**(3,030)**	**(1,742)**
Fiscal effect of permanent differences (1)	(338)	(1,113)
Effect of liability method (2)	(128)	5
Effect of differences in current tax rates between the parent company and subsidiaries	(65)	165
Provisioned tax assets	(33)	(38)
INCOME TAX EXPENSE RECORDED IN THE INCOME STATEMENT	**(3,595)**	**(2,724)**
Real effective tax rate	*39.5 %*	*52.12 %*

(1) As stated elsewhere, the high real effective rate for FY2013 was due primarily to the provision for tax risk in France and in India, the impact of which was 14.6 percentage points.
(2) The effect of the liability method in 2014 was due to the decline in the future effective rate voted in Japan.

Note 5. Balance sheet information

Note 5.1. Goodwill

Note 5.1.1. Change in "goodwill"

(in thousands of euros)	January 31, 2014	Increase	Decrease	Foreign exchange gain/(loss)	January 31, 2015
Gross	22,984			808	23,792
TOTAL NET VALUES	22,984			808	23,792

Note 5.1.2. Goodwill of CyDesign Labs, Inc.

At January 31, 2014 a preliminary allocation was made of the acquisition price of CyDesign Labs Inc., acquired on October 21, 2013. This allocation was finalized during the first half of 2014.

(in thousands of euros)	Final allocation in 2014	Preliminary allocation in 2013
Software development costs	1,761	1,512
Deferred tax liabilities	(599)	(514)
Carrying amount of net assets prior to the acquisition	(153)	(153)
NET ASSET VALUE AT ACQUISITION DATE (100%)	1.009	845

ESI Group purchased 12.66% of the shares during 2014, thereby raising its stake from 86.49% to 99.15%.

No amortization of intangible assets was recognized in the 2014 financial statements. Amortization starts on the date of commissioning (inclusion in ESI Group’s product lines or marketing) of development costs.

The release is planned on the second half of 2015.

Note 5.1.3. Goodwill of ESI Services Vietnam Co., Ltd

In December 2013, ESI Group acquired 100% of the shares of a consulting company in Vietnam (Cam Mechanical Solutions Co., Ltd., renamed ESI Services Vietnam Co., Ltd.). The purchase price comprises a fixed amount of EUR 61 thousand and an earn-out capped at EUR 30 thousand linked to the achievement of financial performance objectives.

(in thousands of euros)	Final allocation in 2014	Preliminary allocation in 2013
Goodwill	77	77
Carrying amount of net assets prior to the acquisition	14	14
TOTAL ACQUISITION PRICE	91	91

Note 5.2. Intangible assets

CHANGE IN THE GROSS VALUE, AMORTIZATION AND NET VALUE OF INTANGIBLE ASSETS

(in thousands of euros)	January 31, 2014	Reclassification (1)	Increase	Decrease	Foreign exchange gain/(loss)	January 31, 2015
GROSS						
Research and development costs	42,098		21,109	(21,641)	50	41,616
Intangible assets with an indefinite useful life	12,044					12,044
Other intangible assets	14,656	566	671	(74)	556	16,375
TOTAL	68,798	566	21,780	(21,715)	606	70,034

AMORTIZATION						
Research and development costs	(14,743)		(19,910)	21,641		(13,013)
Intangible assets with an indefinite useful life	(73)					(73)
Other intangible assets	(9,505)	(542)	(1,281)	38	(183)	(11,472)
TOTAL	**(24,321)**	**(542)**	**(21,191)**	**21,679**	**(183)**	**(24,558)**
NET CARRYING AMOUNTS						
Research and development costs	27,355		1,198		50	28,603
Intangible assets with an indefinite useful life	11,971					11,971
Other intangible assets	5,151	23	(609)	(36)	373	4,902
TOTAL	**44,477**	**23**	**589**	**(36)**	**423**	**45,477**

(1) The "Reclassification" column refers mainly to office applications previously classified as "Non-current assets."

The net carrying amount of research and development costs in terms of the number of months R&D expenses are incurred was 14.3 months at January 31, 2015, versus 15.4 months at January 31, 2014.

Note 5.3. Tangible non-current assets

CHANGE IN THE GROSS VALUE, AMORTIZATION AND NET VALUE OF TANGIBLE ASSETS

(in thousands of euros)	**January 31, 2014**	**Reclassification (1)**	**Increase**	**Decrease**	**Foreign exchange gain/(loss)**	**January 31, 2015**
GROSS						
Fixtures and fittings	2,845	114	88		73	3,121
Computer hardware and equipment	13,135	(3,040)	1,237	(691)	492	11,134
Office furnishings and other tangible assets	388	2,359	42	(191)	216	2,816
TOTAL	**16,368**	**(566)**	**1,368**	**(881)**	**781**	**17,070**
AMORTIZATION						
Fixtures and fittings	(1,982)	(53)	(191)		(59)	(2,286)
Computer hardware and equipment	(10,550)	2,358	(1,104)	690	(378)	(8,985)
Office furnishings and other tangible assets	(256)	(1,762)	(256)	191	(174)	(2,257)
TOTAL	**(12,788)**	**542**	**(1,551)**	**881**	**(612)**	**(13,528)**
NET CARRYING AMOUNTS						
Fixtures and fittings	863	61	(103)		14	835
Computer hardware and equipment	2,585	(682)	132	(1)	113	2,149
Office furnishings and other tangible assets	131	597	(213)		42	558
TOTAL	**3,579**	**(23)**	**(183)**	**(1)**	**170**	**3,542**

(1) The "Reclassification" column refers mainly to (a) office applications now classified as "Intangible assets" and (b) other tangible assets reclassified as "Office furniture and other tangible assets."

Note 5.4. Deferred tax assets

BREAKDOWN OF DIFFERED INCOME TAX EXPENSE BY TAXABLE BASE

(in thousands of euros)	**January 31, 2015**	**January 31, 2014**
Deferred tax assets		

Tax loss carryforwards	3,077	2,783
Temporary differences related to the treatment of maintenance	3,823	3,424
Provisions for employee benefit obligations	2,135	1,647
Temporary differences related to the treatment of internal sales	606	928
Provisions and other adjustments	257	912
TOTAL DEFERRED TAX ASSETS	**9,898**	**9,694**
Deferred tax liabilities		
Amortisation of acquired intangible assets	(1,024)	(928)
Other	(643)	(430)
TOTAL DEFERRED TAX LIABILITIES	**(1,667)**	**(1,358)**
NET DEFERRED TAX ASSETS	**8,231**	**8,336**

Total non-capitalized deferred tax expense on companies' loss carryforwards unlikely to be recovered come to EUR 896k.The timeframe used for estimating the recoverability of deferred tax assets relating to tax loss carryforwards is five years.

RECONCILIATION OF DEFERRED INCOME TAX EXPENSE ON THE BALANCE SHEET AND ON THE INCOME STATEMENT

(in thousands of euros)	
Net deferred tax assets at the opening date (January 31, 2014)	**8,336**
Deferred tax expenses recorded in the income statement	(1,308)
Deferred tax expenses recognized directly in equity (revised version of IAS 19)	527
Foreign exchange loss on deferred tax expenses	605
Deferred tax expenses related to allocations of goodwill assets and other items	71
NET DEFERRED TAX ASSETS AT THE REPORTING DATE (JANUARY 31, 2015)	**8,231**

Note 5.5. Other non-current assets

BREAKDOWN AND CHANGE OF OTHER NON-CURRENT ASSETS

(in thousands of euros)	January 31, 2014	Other changes	Foreign exchange gain/(loss)	January 31, 2015
Security deposits	1,669	121	147	1,937
Other financial assets	22	(22)		
Shares in non-consolidated companies	56		1	57
TOTAL OTHER NON-CURRENT ASSETS	**1,747**	**99**	**148**	**1,994**

Security deposits held to term include primarily deposits provided for real estate rentals.

Note 5.6. Trade receivables

BREAKDOWN OF TRADE RECEIVABLES AND DEPRECIATION OF TRADE RECEIVABLES

(in thousands of euros)	January 31, 2015	January 31, 2014
Trade receivables	50,728	41,244
Work in progress and unbilled receivables	13,696	15,049
Depreciation of trade receivables	(2,797)	(1,910)
TOTAL TRADE RECEIVABLES, NET OF DEPRECIATION	**61,626**	**54,384**

The Group's clientele includes mainly:

- major industrial corporations, especially companies in the automotive, aerospace and steel industries,;
- government agencies for governmental and defense projects;
- university bodies.

CHANGE IN DEPRECIATION OF TRADE RECEIVABLES *(in thousands of euros)*	January 31, 2014	Provisions	Reversals	Foreign exchange gain/(loss)	January 31, 2015
Depreciation	(1,910)	(1,134)	453	(207)	(2,797)
TOTAL	**(1,910)**	**(1,134)**	**453**	**(207)**	**(2,797)**

AGE OF ACCOUNTS RECEIVABLES

(in thousands of euros)	Year ended January 31, 2015				
	Not yet payable	0-30 days	30-90 days	More than 90 days	Total
Accounts receivables	34,911	7,887	2,350	5,581	50,728
In progress and unbilled receivables	13,696				13,696
Provisions for depreciation of trade receivables	(251)			(2,546)	(2,797)
TOTAL	**48,356**	**7,887**	**2,350**	**3,035**	**61,626**

Total trade receivables not yet due represent 31.2% of annual revenue. This percentage is relatively large on account of the highly seasonal nature of sales, especially toward the end of the fourth quarter.

The amount of receivables in excess of 90 days includes claims on the Chinese state and Chinese public sector customers, whose payment terms are longer.

Note 5.7. Other current receivables

BREAKDOWN OF OTHER CURRENT RECEIVABLES

(in thousands of euros)	January 31, 2015	January 31, 2014
French R&D tax credit	2,269	2,841
Other tax credits	1,907	1,169
VAT and other receivables	5,953	5,322
TOTAL OTHER CURRENT RECEIVABLES	**10,129**	**9,332**

French R&D tax credit receivables at January 31, 2015 stem from the R&D tax credit for the 2014 fiscal year.

Residual amounts (not charged to income tax) relating to the R&D tax credit in respect of 2012 and 2013 were assigned during fiscal 2014 for EUR 2,841 thousand, and have been deconsolidated.

Note 5.8. Prepaid expenses

Prepaid expenses consist primarily of rent for real estate and other property.

Note 5.9. Cash and cash equivalents

(in thousands of euros)	January 31, 2015	January 31, 2014
Cash	11,940	8,663
Other marketable securities		2,051
TOTAL CASH AND CASH EQUIVALENTS	**11,940**	**10,714**

The Group considers investment securities as short-term cash available immediately. Investment securities are expressed in euros and recorded at their net asset value.

Other marketable securities include, mainly, money market mutual funds.

Note 5.10. Equity

Legal capital

At January 31, 2015, ESI Group's legal capital was EUR 17,845k, consisting of 5,948,422 common shares with a par value of 3 euros each.

Dividends

ESI Group did not pay out any dividends during the period.

Treasury shares

The number of shares increased by 6,825 during the fiscal year as part of a liquidity agreement. The percentage of capital held as treasury shares following these transactions stood at 7.1% on January 31, 2015, versus 7.2% on January 31, 2014. The Group owns a total of 421,346 shares of its own stock, purchased at a historical cost of EUR 3,926k and having, as at this same date, a market value of EUR 9,986k, for an unrealized gain of EUR 6,060k. EUR 43,982k in treasury shares and adjustments for gains or losses on past disposals are deducted from equity.

Transactions with non-controlling interests

The Group's capital was impacted by transactions with minority interests in a total amount of EUR 164 thousand, of which EUR 171 thousand for the transaction concerning CyDesign Labs, Inc.

Stock options

Stock options have been authorized by various General Meetings and could potentially dilute ESI Group's legal capital. The table below describes the status of the various plans under which options have been granted but not yet exercised.

Type of plan	Plan 06	Plan 07	Plan 09	Plan 10	Total
	Purchase	Subscription	Subscription	Subscription	
– Number of options eligible to be granted originally	100,000	100,000	200,000	180,000	580,000
– Deadline for stock option grant	Plan ended	Plan ended	Plan ended	June 26, 2015	
– Number of options granted but not exercised at January 31, 2014	70,000	8,000	43,960	126,950	248,910
– Number of new options granted during the fiscal year	-	-	-	11,000	11,000
– Number of options forfeited or cancelled	(70,000)	-	(600)	(17,425)	(88,025)
– Number of options exercised	-	(4,500)	(8,290)	-	(12,790)
– Number of options granted but not exercised at January 31, 2015	-	3,500	35,070	120,525	159,095
Number of performance shares	-	-		*45,400*	*45,400*
MARKET CONDITIONS AT TIME OF STOCK OPTION GRANT					
– Price on grant date	14.94	8.5	8.5	26.99	
– Exercise price	14.22	8.86	8.86	27.82	
– Option expiration date	5	5	5	5	
– Volatility at time of stock option grant	30.0 %	30.0 %	30.0 %	25.0 %	
– Expected dividend rate	0.0 %	0.0 %	0.0 %	0.0 %	
– Risk-free interest rate	4.0 %	4.0 %	4.0 %	1.3 %	
MARKET CONDITIONS AT TIME OF STOCK OPTION GRANT					
– Active employment on exercise date	Yes	Yes	Yes	Yes	
– Performance requirements	Yes	Yes	Yes	Yes	

The total expense incurred in relation to stock options plans for the fiscal year ended January 31, 2015 stands at EUR 113k.

The projected expense for fiscal 2015 is stable at EUR 113 thousand.

Free share awards

The table below lists the free share award plans for executive and non-executive corporate officers in effect during the 2014 fiscal year:

Free share award plans	Free shares eligible to be awarded as at January 31, 2015	As a % of the capital	Free shares awarded as at January 31, 2015	As a % of the capital
Authorization of the AGM held on July 23, 2013	0	0	19,235	0.32
TOTAL	0	0	19,235	0.32

The Board of Directors decided to award 21,755 free shares at its meeting on December 19, 2012. The fair value of the free shares was determined in relation to ESI Group's share price on the award date and valued at EUR 24.31 per free share. Accordingly, a EUR 106k expense was recognized in the financial statements for the 2014 fiscal year. A stable expense of EUR 106k has been budgeted for the 2015 fiscal year. These shares are awarded contingent on attendance.

Note 5.11. Financial debt

Breakdown and maturity of financial debt

As at January 31, 2015	Maturities at January 31					
(in thousands of euros)	2016	2017	2018	2019	2020 and beyond	Total
Bank borrowings	12,239	2,818	2,818	3,094		20,969
Profit-sharing funds	15	144	23	0		182
Repayable advances	355	272	0	0		627
Other long-term liabilities	75	111	137	305	194	822
TOTAL	12,684	3,345	2,978	3,399	194	22,600
CURRENT: 12,684		NON-CURRENT: 9,916				

As at January 31, 2014	Maturities at January 31					
(in thousands of euros)	2015	2016	2017	2018	2019 and beyond	Total
Bank borrowings	11,529	2,821	2,818	2,818	2,794	22,779
Capital lease	8					8
Profit-sharing funds	53	15	19	134		221
Repayable advances	293	310	374	91	624	1,692
Other long-term liabilities						
TOTAL	11,884	3,146	3,211	3,042	3,418	24,701
CURRENT: 11 884		NON-CURRENT: 12,817				

In November 2011, ESI Group entered into a EUR 30 million syndicated loan to refinance the remaining amount owed on the former syndicated loan (tranche A), the acquisitions made during the 2011 fiscal year (tranche B1), as well as future acquisitions (tranche B2). This loan is provided in the form of commercial paper with 1-, 3- or 6-month maturity dates (with a reference rate equal to Euribor rate for the given period) not to exceed the tranches drawn. This arrangement is used to manage the ESI Group's cash flows, which are greatly impacted by the seasonal nature of its business model.

At January 31, 2015, the maximum amount available for new acquisitions was EUR 10.7 million of a total of EUR 30.0 million, EUR 19.3 million have already been drawn out. The amounts drawn are repaid on a straight-line basis over the term of the loan (annual payment).

Tranche B2 has been drawn to date in the amount of EUR 7.1 million. ESI Group drew EUR 0.3 million from tranche B2 in 2014 to finance earn-outs paid on prior acquisitions. A sum of EUR 6.8 million had already been drawn during the period 2011-2013. The remaining amount available will be drawn as acquisitions are made and approved in consultation with the banking syndicate. ESI Group has entered into swaps described in note 5.13 to manage interest rate risk on this loan.

At the end of 2014, to finance the recurring year-end working capital requirement, ESI Group subscribed two short-term facilities in a total amount of EUR 3.0 million and also obtained three lines of commercial paper in the amount of EUR 4.5 million. As of the reporting date, the two facilities were undrawn, and the three commercial paper are not used anymore.

Maturity of financial debt by interest rate type

As at January 31, 2015	Maturities at January 31					
(in thousands of euros)	2016	2017	2018	2019	2020 and beyond	Total
Fixed-rate debt	18	144	23	-	-	185
Variable-rate debt	12,236	2,818	2,818	3,094	-	20,965
No-interest debt	430	383	138	305	194	1,450
TOTAL	**12,684**	**3,345**	**2,978**	**3,399**	**194**	**22,600**
CURRENT: 12,684		**NON-CURRENT: 9,916**				

Maturity of financial debt by currency

As at January 31, 2015	Maturities at January 31					
(in thousands of euros)	2016	2017	2018	2019	2020 and beyond	Total
EUR	12,681	3,345	2,978	3,399	194	22,597
CZK	3					3
TOTAL	**12,684**	**3,345**	**2,978**	**3,399**	**194**	**22,600**
CURRENT: 12,684		**NON-CURRENT: 9,916**				

Note 5.12. Other long term debts

(in thousands of euros)	January 31, 2015	January 31, 2014
Provision for employee benefits	6,849	5,327
Other long-term liabilities	212	493
OTHER NON-CURRENT LIABILITIES	**7,061**	**5,820**

In accordance with legal and contractual requirements, the Group's employees benefit from defined-benefit plans, which are provisioned in the Group's consolidated financial statements.

The main plans subject to measurement under the principles set forth in IAS 19 are as follows:

– Retirement compensation in France;

– Severance pay in Japan, Korea and India.

Change in the provision over the fiscal year

(in thousands of euros)	January 31, 2014	Change in equity (OCI)	Provisions	Reversals	Foreign exchange gain/(loss)	January 31, 2015
Provision for employee benefits	5,327	1,629	72	(406)	227	6,849
TOTAL	**5,327**	**1,629**	**72**	**(406)**	**227**	**6,849**

The change in the provision carried directly to change in equity was due principally to a lower discount rate and an updating of assumptions about employee turnover.

Analysis of the variation in the provision recorded on the balance sheet

(in thousands of euros)	January 31, 2015	January 31, 2014
CHANGE IN THE OBLIGATION		
Obligation at the start of the year	**(5,372)**	**(5,152)**
Service cost	(531)	(514)
Interest expenses	(149)	(152)
Contributions paid by employees	-	-
Benefits paid	148	247
(Losses) and gains from yield to maturity	(1,629)	(34)
Change in plan	567	-
Reduction in plan	261	-
Foreign exchange gain/(loss)	(239)	233
OBLIGATION AT THE REPORTING DATE	**(6,944)**	**(5,372)**
CHANGE IN FAIR VALUE OF ASSETS		
Fair value of assets at the start of the year	**45**	**44**
Calculated return on assets	3	3
Employer contributions	38	5
Benefits paid	(3)	(2)
Actuarial gains and losses	0	0
Foreign exchange gains and other	**11**	**(5)**
FAIR VALUE OF ASSETS AT THE REPORTING DATE	**95**	**45**
NET EXPENSE FOR THE YEAR		
Service cost	(532)	(514)
Finance charges	(146)	(150)
Interest expenses	(149)	(152)
Calculated return on assets	3	3
Change in plan	568	-
Reduction in plan	261	-
NET PENSION (EXPENSE)/INCOME FOR THE YEAR	**151**	**(663)**
PROVISION RECOGNIZED ON THE BALANCE SHEET		
Commitments financed	(1,586)	(682)
Fair value of assets	95	45
Net obligation	**(1,491)**	**(637)**
Commitments not financed	(5,358)	(4,689)
PROVISION)/ASSET AT THE END OF THE YEAR	**(6,849)**	**(5,327)**
CHANGE IN THE PROVISION		
Provision at the start of the year	**(5,327)**	**(5,108)**
Net expense for the year	151	(663)
(Losses) and gains from yield to maturity recorded under equity	(1,629)	(33)
Contributions to funds paid by the employer	38	6
Benefits paid by the employer	146	244
Foreign exchange gain/(loss)	(227)	228
(PROVISION)/ASSET AT THE END OF THE YEAR	**(6,849)**	**(5,327)**

Main assumptions applied

Year ended January 31, 2015	France	Japan	Korea	India
Discount rate	1.30 %	0.50 %	2.40 %	7.90 %
Rate of increase in salaries	2.50 %	3.00 %	3.00 %	8.33 %

Year ended January 31, 2014	France	Japan	Korea	India
Discount rate	2.90 %	1.33 %	3.87 %	9.44 %
Rate of increase in salaries	2.50 %	3.00 %	3.00 %	8.33 %

The discount rates correspond to the AA-rate corporate bond rates in the eurozone, adjusted according to the duration of the Group's commitments for France, and to the rates reported by the central banks of the other countries.

Sensitivity of commitments to fluctuations in the discount rate

(in thousands of euros)	
Obligation -0.5%	7,430
Obligation	6,849
Obligation +0.5%	6,503

(in thousands of euros)	
Total losses and gains from yield to maturity	**(1,629)**
Experience adjustment	(107)
Change in financial assumptions	(1,046)
Change in demographic assumptions	(475)

In France, the Group has outsourced a portion of its obligations to an insurance company. The corresponding financial assets are invested in the insurance company's general assets, which yield financial returns each year corresponding, at a minimum, to the minimum guaranteed rate of return.

Note 5.13. Cash flows hedge instruments

At January 31, 2015, the market value of the instruments described in the following paragraphs was EUR 56k. The accounting principles for changes in the fair value of this instrument are detained in note 2.15. The Group uses hedge accounting for interest rate risks.

To manage the interest rate risk posed by the syndicated loan ESI Group entered the followings swaps:

- EUR 1.2 million (between the variable Euribor 1-month rate and a fixed rate of 3.7%;
- EUR 0.8 million swap between the variable Euribor 1-month rate and a fixed rate of 1.14%.
- EUR 1.4 million swap between the variable Euribor 1-month rate and a fixed rate of 0.94%.
- EUR 1.1 million swap between the variable Euribor 1-month rate and a fixed rate of 1.11%.

The Group receives the variable rate and pays the fixed rate in order to hedge variable interest rates on its loan.

Note 5.14. Accrued compensation and taxes, and other short-term liabilities

(in thousands of euros)	January 31, 2015	January 31, 2014
Employee-related liabilities	10,774	10,220
Tax payables	9,417	7,186
Other current liabilities	3,979	3,742
ACCRUED COMPENSATION AND TAXES, AND OTHER SHORT-TERM LIABILITIES	**24,170**	**21,148**

Tax payables consist primarily of VAT payables in the amount of EUR 7,749k.

Note 5.15. Provisions for contingencies, risks and litigations

Breakdown and change in provisions over the year

The majority of the provisions have been established to mitigate labor-related risks and other risks and expenses related to the Company's business activities.

(in thousands of euros)	January 31, 2014	Provisions	Reversals used	Reversals not used	Exchange difference	January 31, 2015
Disputes	2,094	748	(569)	(15)	73	2,331
CURRENT PROVISIONS FOR LIABILITIES	**2,094**	**748**	**(569)**	**(15)**	**73**	**2,331**

The amount for the year relates mainly to provisions for labor contingencies in France.

Note 5.16. Deferred income

(in thousands of euros)	January 31, 2015	January 31, 2014
Maintenance services to be rendered	18,956	17,124
DEFERRED INCOME	**18,956**	**17,124**

Note 6. Information by region

Revenues are distributed over the regions in which they were effectively earned.

(in thousands of euros)	EMEA	Asia	Americas	Eliminations	Consolidated
YEAR ENDED JANUARY 31, 2015					
External customers	53,480	38,475	19,062	0	111,017
Affiliate companies	66,737	6,700	4,246	(77,683)	0
NET SALES	**123,552**	**40,898**	**24,215**	**(77,683)**	**111,017**
Assets allocated	209,430	33,311	16,164	(87,518)	171,387
YEAR ENDED JANUARY 31, 2014					
External customers	49,448	39,085	20,783	0	109,317
Affiliate companies	54,530	5,832	5,413	(65,775)	0
NET SALES	**103,978**	**44,917**	**26,196**	**(65,775)**	**109,317**
Assets allocated	209,088	24,258	19,063	(93,531)	158,878

Intra-Group transactions consist mainly of royalties paid by the Group's subsidiaries. These royalties are proportional to the revenues of the Licensing Activity and based on the practices observed between software publishers and distributors within the industry covered by ESI Group.

Note 7. Exchange risks

During the fiscal year ended January 31, 2015, 48% of the Group's revenues were earned inside of Europe and 52% outside of Europe with 35% coming from Asia (mainly Japan, South Korea, China and India) and 17% coming from the Americas (mainly the United States but also Brazil, Mexico…). The Group is thus exposed to economic and political uncertainties in these zones. 2014 was especially hard hit by poor business conditions in Russia (the Russo-Ukrainian crisis) and the anti-corruption policy in China (known as "Tiger and Flies").

The Group is also highly exposed to risks stemming from changes in foreign exchange rates. For the fiscal year ended January 31, 2015, 47.5% of revenues were generated in EUR (euro), 14.7% in USD (US dollars), 19.4% in JPY (Japanese yen) and 5.5% in KRW (Korean won).

Furthermore, 53.6% of the costs are spent in EUR (euro), 15.4% in USD (US dollars), 7.3% in JPY (Japanese yen), 6.0% in INR (Indian rupee), 4.2% in CZK (Czech crown) and 3.3% in KRW (Korean won).

The Group's policy aims, whenever possible, to hedge net operating cash flows projected in the budget based on the exchange rate applied for budgetary purposes.

The table below shows the results of sensitivity analysis of EBIT to exchange rate fluctuations. The assumption made is a 10% decline in the average exchange rate applied to all transactions (purchases and sales), with respect to the principal currencies to which the Group is exposed.

Currency	Average consolidation exchange rate	Exchange rate used for analysis	Effect on EBIT in millions of euros
JPY	140.04	154.04	-1.4
KRW	1,383.38	1,521.72	-0.3
CZK	27.57	30.83	-0.2
USD	1.31	1.44	-0.1
INR	80.04	88.05	0.3
CHF	1.20	1.32	0.3

Note 8. Contingent assets and liabilities

Note 8.1. Capital lease commitments

The Group leases a portion of its computer equipment via capital lease or financial lease.

Minimum future lease payments due under capital leases and financial leases are capitalized.

At January 31, 2015 these contracts matured.

Note 8.2. Future lease obligations

The Group leases all of its office buildings that its uses and some of its computer equipment through simple lease contracts. These contracts are not capitalized.

Minimum future lease payments due under lease contracts as of January 31, 2015 are listed below:

Due at January 31 *(in thousands of euros)*	2016	2017	2018	2019	2020 and beyond	Total
Minimum rental payment	4,658	3,829	3,067	2,208	3,989	17,752

Note 8.3. Commitments undertaken

ESI Group pledged 99.98% of the shares of ESI France as collateral in a credit agreement dated November 18, 2011. Following this agreement and the various acquisitions made, ESI Group pledged 91% of the shares of its ESI Software Germany subsidiary (formerly known as IC.IDO) in 2011, 100% of the shares of the OpenCFD subsidiary in 2012 and 75% of the shares of the Cydesign Labs subsidiary.

As long as the Group remains a debtor under the collateral agreement or documents, the borrower agrees, under penalty of early repayment, to adhere to the following ratios:

- Ratio R1: Consolidated net financial debt divided by consolidated EBITDA: less than or equal to 2.50.
- Ratio R2: Consolidated net financial debt divided by consolidated equity: less than or equal to 0.60.
- Ratio R3: Consolidated EBITDA divided by net financial expenses: greater than or equal to 5.

As of January 31, 2015, on the basis of the consolidated financial statements certified by the auditors, the Group was compliant with the ratios described above.

Furthermore, as part of its recurring operational activities, the Company has entered into the following pledges:

- Financial securities (9,602 treasury shares) pledged as collateral for third-party guarantees issued by Crédit du Nord bank totaling EUR 300k.
- Financial securities (80,000 treasury shares) pledged in 2014 as collateral for a promissory note issued by Crédit du Nord bank totaling EUR 1,500k.
- Financial securities (80,000 treasury shares) pledged in 2014 as collateral for a promissory note issued by Société Générale bank totaling EUR 1,500k.
- Rent security deposit established in December 2012 with Crédit du Nord in the amount of EUR 81,906 (lease expires December 2022).
- Rent security deposit established in February 2014 with BNP Paribas in the amount of EUR 64,411 (lease expires October 2016).

Note 9. Other information

Note 9.1. Compensation paid to main executives

Compensation paid to the Group's corporate officers during the fiscal years ended January 31, 2015 and January 31, 2014 can be broken down as follows:

(in thousands of euros)	January 31, 2015	January 31, 2014
Salary	669	581
Bonuses	4	51
Travel bonus	38	93
Fringe benefits	214	149
Directors' fees	16	16
TOTAL	**941**	**890**

Note 9.2. Compensation paid to the statutory auditors

BREAKDOWN OF FEES FOR THE FISCAL YEARS ENDED JANUARY 31, 2014 AND JANUARY 31, 2015

((in thousands of euros, excluding tax)	PricewaterhouseCoopers Audit				Ernst & Young				Total			
	Amount		%		Amount		%		Amount		%	
	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1
AUDIT												
Statutory auditors, certification, review of separate and consolidated financial statements												
– Issuer	159	170	64 %	66 %	175	188	78 %	64 %	333	359	66 %	65 %
– Fully consolidated subsidiaries	81	69	33 %	27 %	86	107	22 %	36 %	167	175	33 %	32 %
Other work and services directly related to the statutory auditors' duties												
– Issuer	7	20	3 %	8 %	0	0	0 %	0 %	7	20	1 %	4 %
– Fully consolidated subsidiaries	0	0	0 %	0 %	0	0	0 %	0 %	0	0	0 %	0 %
AUDIT SUB-TOTAL	**247**	**258**	**100 %**	**100 %**	**261**	**295**	**100 %**	**100 %**	**507**	**554**	**100 %**	**100 %**
OTHER SERVICES RENDERED BY MEMBER FIRMS TO FULLY CONSOLIDATED SUBSIDIARIES												
Legal, tax, social	0	0	0 %	0 %	0	0	0 %	0 %	0	0	0 %	0 %
Other	0	0	0 %	0 %	0	0	0 %	0 %	0	0	0 %	0 %
SUB-TOTAL FOR OTHER SERVICES	**0**	**0**	**0 %**	**0 %**	**0**	**0**	**0 %**	**0 %**	**0**	**0**	**0 %**	**0 %**
TOTAL	**247**	**258**	**100 %**	**100 %**	**261**	**295**	**100 %**	**100 %**	**507**	**554**	**100 %**	**100 %**

On January 31, 2008, ESI Group elected to follow the recommendation of the French Association of Statutory Auditors (CNCC) from December 2007 and to record, at the reporting date, the expenses related to audit fees corresponding to services actually rendered during the period. Total audit fees paid by the issuer to the statutory auditors for the fiscal year ended January 31, 2015 are equal to EUR 306k.

5.1.6. Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the group's management report.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended January 31, 2015

To the Shareholders,
In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended January 31, 2015, on:

– the audit of the accompanying consolidated financial statements of ESI Group;

– the justification of our assessments;

– the specific verification required by law.

These consolidated financial statements have been approved by your board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at January 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Development costs

As part of our assessments of the accounting principles followed by your company, we reviewed the criteria used for capitalizing and amortizing development expense and measuring the recoverable amount. We ensured that notes 2.8 and 4.2 to the consolidated financial statements give appropriate information.

Impairment testing of intangible assets

At each financial year end, your company systematically performs impairment tests on goodwill and assets with indefinite useful lives, and also assesses whether there is an indication of impairment of these assets, as described in notes 2.9 and 2.13 to the consolidated statements.

We reviewed the impairment testing method as well as the cash flow projections and assumptions used for the tests and ensured that the information given in notes 2.9 and 2.13 is appropriate.

Deferred tax assets

Note 2.17 to the consolidated statements presents the accounting rules and methods adopted with respect to the deferred tax assets accounting and valuation. Our work consisted in assessing the data and assumptions underlying the estimation of the deferred tax assets value.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, May 22, 2015

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit	Ernst&Young Audit
Pierre Marty	Frédéric Martineau

5.2. ESI Group SA annual financial statements

5.2.1. Income Statement as at January 31, 2015

Income statement (in list form)

(In euros) Items	France	Exports	January 31, 2015	January 31, 2014
Sales of goods held for resale		179,658	179,658	3,358
Sales of manufactured products and service sales				
– Goods				
– Services	8,561,187	59,746,560	68,307,747	65,740,195
NET REVENUES	**8,561,187**	**59,926,218**	**68,487,405**	**65,743,552**
Production held as inventory			657,310	407,584
Self-created assets			21,595,695	19,170,242
Operating subsidies			99,088	60,498
Reversals of depreciation, amortization, and provisions, expense transfers			716,244	128,551
Other income			858	743
SALES FROM OPERATIONS			**91,556,603**	**85,511,172**
Purchases of goods (including customs duties)			137,076	3,730
Change in inventory (goods)				
Purchases of raw materials and other supplies (and customs duties)			63,662	
Changes in inventory (raw materials and supplies)			(51,648)	24,111
Other purchases and external expenses			45,826,133	44,269,819
Income tax expense other than on income			1,260,826	1,187,150
Wages and salaries			12,446,007	12,200,768
Social security taxes			5,772,990	5,652,434
Depreciation and amortization of non-current assets			22,118,342	19,011,171
Provisions				
– on current assets			4,067,566	219,389
– for contingencies and charges			308,477	1,555,000
Other expenses			453,428	220,260
OPERATING EXPENSES			**92,402,860**	**84,343,831**
OPERATING PROFIT			**(846,257)**	**1,167,342**
Intercompany income			141,487	3,851,721
Income from other securities and receivables from non-current assets			6,460	686
Other interest and similar income			56,301	16,023
Provision reversals and expense transfers			905,387	1,046,331
Foreign exchange gains			2,036,815	2,327,471

Net gains from sales of marketable securities			768	1,507
FINANCIAL INCOME			3,147,218	7,243,739
Financial amortization allowances and provisions			872,547	913,889
Interest expense			613,751	627,494
Foreign exchange losses			1,370,360	1,678,169
Net losses from sales of marketable securities				
INTEREST AND OTHER FINANCE CHARGES			2,856,658	3,219,552
FINANCIAL RESULT			290,560	4,024,188
CURRENT INCOME BEFORE TAX			(555,697)	5,191,530

Income statement (cont.)

Items	January 31, 2015	January 31, 2014
Non-recurring income from management transactions	65,923	18,211
Non-recurring income from capital transactions	20,922	348,990
Provision reversals and expense transfers		
NON-RECURRING INCOME	86,846	367,201
Non-recurring expenses from management transactions	83,132	4,770
Non-recurring expenses from capital transactions	32,037	207,294
Non-recurring amortization allowances and provisions	200,216	140,628
NON-RECURRING EXPENSES	315,385	352,692
EXCEPTIONAL PROFIT	(228,539)	14,509
Employee profit-sharing		
Income tax	(1,865,499)	(1,427,906)
TOTAL INCOME	94,790,666	93,122,113
TOTAL EXPENSES	93,709,403	86,488,168
PROFIT OR LOSS	1,081,263	6,633,945

5.2.2. Balance sheet as at January 31, 2015

Assets (in euros)

(In euros) Items	Gross	Amortization	January 31, 2015	January 31, 2014
INTANGIBLE ASSETS	**67,740,558**	**21,273,225**	**46,467,333**	**46,106,164**
Start-up costs				
Research and development costs	27,835,556	13,454,307	14,381,250	18,678,801
Franchises, patents, licenses and other similar rights	24,656,690	7,746,371	16,910,319	16,972,293
Goodwill	1,027,970	72,547	955,423	955,423
Other intangible assets	14,220,341		14,220,341	9,499,647
Intangible advances and prepaids				

TANGIBLE NON-CURRENT ASSETS	**7,101,462**	**5,453,475**	**1,647,987**	**1,317,407**
Land				
Buildings				
Machinery and equipment				
Other tangible non-current assets	7,101,462	5,453,475	1,647,987	1,256,627
In-progress tangible assets				60,780
Advances and prepaids				
INVESTMENTS	**46,646,349**	**3,946,652**	**42,699,698**	**40,018,296**
Controlling interests accounted for by the equity method				
Other controlling interests	31,397,204	2,048,372	29,348,833	28,194,922
Intercompany receivables	14,164,046	1,898,280	12,265,766	10,370,882
Other fixed securities	15		15	15
Loans	452,303		452,303	786,973
Other investments	632,781		632,781	665,504
NON-CURRENT ASSETS	**121,488,369**	**30,673,352**	**90,815,018**	**87,441,867**
INVENTORIES	**1,885,165**	**0**	**1,885,165**	**2,001,425**
Raw materials and supplies	82,364		82,364	30,715
Work in progress, goods				
Work in progress, services	1,741,549		1,741,549	1,883,638
Finished and semi-finished goods				
Goods held for resale				
Down payments to suppliers	61,253		61,253	87,072
RECEIVABLES	**56,289,353**	**4,563,856**	**51,725,497**	**52,797,801**
Trade receivables	48,753,511	4,467,676	44,285,835	45,259,133
Other receivables	7,535,842	96,180	7,439,662	7,538,668
Shares subscribed, called and unpaid				
MISCELLANEOUS	**6,182,842**	**0**	**6,182,842**	**9,389,137**
Marketable securities	3,915,400		3,915,400	5,708,498
– *Of which treasury stock:*	*3,915,400*			
Cash	2,267,442		2,267,442	3,680,639
ADJUSTMENT ACCOUNTS	**1,977,333**		**1,977,333**	**1,617,321**
Prepaid expenses	1,977,333		1,977,333	1,617,321
CURRENT ASSETS	**66,334,694**	**4,563,856**	**61,770,838**	**65,805,684**
Expenses capitalized, to be amortized	189,005		189,005	238,779
Bond discounts to be amortized				
Foreign exchange gains and losses	872,547	0	872,547	902,961
OVERALL TOTAL	**188,884,615**	**35,237,208**	**153,647,407**	**154,389,292**

Liabilities and equity (in euros)

Items	January 31, 2015	January 31, 2014
Individual or legal capital	17,845,266	17,806,896
Of which actual payments of capital:	*17,845,266*	*17,806,896*
Additional paid-in capital	37 429 642	37,354,693
Revaluation of assets above historical costs (including equity method evaluation difference)		
Legal reserve	1,587,705	1,256,008
Statutory or contractual reserves		
Regulated reserves (including foreign exchange rate provision)		
Other reserves (including purchase of original works)		
Retained earnings	29,209,639	22,907,391
Profit (loss) for the period	**1,081,263**	**6,633,945**
Investment subsidies		
Regulated provisions	541,346	341,131
EQUITY	**87,694,862**	**86,300,064**
Proceeds from the issue of equity instruments		
Conditional advances	370,674	319,460
OTHER EQUITY	**370,674**	**319,460**
Provisions for contingencies	2,365,639	2,457,961
Provisions for losses		
CONTINGENCY AND LOSS PROVISIONS	**2,365,639**	**2,457,961**
FINANCIAL DEBT	**23,056,227**	**26,115,701**
Convertible bond debentures		
Other debenture bonds		
Bank borrowings	12,633,434	15,827,460
Various debs (including equity loans)	10,197,167	10,081,715
Down payments from clients	225,626	206,525
OPERATING LIABILITIES	**27,341,031**	**28,994,499**
Trade payables	21,971,523	23,590,679
Tax liabilities, liabilities to personnel and other social liabilities	5,369,508	5,403,821
MISCELLANEOUS LIABILITIES	**8,658,187**	**9,172,096**
Liabilities to fixed asset suppliers, including unpaid amounts on subscribed investment shares	680,816	325,927
Other liabilities	7,977,372	8,846,169
ADJUSTMENT ACCOUNTS	**168,125**	**625,017**
Deferred income	168,125	625,017
LIABILITIES	**59,223,571**	**64,907,314**
Foreign exchange gains and losses	3,992,661	404,494
OVERALL TOTAL	**153,647,406**	**154,389,292**

5.2.3. Notes to the annual financial statements of ESI Group SA

The balance sheet total at January 31, 2015 was EUR 153,647,406.22 and the income statement for the fiscal year showed a profit of EUR 1,081,263.08.

The fiscal year spanned 12 months, from February 1, 2014 to January 31, 2015.

The financial statements have been prepared in accordance with the General Accounting Plan (*Plan Comptable Général*) and generally accepted accounting principles (General Accounting Plan Art. 831-1). (French GAAP)

All amounts listed in these notes are in thousands of euros unless otherwise indicated.

The notes below are an integral part of the annual financial statements.

Note A. Significant events during the year

Significant transactions related to controlled entities

- Since February 1, 2014 the AVIC ESI (Beijing) Technology Co., Ltd Joint Venture has been in effect, with ESI Group owning 45%.
- On April 30, 2014, ESI Group acquired 12.66% of CyDesign Labs Inc., thereby bringing its stake in that company to 99.2%.

Other significant transactions

Not applicable.

Note B. Accounting policies and principles

Accounting policies and principles are unchanged from the previous fiscal year.

Generally accepted accounting conventions have been applied in line with the principle of prudence, according to:

- Underlying assumptions:
  - Going concern;
  - Consistency in accounting methods from one year to the next;
  - Cut-off of the fiscal year;
- General rules for the preparation and presentation of annual financial statements: the basic method used to assign values to the items recorded in the financial statements is the historical cost method.

Note B.1. Intangible assets

Research and development costs

Internal research and development costs are recorded as expenses in the income statement following the nature of the expense method; for costs of research and development performed by providers forming part of the Group or third party vendors, these costs are recorded as subcontracting expenses in the income statement.

All internal expenses related to research and development work incurred during the fiscal year (salaries, environment-related costs and expenses) are capitalized and recognized as self-created assets.

Capitalization is performed on a per-project basis. Only projects meeting the six criteria for capitalization defined in the regulations on assets are capitalized as assets. Research and development projects or the portion of expenses not meeting all of the six criteria continue to be recognized as expenses. Amortization begins at delivery of the project. Projects that are unfinished at the reporting date are capitalized as work in progress.

Projects involving the development of new versions delivered on a yearly basis are amortized over 12 months.

Projects involving the development of new, significant features, which represent investments, are amortized over 24 months.

Amortization begins at release of the version.

If there is a risk that a project will not be marketed, a provision for depreciation equivalent to the net carrying amount is recorded.

At the end of the amortization period, research and development costs are removed from the asset line.

Other intangible assets

Other intangible assets (patents, software, etc.) are amortized according to the straight-line method according to their estimated useful life.

Office and similar software applications	1 year on a straight-line basis
Other software	3 years on a straight-line basis
Code (excluding assets with an indefinite useful life)	5 years on a straight-line basis

Assets with an indefinite useful life (including goodwill) are not amortized. They are recorded on the balance sheet at their gross carrying amount. They are subject to impairment tests if there are signs of impairment or at least once per year. For purposes of these tests, they are integrated into cash generating units (CGUs), which represent a homogeneous group of assets that generate identifiable cash flows. A provision based on the difference between the calculated value and the carrying amount is recorded if applicable.

Accelerated capital allowances

The acquisition costs incurred during fiscal years ended beginning on January 31, 2009 and related to the purchase of shares in controlled entities are recorded, for tax purposes, at the cost of the shares and deducted, through accelerated capital allowances, over a period of five years (Art. 21; French General Tax Code Art. 209-VII, December 2006).

Note B.2. Tangible non-current assets

Tangible non-current assets are measured at their net purchase price (purchase price plus related expenses).

Amortization for depreciation is calculated according to estimated useful life:

General facilities	6 years on a straight-line basis
Fixtures and fittings, miscellaneous building work	10 years on a straight-line basis
Transportation equipment	5 years on a straight-line basis
Office equipment	3 years on a straight-line basis
New computer equipment	3 years on a double-declining balance basis
Used computer equipment	1 year on a straight-line basis
Furnishings	5-10 years on a straight-line basis

Note B.3. Intercompany investments and other investments

– The "other intercompany investments" item corresponds to the historic cost of shares held in other companies.

  At the reporting date, if the remeasured value of the shares is less than their purchase price, a provision is established for the difference.

  This value is calculated by the Company based on a multiple of estimated revenues and is adjusted for the cash and cash equivalents of the company in question.

  If the value calculated above for a subsidiary is provisioned and there is a negative net position for this same subsidiary, the negative net position of the subsidiary will also be provisioned. These provisions are deducted from trade receivables, equity securities and, where applicable, the balance is recorded under provision for contingencies.

  Intercompany receivables are provisioned if there is a risk of non-recovery. No provision of this type was recorded during the fiscal year.

– Other investments include deposits and securities.

Note B.4. Supply inventories

Other supplies are valued at cost according to the first in, first out method.

Note B.5. Work in progress

Work in progress is valued at production cost following the percentage of completion method.

Note B.6. Trade and other receivables

Receivables are measured at their par value. A depreciation provision is established if market value is less than their carrying amount. Any provisions are determined on a case-by-case basis.

Note B.7. Contingency and loss provisions

The amount these provisions represent is calculated based on assessment of the risks at the balance sheet date. The Company complies with Regulation No. 00-06 of December 7, 2000 with regard to liabilities.

Note B.8. Foreign currency transactions

Income and expenses in foreign currency are recorded at their exchange value as at the date of the transaction. Liabilities, receivables and cash in foreign currency are recorded on the balance sheet at the exchange value prevailing at the balance sheet date.

The difference resulting from the conversion of the debts and receivables in currencies at this final exchange rate is recorded on the balance sheet as a "currency translation adjustment."

A provision for contingencies is recorded for foreign exchange gains and losses.

Note B.9. Hedging of exchange risks

ESI Group uses financial instruments to hedge its exposure to the risk of fluctuation in exchange rates. ESI Group's policy is to trade in the financial markets only in order to hedge its business-related obligations and not for speculative purposes.

Gains or losses stemming from the financial instruments used as part of hedging operations are determined and recorded in line with the recording of income and expenses on the items hedged.

Given the amounts the Group pays out and receives in foreign currencies as part of its business dealings, especially in the Japanese yen and the US dollar, ESI Group may use forward purchase and sale agreements and/or currency options to protect itself from exchange rate fluctuations.

Note B.10. Marketable securities

Marketable securities are recorded at their net purchase price. If, at the balance sheet date, the net asset value is less than the acquisition value, a provision for depreciation is recorded for the difference.

Note B.11. Accounting treatment of European projects

For European projects in progress, the rate of completion of the project is determined, making it possible to define the anticipated revenue; this revenue is recorded progressively as the project is completed.

Note B.12. Recognition of revenues

Revenues from software sales stems from royalties paid under licensing agreements granted to end customers and related maintenance services.

Revenue from user licenses is recorded if:

- The Group can demonstrate the existence of an agreement;
- The software has been delivered and accepted;
- The amount represented by the user license for the software is determined or determinable;
- Recovery is likely.

Revenue from services consists mainly of consulting and training fees. Revenues from services are recognized according to the percentage of completion method. Associated costs are recorded as expenses progressively as they are incurred based on project progress. A provision for losses on completion is recorded if necessary.

Note C. Notes on asset items on the balance sheet

Note C.1. Non-current assets

(in thousands of euros)	Intangible	Tangible	Financial	Total
Gross value as at February 1st, 2014	**67,418**	**6,303**	**43,967**	**117,689**
Acquisitions, increases	367	800	2,679	3,846
Acquisitions, R&D increases	21,596			21,596
Disposals/item-to-item transfers and scrap		(2)		(2)
R&D disposals	(21,641)			(21,641)
Gross value as at January 31, 2015	**67,741**	**7,101**	**46,646**	**121,488**
Amortization and provision at February 1st, 2014	**21,312**	**4,986**	**3,949**	**30,248**
R&D allowances for the year	20,905			20,905
Net allowances for the year	697	467		1,164
Provisions for the year				
Reversal of provisions for the year			(2)	(2)
Disposals				
R&D disposals	(21,641)			(21,641)
Amortization and provision at January 31, 2015	**21,273**	**5,454**	**3,947**	**30,673**
Net value as at 1/31/2015	**46,468**	**1,648**	**42,700**	**90,815**

ESI Group has EUR 657k in goodwill. This amount represents the acquisition on July 26, 1991 to the company Engineering System International, of the branch specializing in the edition of digital simulation software (Product in Applied Mechanics). It has not be depreciated or amortized since this date.

Movements in intangible non-current assets

Gross increases in intangible assets may be broken down as follows:

(in thousands of euros)	Amount
Capitalized research and development costs	21,596
Franchises and patents	367
Total	**21,963**

The EUR 367k increase in franchises and patents corresponds primarily to the acquisition of a variety of IT licenses, particularly the Talentia software suite for reporting and consolidation, put into operation during the period.

Gross reductions in intangible assets consist primarily of EUR 21,641k for research and development costs fully amortized at January 31, 2015 and taken off the balance sheet.

Movements in tangible non-current assets

The increase in tangible non-current assets is broken down as follows:

(in thousands of euros)	Amount
Acquisitions of fixtures and fittings	58
Office and computer equipment	742
TOTAL	**800**

Investments/financial assets

This item, totaling EUR 46,646k, includes EUR 31,397k in shares (see item C.2), EUR 14,164k in receivables related to subsidiaries and affiliates (see item C.2), a loan to the managers of ESI Software Germany in the amount of EUR 382k with the associated interest in the amount of EUR 41k, EUR 11k in treasury stock (liquidity contract), as well as deposits and securities related to the facilities in Paris, Aix, Lyon and Rungis.

Note C.2. Intercompany investments

Movements in shares/equity investments (gross)

(in thousands of euros)	As at February 1, 2014	Increase	Decrease	As at January 31, 2015
Engineering System International	458			458
Nihon ESI K.K.	75			75
ESI North America, Inc.	3,726			3,726
ESI UK Limited	164			164
Calcom ESI SA	2,678			2,678
Hankook ESI Co., Ltd	941			941
ESI Group Hispania SL	100			100
MECAS ESI s.r.o.	912			912
Straco	1,789			1,789
ESI US Holdings, Inc.	796			796
Zhong Guo ESI Co., Ltd	193			193
Frais Zhong Guo ESI Co., Ltd	2			2
ESI Software (India) Private Limited	2			2
ESI US R&D, Inc.	111			111
Hong Kong ESI Co., Ltd	119			119
Frais Hong Kong ESI Co., Ltd	2			2
ESI ATE Holdings Ltd	1,737			1,737

Frais ESI ATE Holdings Ltd	56			56
ESI Italia SRL	656			656
ESI South America Comércio e Serviços de Informática Ltda	6			6
ESI Services Tunisie	128			128
Frais ESI Services Tunisie	8			8
ESI Group Beijing Co., Ltd	543			543
ESI Software Germany GmbH	9,509	382		9,891
Frais ESI Software Germany GmbH	322			322
Efield AB	214	87		301
Frais Efield AB	129			129
OpenCFD Limited	2,351			2,351
Frais OpenCFD Limited	162			162
CyDesign Labs, Inc.	1,829	75		1,904
Frais CyDesign Labs, Inc.	283			283
ESI Services Vietnam Co., Ltd	91	33		124
Frais ESI Services Vietnam Co., Ltd	14			14
Frais AVIC ESI (Beijing) Technology Co., Ltd	87			87
AVIC ESI (Beijing) Technology Co., Ltd		576		576
Cadence	50			50
TOTAL	**30,243**	**1,153**		**31,396**

Fluctuations in shares/equity investments are described under note A "Significant events during the year".

Intercompany receivables	**Amount (gross)**	**Rate**
Loan ESI North America, Inc. 9,700 KUSD	8,580	6-month Libor $ + 1% lending margin
Loan Hong Kong ESI 1,124 KUSD (1)	994	6-month Libor $ + 1% lending margin
Loan ESI Group Hispania SL	1,020	Profit-sharing loan capped at 5%
Loan ESIATE Holdings 2,271 KUSD (2)	2,009	6-month Libor $ + 1% lending margin
Loan ESI Software Germany (IC.IDO)	1,561	3-month Libor EUR + 1.85% lending margin
TOTAL	**14,164**	

(1) This loan was depreciated by EUR 694k in response to a subsidiary's risk.
(2) This loan was depreciated by EUR 1,204k in response to a subsidiary's risk.

Movements in the provision for shares/equity investments

(in thousands of euros)	**As at February 1, 2014**	**Increase**	**Reversal**		**As at January 31, 2015**
			Used	Unused	
ESI ATE Holdings Ltd	1,737		-		1,737
Hong Kong ESI	119		-		119
Zhong Guo Co., Ltd	193		-		193
TOTAL	**2,049**	**-**	**-**	**-**	**2,049**

Note C.3. Work in progress

Work in progress corresponds to research and development studies currently in progress as at January 31, 2015 and measured according to the percentage of completion method.

Note C.4. Receivables – Provisions for receivables

The statement of receivables is presented as follows:

(in thousands of euros)	Gross	Up to 1 year	1 year to 5 years
Group loans	14,164		14,164
Loans	452		452
Treasury stock	11	11	
Other investments	622	10	612
Doubtful or disputed receivables	4,450	3,540	910
Trade receivables	9,493	8,975	518
Trade receivables with affiliate companies	34,811	34,462	349
Personnel and related receivables	27	27	
Social security and other social welfare agencies	6	6	
Income tax receivable – advance payments	814	814	
2014 R&D tax credit receivable	2,269		2,269
Claim in respect of the competitiveness and employment tax credit	125		125
Other tax credits	60	60	
Value added tax (VAT)	1,047	1,047	
Business tax (*taxe professionnelle*)	15	15	
CyDesign Labs, Inc. current account	121	121	
Trade payables, credit notes to be received	35	35	
Trade payables, credit notes to be received in respect of affiliated companies	34	34	
Co-financed projects	2,951	2,951	
Miscellaneous receivables	29	29	
Prepaid expenses	1,977	1,977	
TOTAL	**73,515**	**54,115**	**19,400**

(in thousands of euros)	As at February 1, 2014	Increase	Reversal		As at January 31, 2015
			Used	Unused	
Provisions for doubtful receivables	775	3,971	252	27	4,468

Note C.5. Marketable securities and treasury stock held

Marketable securities

	Carrying amount	Net asset value	Unrealized gain or loss
Treasury stock (1)	3,926	9,986	6,060
TOTAL	**3,926**	**9,986**	**6,060**

(1) Of which EUR 11k in other investments – 169,602 shares are pledged.

Change in the number of treasury shares

As at February 1, 2013	Increase	Decrease	As at January 31, 2015
414,521	92,827	86,002	421,346

As at January 31, 2015, the net asset value of the 421,346 treasury shares owned stands at EUR 9,985,900 for an unrealized gain of EUR 6,059,717. The decrease is primarily the result of the sale of treasury stock under a liquidity contract.

Note C.6. Prepaid expenses and expenses capitalized, to be amortized

(in thousands of euros)	Amount	Observations
Prepaid rent	263	
Other prepaid expenses	1,714	
Debt issue expenses	189	Amortization over the term of the loan
TOTAL	**2,166**	

Note C.7. Foreign exchange gains and losses

These gains and losses pertain to the following balance sheet items:

(in thousands of euros)	Amount
Trade receivables	61
Trade payables	712
Intercompany debts	8
Current accounts	91
TOTAL	**873**

Note D. Notes on liabilities items on the balance sheet

Note D.1. Equity

The main movements during the fiscal year are summarized in the table below:

(in euros)	As at February 1, 2014	Allocation of 2013 profit,	Other movements		As at January 31, 2015
			Increase	Decrease	
Capital	17,806,896		38,370		17,845,266
Share premium	24,823,601		74,949		24,898,551
ESI Soft merger premium	9,676,883				9,676,883
Systus merger premium	2,854,209				2,854,209
Legal reserve	1,256,008	331,697			1,587,705
Retained earnings	22,907,391	6,302,248			29,209,639
Net profit for the year	6,633,945	(6,633,945)	1,081,263		1,081,263
Regulated provisions	341,131		200,216		541,347
TOTAL	**86,300,064**	**-**	**1,394,798**	**-**	**87,694,862**

Note D.2. Legal capital

	Number of shares		
	at the end of the fiscal year	created during the fiscal year	repaid during the fiscal year
Common shares (par value of EUR 3)	5,948,422	12,790	-
Of which preferred shares (double voting rights)	2,156,155		-

The increase in capital is attributable to the exercise of share subscription options for 12,790 shares.

Note D.3. Regulated provisions

This item consists of accelerated capital allowances. These accelerated capital allowances on the balance sheet correspond to the difference between tax-related amortization and amortization for depreciation. This amortization also corresponds to amortization of the purchase cost of shares.

The counterweight of these regulated provisions is offset in the income statement under exceptional allowances and reversals.

Note D.4. Conditional advances

This item, amounting to EUR 319k, is broken down in the table below:

(in thousands of euros)	**Amount**	**Up to 1 year**	**1 year to 5 years**	**More than 5 years**
Ademe advance financing agreement	162		162	
Oséo advance	209	11	198	
TOTAL	**371**	**11**	**360**	**0**

Note D.5. Provisions for contingencies

Provisions for contingencies may be broken down as shown in the table below:

(in thousands of euros)	**As at February 1, 2014**	**Increase**	**Reversal**		**As at January 31, 2015**
			used	unused	
Foreign exchange gains and losses (note C.7)	903	873	903		873
Provisions for contingencies and charges (operating)	1,555	308	355	15	1,493
TOTAL	**2,458**	**1,181**	**1,258**	**15**	**2,366**

The provision for contingencies primarily includes a risk on a tax audit and disputes with employees and former employees. At the time of writing, ESI Group had received a proposed tax adjustment for the years 2009 to 2011, and disputes all motives for the proposed adjustments.

Note D.6. Statement of liabilities

The statement of liabilities is presented as follows:

(in thousands of euros)	**Amount**	**Up to 1 year**	**1 year to 5 years**	**More than 5 years**
Borrowings and financial debt (D.7)	12,633	3,904	8,729	
Borrowings and miscellaneous financial debt (D.8)	10,151	9,755	396	
Intercompany payables (D.8)	46	46		
Trade payables	5,225	5,225		
Trade payables, before minority interests	16,747	16,747		
Personnel and related receivables (D.9)	2,649	2,649		
Social security and other social welfare agencies (D.9)	913	913		

Net value added tax (D.9)	1,254	1,254		
Net other income tax expense (D.9)	554	554		
Liabilities to fixed asset suppliers, including unpaid amounts on subscribed investment shares	681	681		
Amounts due to Group companies and associates (D.10)	5,742	5,742		
Other operating payables (D.10)	2,235	2,235		
Deferred income (D.11)	168	168		
TOTAL	**58,998**	**49,872**	**9,126**	**0**

Note D.7. Bank borrowings

Total bank borrowings at January 31, 2015 represent, mainly the loan taken out in November 2011.

This loan is provided in the form of commercial paper with one-, three- or six-month maturity dates (with a reference rate equal to the Euribor rate for the given period) not to exceed the tranches drawn. The maximum amounts available (EUR 11.6 million at January 31, 2015) are amortized on a straight-line basis throughout the term of the loan. This arrangement is used to manage the ESI Group's cash flows, which are greatly impacted by the seasonal nature of its business model.

The obligations related to this loan are described under item F.8.

(in thousands of euros)	Amount	Start	End	Repayment	Rate
Loan Tranche A – EUR 5,000k	2,855	11/18/2011	11/18/2018	Annual	1-month Libor EUR + 1.85% lending margin
Loan Tranche B1 – EUR 7,200k	4,111	11/18/2011	11/18/2018	Annual	1-month Libor EUR + 1.85% lending margin
Loan Tranche B2 – EUR 17,800k	4,581	11/18/2011	11/18/2018	Annual	1-month Libor EUR + 1.85% lending margin
Interest accrued on borrowings	18			-	-
Short-term bank borrowings	1,068			-	-
TOTAL	**12,633**				

Note D.8. Borrowings and miscellaneous financial debt

This item, totaling EUR 10,197k, is broken down according to the table below:

(in thousands of euros)	Amount	Up to 1 year	1 year to 5 years	More than 5 years
Liabilities corresponding to Coface financing (1)	626	355	271	
Deferred payment for purchase of CyDesign Labs shares	46	46		
Intercompany payables/interest accrued	125		125	
Commercial paper (2)	9,400	9,400		
TOTAL	**10,197**	**9,801**	**396**	

(1) Under a marketing insurance policy (repayable advance).
(2) Past due in March 2015 in the amount of EUR 7,500k, and in April 2015 in the amount of EUR 1,900k.

Note D.9. Tax payables and employee-related liabilities

This item comprises the following components:

(in thousands of euros)	Amount
Provision for paid leave, including expenses	1,969
Provision for bonuses to be paid to employees, including expenses	680
Social welfare agencies, etc.	913
VAT collected on customer invoices	1,254

Training, apprenticeship and construction-related taxes	267
Business tax (*taxe professionnelle*)	58
Organic	120
Other tax payables and employee-related liabilities	108
TOTAL	**5,370**

Note D.10. Other operating payables

This item, totaling EUR 7,977k, may be broken down as follows:

(in thousands of euros)	**As at February 1, 2014**	**Increase**	**Decrease**	**As at January 31, 2015**
STRACO (subsidiary) current account	560		1	559
MECAS ESI s.r.o. current account	273	827		1,100
Engineering System International current account	2,778		1,153	1,625
ESI Italia SRL current account	400			400
Engineering System International GmbH current account	1,073	113		1,186
OpenCFD Ltd current account	828	44		872
Efield AB current account	457		25	432
CyDesign Labs, Inc. current account	424		424	0
Advance payments from customers, special projects	1,875		160	1,716
Trade credit notes to be issued, excluding minority interests	125		113	12
Trade credit notes to be issued, minority interests	0	4		4
Other liabilities	55	16		71
TOTAL	**8,846**	**1,006**	**1,875**	**7,977**

Note D.11. Deferred income

This item, totaling EUR 168k, pertains to income from operations.

Note D.12. Foreign exchange gains and losses

These gains and losses pertain to the following balance sheet items:

(in thousands of euros)	**Amount**
Trade receivables	2,421
Trade payables	26
Intercompany receivables	1,487
Current accounts	59
TOTAL	**3,993**

Note D.13. Accrued expenses and income

(in thousands of euros)	**Amount**
Borrowings and financial debts	36
Trade payables	7,720
Provision for paid leave, including expenses	1,969
Provision for bonuses to be paid to employees, including expenses	680
Other tax expenses	174

Other liabilities (advances on co-financed projects)	1,716
Other liabilities (assets with customers of the Group)	12
TOTAL	**12,307**

(in thousands of euros)	**Amount**
Unbilled receivables	2,091
Unbilled receivables with affiliate companies	734
Vendor credit notes to be issued	34
Vendor credit notes to be issued with affiliate companies	34
Miscellaneous income	25
TOTAL	**2,919**

Note E. Notes on the income statement

Note E.1. Income from operations

Revenues include the following items:

Description of source of revenues	*(in millions of euros)*	%	Observations
Royalties	47.9	70 %	Licenses sold by the distribution subsidiaries of ESI Group
Sales of licenses	9.8	14 %	Licenses sold directly by ESI Group
Sub-contracting, consulting and other income	2.2	3 %	Consulting sold directly by ESI Group
Sub-contracting, consulting and other Group income	3.1	5 %	Invoiced to the subsidiaries
Income from related activities	1.4	2 %	Rebilling of expenses to subsidiaries
Services	4.1	6 %	Subsidiaries holding fees
TOTAL	**68.5**	**100 %**	

Revenues may be broken down by region as follows:

Region	*(in thousands of euros)*	%
France	8.6	13 %
Europe (except France)	23.7	35 %
Americas	12.2	18 %
Asia	24.0	35 %
TOTAL	**68.5**	**100 %**

Note E.2. Other income from operations

This item consists mainly of EUR 21,596k in research and development costs capitalized during the fiscal year, broken down below:

Description *(in thousands of euros)*	
Production held as inventory	657
Self-created assets	21,596
Excess depreciation and recovery on provisions charged in prior periods	649
Transfers of expenses related to salaries/employee benefits expense/fringe benefits	21

Other expense transfers	47
Subsidies	99
TOTAL OTHER INCOME	**23,069**

Note E.3. Other purchases and external expenses

Description	*(in thousands of euros)*	%	Observations
Engineering and services	6,040	13 %	
Group's engineering and services	15,223	33 %	(1)
Research and development costs	13,169	29 %	(1)
Materials and supplies	267	1 %	
Capital leases, rental and rental expenses	3,312	7 %	
Maintenance and repairs	1,244	3 %	
Insurance	278	1 %	
Payments to intermediaries and fees	1,832	4 %	
Cost of sales	1,069	2 %	(2)
Advertising, external relations	777	2 %	
Travel expenses	1,779	4 %	
Postage, telecommunications expenses	449	1 %	
Miscellaneous	386	1 %	
TOTAL	**45,826**	**100 %**	

(1) Subsidiaries of the Group
(2) Royalties on third-party products and sales commissions.

Note E.4. Fees paid to the statutory auditors

Total fees paid to the statutory auditors and recorded on the income statement for the fiscal year may be broken down as follows:

Service	Ernst & Young		PricewaterhouseCoopers Audit		Total	
Reporting date	01/31/2015	**01/31/2014**	01/31/2015	**01/31/2014**	01/31/2015	**01/31/2014**
Certification of consolidated and separate financial statements	175	188	159	170	333	359
Related assignments	0	0	7	20	7	20
TOTAL	**175**	**188**	**166**	**190**	**340**	**378**

ESI Group opted to follow the recommendations of the French Association of Statutory Auditors (CNCC) from September 2007 and to record, at the reporting date, the expenses related to audit fees corresponding to services actually rendered during the period. Total audit fees paid to the statutory auditors for the fiscal year ended January 31, 2015 are equal to EUR 306k.

Note E.5. Income tax expense

Description *(in thousands of euros)*	
Business tax (*taxe professionnelle*)	700
Continuing education tax (*taxe formation continue*)	190
Apprenticeship tax (*taxe d'apprentissage*)	77

Construction-related tax	51
Tax on company vehicles	39
Organic	110
Branch tax	53
Other	41
TOTAL	**1,261**

Note E.6. Operating allowances

This item is broken down as follows:

Description *(in thousands of euros)*	
Amortization allowance for research and development costs	20,905
Amortization allowance for other intangible assets	697
Amortization allowance for tangible assets	467
Amortization allowance for capitalized expenses to be amortized	50
Provision allowance for depreciation of trade receivables	530
Provision allowance for depreciation of trade receivables from ESI North America	3,538
Provision allowance for contingencies, risks and litigation	308
TOTAL	**26,494**

Note E.7. Other operating expenses

This item, totaling EUR 453k, includes EUR 251k of doubtful customers written off, EUR 54k in royalties and EUR 144k in compensation in the form of directors' fees.

Note E.8. Financial result

The positive financial result from the fiscal year is comprised of the following items:

Description *(in thousands of euros)*	
Foreign exchange gain/(loss)	666
Gain/(loss) on the foreign exchange rate provision	30
Interest on borrowings	(292)
Interest on commercial paper	(61)
Interest on current trade payables, subsidiary payables	(146)
Interest on current accounts receivable, subsidiary receivables	157
Interest on employee profit sharing	(7)
Factoring financial expenses	(62)
Other financial income/(expenses)	5
Net gains from sales of securities	1
TOTAL	**291**

Note E.9. Exceptional profit

Exceptional profit for the fiscal year comprises the following items:

Description *(in thousands of euros)*	
Profit on sale of treasury stock	(11)
Accelerated capital allowances	(200)
Special Projects penalties	(72)

Refunded EU VAT	10
Payables of >5 years settled	35
Termination allowance received	21
Miscellaneous	11
TOTAL	**(229)**

Note F. Other information

Note F.1. Average headcount

(in full-time equivalent)	**Employees**
Executives	168
Supervisors, technicians	
Office personnel	44
Laborers	
TOTAL	**212**

Note F.2. Retirement-related obligations

The Company does not record any retirement-related provisions.

Total obligations related to retirement were estimated at EUR 3,097k at January 31, 2015.

Note F.3. French employee rights to individual training

A total of 16,604 training hours had been earned by employees as at January 31, 2015 under the French individual training right system.

Note F.4. Compensation paid to executives

Total amounts paid to corporate officers in 2014 *(in thousands of euros)*	
Salaries	402
Fringe benefits	49
Directors' fees	16
Fringe benefits paid by controlled companies	165
Compensation paid by controlled companies	309
TOTAL	**941**

Note F.5. Items pertaining to affiliates and controlled entities, corresponding to multiple balance sheet and financial result items

(in thousands of euros)	Affiliate companies	Intercompany investments
CURRENT ASSETS	**50,758**	**–**
Intercompany receivables	14,164	-
Inventories and work in progress	1,742	-
Down payments	0	-
Trade receivables	34,811	-
Credit notes to be received, excluding minority interests	34	
Current account	0	-

Prepaid expenses	8	-
LIABILITIES	**23,039**	**–**
Advances and payments on account received on orders	222	
Trade payables	16,747	-
Credit notes to be issued, excluding minority interests	12	-
Current account	6,053	
Deferred income	6	
FINANCIAL RESULT ITEMS	**302**	**–**
Expenses	146	-
Income	157	-

Note F.6. Branches

There are two branches integrated within ESI Group's financial statements:

	Name	Adress	Country
1	ESI Group Netherlands – Branch Office	Rotterdamseweg 183C 2629 HD Delft	Netherlands
2	France ESI Group Shanghai Representative Office	Cross Region Plaza, Unit 20D, 899 Lingling Road 200235 Shanghai	China

Note F.7. Off-balance sheet commitments

<u>**Capital lease and future lease obligations**</u>

(in thousands of euros)	Less than 1 year	Between 1 and 5 years
Real estate rentals	1,737	4,608
Movable property rentals	860	700
Capital leases	0	0
TOTAL	**2,597**	**5,307**

Future lease commitments correspond to the outstanding amounts due on the Group's main lease and rental contracts until the contract is next set to expire.

These figures do not omit the existence of material off-balance sheet commitments in accordance with current accounting standards.

Note F.8. Financial obligations

See note 8.3. “Commitments undertaken” to the consolidated financial statements

Note F.9. Cautions et nantissements

See note 8.3. “Commitments undertaken” to the consolidated financial statements

Note F.10. Reconciliation of accounting income/(loss) and tax income/(loss)

(in thousands of euros)	Profit (loss) before tax	Reconciliation of income/loss	Taxable income	Tax (expense)/ income	Profit (loss) after tax
Current income (loss)	(556)	4,224 (1)	3,669	(1,104)	(1,659)
Exceptional profit	(229)	9	(220)	73	(155)
Controlled entities					0
Competitiveness and employment tax credit				119	119
French R&D tax credit				2,777	2,777
TAX INCOME (LOSS)	**(784)**	**4 233**	**3,449**	**1,865**	**1,081**

(1) This amount of EUR 4,224k refers partly, in the amount of EUR 3,216k , to unrealized gains on payables and receivables in other currencies. The bulk of this related to receivables in US dollars. It also refers partly to the tax neutralization of the expense of branches consolidated into the financial statements in

the amount of EUR 750k (see Note F.6).

Since February 1, 2008, ESI Group has formed a tax consolidation group with its French subsidiary, Engineering System International.

As part of the tax consolidation agreement, it was agreed that the tax burden of Engineering System International integrated for tax purposes would be equal to that which would have applied to it if the subsidiary was not a member of the tax Group.

As regards the financial statements for the fiscal year, for Engineering System International there is no difference between the tax borne as part of the tax consolidation group and that which would have been borne in the absence of tax consolidation.

Neither of the two companies in the tax group has loss carryforwards.

For information, the competitiveness and employment tax credit (CICE) was credited to account 69 “tax credits” as a deduction from tax expense.

Note F.11. Increases and decreases in future tax liabilities

(in thousands of euros)	Amount
Special social security contribution (*contribution social de solidarité*)	110
Foreign exchange gains and losses	3,621
Interest	808
TOTAL TEMPORARY DIFFERENCES	**4,540**
NET DECREASE IN FUTURE INCOME TAX LIABILITIES (TAX RATE OF 33.33%)	**1,513**

Increases and decreases in future income tax liabilities were measured based on the statutory tax rate for the French income tax. They are result of time lags between the tax regime and the accounting treatment of income and expenses.

Note F.12. Events after the reporting period

See note 1.3 to the consolidated financial statements

Note F.13. ESI Group, consolidating company

ESI Group is the consolidating holding company of the Group.

Note F.14. Table of controlled entities and affiliates (as at January 31, 2015)

	Head-quarters	Capital (con-verted at the ex-change rate on the reporting date)	Share-holders' equity other than capital and net profit for the year (con-verted at the exchange rate on the reporting date)	% of capital owned	carrying amount of shares held *(in thousands of euros)*		Outstand-ing loans and advances granted by the Company or by the subsidiary	Total guaran-tees granted by the Com-pany	Rev-enues, after tax, for the last fiscal year (con-verted at the average exchange rate)	Profit or loss for the last fiscal year (covered at the average ex-change rate)	Dividends received by the Company during the fiscal year
		(in euros)	*(in euros)*	*(as a %)*	*Gross*	*Net*	*(in euros)*	*(in euros)*	*(in euros)*	*(in euros)*	*(in euros)*
A. DETAILED INFORMATION ON EACH STAKE OWED THAT EXCEEDS 1% OF THE COMPANY'S CAPITAL											
1. Over 50%-owned subsidiaries											
Engineering System International	France	1,020,000	3,994,852	100.0	458	458	(1,625,259)		15,152,266	(350,889)	
Straco	France	498,768	2,928,214	97.7	1,789	1,789	(559,000)		7,353	26,035	
Nihon ESI K.K.	Japan	75,143	1,525,276	97.0	75	75			22,064,485	727,290	0
Hankook ESI Co., Ltd	South Korea	1,183,275	(844,252)	98.8	941	941			6,358,802	(389,685)	
ESI North America, Inc.	United States	0	(5,201,951)	100.0	3,726	3,726	8,580,274		17,799,298	(367,162)	
ESI Group Hispania SL	Spain	100,000	(827,462)	100.0	100	100	1,019,737		3,508,484	(99,231)	

MECAS ESI s.r.o.	Czech Republic	14,390	1,423,369	95.0	912	912	(1,100,000)		7,605,963	(125,579)	0
ESI UK Limited	United Kingdom	133,138	(249,440)	100.0	164	164			2,678,766	(24,582)	
ESI US R&D, Inc. (1)	United States	225,743	297,106	74.0	111	111			6,787,613	(216,546)	
Calcom ESI SA	Switzerland	95,529	145,450	98.5	2,678	2,678			3,408,929	39,134	
Zhong Guo Co., Ltd	China	0	264,020	100.0	195	0			0	(8,618)	
ESI Software (India) Private Ltd	India	1,426	2,436,424	100.0	2	2			6,814,883	319,159	
Hong Kong ESI Co., Ltd	China	1,134	(827,048)	100.0	120	0	994,081		0	(430)	
ESI ATE Holdings Ltd	China	11,383	(789,031)	100.0	1,793	0	2,009,195		0	57,717	
ESI Italia Srl	Italy	500,000	24,568	90.0	656	656	(400,000)		4,223,698	132,881	
ESI South America Comércio e Serviços de Informática, Ltda	Brazil	6,641	98,332	95.0	6	6			776,628	33,544	
ESI Services Tunisie	Tunisia	96,545	527,265	80.5	136	136			697,101	41,622	
ESI Group Beijing Co., Ltd	China	708,099	32,400	100.0	543	543			2,819,275	(192,487)	
ESI Software Germany GmbH	Germany	516,594	3,474,565	95.5	10,214	10,214	1,560,759		6,382,572	1,597,033	
Efield AB	Sweden	10,682	440,154	100.0	431	431	(431,697)		957,227	6,647	
Open CFD Ltd	United Kingdom	1	913,613	100.0	2,514	2,514	(872,054)		1,478,132	79,686	
CyDesign Labs, Inc.	United States	1,364,292	(330,907)	99.1	2,188	2,188	121,329		0	(97,888)	
ESI Services Vietnam Co., Ltd	Vietnam	87,683	(2,664)	100.0	138	138			76,748	7,314	
2. 10–50% owned subsidiaries											
ESI US Holdings, Inc.	United States	684,833	(562,167)	49.0	796	796			0	0	
China Joint-Venture	China	1,414,969	0	45.0	663	663			1,943,898	222,365	
(1) ESI US R&D, Inc.: owned directly = 49%; owned indirectly via US Holdings = 25%.											

5.2.4. Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.
This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.
This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended January 31, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended January 31, 2015, on:

- the audit of the accompanying financial statements of ESI Group;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by your board of directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at January 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

<u>Investments</u>

Investments are valued in accordance with the valuation methods described in note B.3 to the financial statements. Our work consisted in assessing the data and assumptions underlying these book value estimates. We made sure of the reasonableness of these estimates.

<u>Development costs</u>

As part of our assessments of the accounting principles followed by your company, we reviewed the criteria used for capitalizing and amortizing development expense and measuring the recoverable amount. We ensured that the note B.1 to the financial statements gives appropriate information.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, May 22, 2015

The statutory auditors
French original signed by

PricewaterhouseCoopers Audit

Pierre Marty

Ernst & Young Audit

Frédéric Martineau

6 Resolutions submitted for approval by the General Meeting

6.1. Ordinary General Meeting

First resolution: Approval of annual financial statements for the fiscal year

The General Meeting, having considered the management report by the Board of Directors, the report by the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures, the reports by the statutory auditors and the annual financial statements for the year ended January 31, 2015, approves the financial statements and balance sheet as they were presented, which report a profit of EUR 1,081,263.08.

It approves the transactions reflected in said financial statements or summarized in said reports.

The General Meeting also approves the total expenses and charges not deductible from profits subject to income tax, equal to EUR 146,018.27

Second resolution: Approval of consolidated financial statements for the fiscal year

The General Meeting, having considered the management report by the Board of Directors, the report by the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures and the reports by the statutory auditors and the consolidated financial statements as at January 31, 2015, approves these financial statements as they were presented.

It therefore approves the transactions reflected in the consolidated financial statements or summarized in the aforementioned reports.

Third resolution: Allocation of profits

The General Meeting, acknowledging that the net profit for the year ended January 31, 2015 stands at EUR 1,080,263.08, decides, at the Board of Directors' recommendation, to allocate this profit as follows:

Origin:

- Net profit for the year: EUR 1,080,263.08;
- Profit carried forward: EUR 29,209,639.01;
- Total to be allocated: EUR 30,290,902.09.

Allocated as follows:

- EUR 54,063.16 to the legal reserve;
- EUR 30,236,838.93 to profit carried forward.

Following this allocation, the balance of the legal reserve stands at EUR 1,641,768.13.

The General Meeting notes that no dividends have been paid out for the past three fiscal years.

Fourth resolution: Approval of the agreements referred to in Article L. 225-38 of the French Commercial Code

The General Meeting, having considered the special report by the statutory auditors on the agreements referred to in Article L. 225-38 of the French Commercial Code, acknowledges the findings in said report and approves the agreements mentioned therein.

Fifth resolution: Reappointment of three Directors

The General Meeting, having considered the report of the Board of Directors, and noting that the terms of office of Mr. Alain de Rouvray, Mr. Jacques Dubois and Mr. Eric d'Hotelans expire at the close of the General Meeting, resolves to renew the directorships of:

- Alain de Rouvray,
- Jacques Dubois,
- Eric d'Hotelans, Retiring Member of the Board of Directors

for a term of four years, expiring at the close of the General Meeting called to approve the financial statements for the year ending January 31, 2019.

Sixth resolution: Reappointment of Auditors

The General Meeting, having considered the report of the Board of Directors, and noting that the terms of office of Pricewaterhouse-Coopers Audit and Ernst & Young Audit as Statutory Auditors as well as the terms of office of Auditex and Mr. Yves Nicolas as

Alternate Auditors expire at the close of the Shareholders' Meeting, resolves to reappoint for a term of six years, expiring at the close of the General Meeting called to approve the financial statements for the year ending December 31, 2021:

- PricewaterhouseCoopers Audit as Statutory Auditor,
- Ernst & Young Audit as Statutory Auditor,
- Auditex as Alternate Auditor,
- Mr. Yves Nicolas as Alternate Auditor.

Seventh resolution: Authorization to be granted to the Board of Directors for the Company to purchase its own shares

The General Meeting, ruling under the quorum and majority conditions requirements for Ordinary General Meetings, having considered the report by the Board of Directors in accordance with Article L. 225-209 and subsequent of the French Commercial Code:

1. Terminates the authorization granted by the seventh resolution of the Ordinary and Extraordinary General Meeting of July 24, 2014, which authorized the Board to trade in its own shares;
2. Authorizes the Board of Directors to purchase the Company's shares, not to exceed 10% of its capital, for a period of 18 months beginning on July 22, 2015, in order to:
   a. Stimulate the secondary market or the liquidity of ESI Group shares through a liquidity contract signed with an investment service provider and compliant with the AMAFI's code of ethics dated September 23, 2008 and approved by the French Financial Markets Authority (AMF);
   b. Fulfill its share issue obligations, in accordance with the terms and conditions set forth by law, undertaken as part of the following:
      – Programs granting stock options for the purchase of existing shares by the Group's employees or corporate officers;
      – Employee profit-sharing programs under which these shares would be awarded to employees and/or corporate officers;
      – Free share awards to the Group's employees and corporate officers;
      – Shares provided upon exercise of the rights attached to securities giving access to shares by any means, whether immediately or in the future, under the conditions set forth by the AMF and at any time deemed appropriate by the Board of Directors;
   c. Retain shares and to provide them at a later date in exchange or as payment for future business acquisitions;
3. Decides that the purchase price per share may not exceed EUR 40.

Shares may be purchased or retained at the Board of Directors' discretion by any means by trading on the market or off the market, on an over-the-counter market, on one or more occasions. All shares purchased under the authorized share buyback program may be acquired in the form of blocks of securities. Such transactions may be effected at any time, including during public offering periods, in accordance with the regulations in force.

The Company may not, at any time, hold, either directly or via an intermediary, more than 10% of the total shares making up its legal capital.

The Company would not be allowed to pay out more than EUR 6,500,000 under the share buyback program.

The Board of Directors shall inform Shareholders of any purchases or sales carried out pursuant to this authorization in its management report.

The General Meeting grants full authority to the Board of Directors to:

– Publish, on the website of the French Financial Markets Authority (AMF), a detailed notice explaining this share buyback program authorized by the General Meeting prior to using this authorization;
– Place any and all stock market orders and enter into any and all agreements, in order to record share purchases and sales;
– Make any and all disclosures to the stock market regulators, to carry out any other formalities and, in general, to do whatever is necessary.

Eighth resolution: Determination of the compensation paid to members of the Board of Directors (directors' fees)

The General Meeting decides to set the compensation paid to members of the Board of Directors in the form of Directors' fees at EUR 160,000 for the 2015 fiscal year.

The Board will freely distribute this amount among its members.

6.2. Extraordinary General Meeting

Nineth resolution: Powers to be delegated to the Board of Directors in order to increase capital by issuing ordinary shares or any securities providing access to capital with pre-emptive subscription rights for existing Shareholders

The General Meeting, ruling under the quorum and majority conditions requirements for Extraordinary General Meetings, having considered the report by the Board of Directors and the special report by the statutory auditors and in accordance with the pro-visions of Articles L. 225-129, L. 225-129-1, L. 225-129-2 et seq. and L. 228-92 et seq. of the French Commercial Code:

1. Delegates, to the Board of Directors, its authority to increase the capital, on one or more occasions, in the proportions, under the conditions and at the times it sees fit, in accordance with this Resolution, by issuing ordinary shares of the Company or any other type of security of any nature, in France or abroad, including detachable warrants issued free of charge or against payment entitling their holder, in any way, either immediately or in the future, to ordinary shares of the Company; these securities may be denominated in euros, in foreign currency or in any other monetary unit established by reference to multiple currencies.

Securities may be subscribed either in cash or by offsetting receivables.

The issue price of each share may not be less than its par value.

This authorization thus granted to the Board of Directors is valid for a term of twenty-six months from the date of this Meeting.

2. Decides that the total increases in the legal capital that may be carried out, either immediately or in the future, may not exceed a par value of ninety million euros (EUR 90,000,000), or the equivalent thereof in any other currency, plus, where applicable, any additional amount corresponding to shares to be issued to protect, in accordance with the law, the rights of holders of securities giving rights to shares. All capital increases carried out pursuant to the authorizations granted to the Board of Directors under the resolutions of this General Meeting will count toward this maximum. Furthermore, the par value of debt securities carrying rights to shares of the Company, either immediately or in the future, that may be issued pursuant to this authorization may not exceed forty-five million euros (EUR 45,000,000) or the equivalent thereof in any other currency.

3. Decides that the securities issued pursuant to this authorization will be offered to existing Shareholders on a pre-emptive basis, pro rata to their existing interest in the Company's capital.

Furthermore, the Board of Directors will have the power to grant Shareholders pre-emptive rights to subscribe any excess unsub-scribed securities above and beyond that which they would be able to subscribe in proportion to their existing shares held. Such additional pre-emptive rights will be exercisable pro rata to their existing interest in the Company's capital and, at any rate, up to the amount they requested.

4. Decides that if an issue is not fully subscribed by Shareholders exercising their right to subscribe shares in proportion to existing stock held and, for any excess unsubscribed stock, on a strictly pre-emptive basis, the Board of Directors may use any of the following options listed below in the order that it sees fit:

– To limit the number of shares issue to the subscriptions received, on condition that such subscriptions equal at least three-quarters of the original issue;

– To freely distribute all or part of the unsubscribed securities;

– To offer all or part of the unsubscribed securities to the public;

5. Acknowledges that this authorization automatically entails, where applicable, a waiver, for the benefit of holders of securities issued under this Resolution that entitle such holders to any Company shares that may be issued in the future, by Shareholders of their pre-emptive subscription rights to such shares.

6. Decides that this authorization also entails the power, granted to the Board of Directors, to amend the articles of association accordingly.

7. Stipulates that this authorization voids any previous authorization having the same purpose.

Tenth resolution: Powers to be delegated to the Board of Directors in order to increase capital by issuing ordinary shares or any securities providing access to share capital via public offering without pre-emptive subscription rights for existing Shareholders

The General Meeting, ruling under the quorum and majority conditions requirements for Extraordinary General Meetings, having considered the report by the Board of Directors and the special report by the statutory auditors and in accordance with the pro-visions of Articles L. 225-129, L. 225-129-1, L. 225-129-2 et seq., L. 225-135 and L. 255-136 and L. 228-92 and seq. of the French Commer-cial Code:

1. Delegates, to the Board of Directors, its authority to issue, via public offering, on one or more occasions, in the proportions, under the conditions and at the times it sees fit, in France or abroad, ordinary shares of the Company and/or securities entitling their holder to shares of the Company or to an allocation of debt securities and/or securities giving entitlement to shares to be issued under Articles L.228-91 and seq. of the French Commercial Code.

Securities may be subscribed either in cash or by offsetting receivables, or through the securities provided as part of a public offering initiated by the Company in accordance with Article L. 225-148 of the French Commercial Code.

This authorization thus granted to the Board of Directors is valid for a term of twenty-six months from the date of this Meeting.

2. Decides that the total increases in legal capital that may be carried out immediately or in the future may not exceed a par value of ninety million euros (EUR 90,000,000) or the equivalent thereof in any other currency. All capital increases carried out pursuant to the authorizations granted to the Board of Directors under Resolutions 9 through 15 of this General Meeting will count toward this maximum. Furthermore, the par value of debt securities carrying rights to shares of the Company, either immediately or in the future, that may be issued pursuant to this authorization may not exceed forty-five million euros (EUR 45,000,000) or the equivalent thereof in any other currency.

3. Decides to eliminate the pre-emptive subscription rights of existing Shareholders for any securities issued pursuant to this authorization and to grant the Board of Directors the option of instituting, for the benefit of existing Shareholders, priority subscription rights, in proportion to existing stock held, and, where applicable, on a strictly pre-emptive basis for excess unsubscribed stock, for all or part of the issue, over the period and under the conditions to be determined at its discretion and in accordance with the legal and regulatory requirements applicable as of the date on which it decides to make use of this authorization. This subscription priority may not give rise to the creation of tradable rights.

4. Decides that the issue price may not be less than the weight average share price over the last three trading days preceding the decision, less 5%; in the event of a separate issue of warrants that entitle their holders, immediately or in the future, to shares in the Company, this maximum applies to the sum of the price of the warrant and the price of the share.

5. Acknowledges that this authorization automatically entails, where applicable, a waiver, for the benefit of holders of securities issued under this Resolution that entitle such holders to any Company shares that may be issued in the future, by Shareholders of their pre-emptive subscription rights to such shares.

6. Decides that this authorization also entails the power, granted to the Board of Directors, to amend the articles of association accordingly.

7. Stipulates that this authorization voids any previous authorization having the same purpose.

Eleventh resolution: Powers to be delegated to the Board of Directors in order to increase the amount of shares issued if an issue is oversubscribed

The General Meeting, ruling under the quorum and majority conditions requirements for Extraordinary General Meetings, having considered the report by the Board of Directors and the special report by the statutory auditors, decides that, for any issue carried out pursuant to the preceding 8th and 9th Resolutions, the number of shares to be issued may be increased by the Board of Directors under the terms and conditions set forth by Article L. 225-135-1 of the French Commercial Code if an issue is oversubscribed within thirty days from the end of the initial issue and not to exceed 15% of the total initial issue. The subscription price will be the same as that applied for the initial issue.

Such increase, however, may not exceed the overall maximum of ninety million euros (EUR 90,000,000) authorized for all capital increases carried out by the Board of Directors pursuant to Resolutions 7 through 12 of this General Meeting.

The General Meeting stipulates that this authorization voids any previous authorization having the same purpose.

Twelfth resolution: Powers to be delegated to the Board of Directors in order to increase the capital through capitalization of premiums, reserves, profits, etc.

Having considered the report by the Board of Directors and pursuant to Article L. 225-130 of the French Commercial Code, the General Meeting:

1. Delegates to the Board of Directors, for a term of twenty-six months from the date of this General Meeting, the power to increase the capital on one or more occasions by capitalizing premiums, reserves, profits, or other amounts where such incorporation is authorized by applicable law or regulation, by awarding free share, by increasing the par value of existing shares or any combination thereof. It is stipulated that total increases in the legal capital thus carried out, plus the amount necessary to preserve the rights of bearers of securities providing access to shares, in accordance with the law, may not exceed the total reserves, premiums or profits existing at the time of the capital increase nor exceed a maximum of one hundred fifty million euros (EUR 150,000,000). This maximum may be decreased by the amount equivalent to the capital increases carried out pursuant to Resolutions 9 through 15 of this General Meeting.

2. Decides, in the event that the Board of Directors makes use of this authorization, that any rights giving rise to fractional shares will not be negotiable or transferable and that the corresponding shares will be sold; the amounts resulting from the sale will be allocated to holders of rights by the deadline set forth by current regulation.

3. Decides that this authorization also entails the power, granted to the Board of Directors, to amend the articles of association accordingly.

Thirteenth resolution: Powers to be delegated to the Board of Directors in order to issue shares without pre-emptive subscription rights as compensation for contributions of shares or securities providing access to share capital granted to the Company as part of a contribution in kind

Within the limit of the overall maximum of ninety million euros (EUR 90,000,000) that applies to capital increases authorized by Resolutions 9 through 11 and Resolution 12 of this General Meeting, and in accordance with the requirements set forth by Arti-cle L. 225-147 of the French Commercial Code, the General Meeting, ruling under the quorum and majority conditions require-ments for

Extraordinary General Meetings, having considered the report by the Board of Directors, delegates to the Board of Directors, for a term of twenty-six months from the date of the General Meeting, its power to issue ordinary shares, on the basis of the report by the auditor(s) verifying the capital contribution, not to exceed 10% of the Company's legal capital, as compensation for contributions in kind granted to the Company consisting of shares or securities providing access to shares capital. This authorization also entails the power, granted to the Board of Directors, to amend the articles of association accordingly.

Fourteenth resolution: Powers to be delegated to the Board of Directors in order to increase the capital through private placement without pre-emptive subscription rights for existing Shareholders

The General Meeting, ruling under the quorum and majority conditions requirements for Extraordinary General Meetings, having considered the report by the Board of Directors and the special report by the statutory auditors in accordance with Article L. 225-136 of the French Commercial Code and Article L. 411-2 of the French Monetary and Financial Code:

– Delegates to the Board of Directors, for a term of twenty-six months from the date of this General Meeting, the power to increase the capital on one or more occasions exclusively for qualified investors or a certain group of investors in accordance with the requirements set forth under Article L. 225-136 of the French Commercial Code and Article L. 411-2 of the French Monetary and Financial Code.

– Decides that the issue price of directly issued shares must equal no less than the minimum set forth by the regulatory provisions application on the date of the issue for share issues without pre-emptive subscription rights for existing Shareholders (i.e. currently the weighted average of the share price from the last three trading days published by NYSE Euronext preceding the date on which the subscription price of the new shares issued is determined, less 5%), after adjusting this average, where applicable, for differences in vesting date.

– Decides that total increases in the legal capital that may be carried out may not exceed 20% of the legal capital per year, in addition to the overall maximum of ninety million euros (EUR 90,000,000).

– In all cases, the total capital increases carried out pursuant to this Resolution counts toward the maximums set forth under Resolutions 9 through 15.

Fiftheenth resolution: Authorization to be granted to the Board of Directors to increase capital by issuing shares exclusively to employees who are members of the Company savings plan (PEE)

The General Meeting, ruling under the quorum and majority conditions requirements for Extraordinary General Meetings, having considered the report by the Board of Directors and the special report by the statutory auditors, pursuant to the provisions of Articles L. 3332-1 et seq. of the French Labor Code and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, and in accordance with the provisions of said Commercial Code:

– Decides that the Board of Directors will have no more than twenty-six months to implement a new Company savings plan under the terms and conditions set forth by Articles L. 3332-1 et seq. of the French Labor Code.

– Delegates to the Board of Directors, for a term of twenty-six months from the date of this General Meeting, all powers to increase the legal capital, on one or more occasions, at its sole discretion, by issuing share or other securities providing access to share capital exclusive to members of the Company savings plan (PEE) and French or foreign companies related to the Company in accordance with Article L. 225-180 of the French Commercial Code and Articles L. 3344-1 and L. 3344-2 of the French Labor Code.

The maximum par value of the increase in the Company's capital resulting from all share issues carried out pursuant to this Resolution is set at 2% of the capital; this maximum is independent and separate from the maximums set forth under the other resolutions and is established irrespective of the par value of the ordinary shares to be issued, where applicable, on account of adjustments made in accordance with the law to preserve the rights of holders of securities giving access to the share capital in the Company.

– Decides that the price of shares issued pursuant to this authorization will be set by the Board of Directors in accordance with the legal and regulatory provisions applicable to publicly traded companies.

– Decides that in the case of an issue of securities providing access to capital, the characteristics of these securities will be determined by the Board of Directors in accordance with the conditions set forth by regulation.

– Decides to eliminate, for the benefit of employees who belong to an Company savings plan (PEE), pre-emptive subscription rights to shares for existing Shareholders who would potentially be entitled to such rights, either immediately or in the future, in the event that shares or securities giving access to the share capital are issued under this Resolution and to waive all rights to shares or other securities that would be granted pursuant to this Resolution.

– Decides that the Board of Directors will have full powers for the purpose of implementing this authorization, within the limits and under the terms and conditions specified above, and namely to:

– Determine the characteristics of the shares to be issued, the amounts made available for subscription and, namely, to set the issue price, the subscription dates or period and the terms and conditions of subscription, payment and delivery of the shares, within the legal or regulatory limits in force;

– Record the capital increases corresponding to the total shares effectively subscribed or to the other securities issued pursuant to this authorization;

– Offset the cost of capital increases again total premiums related thereto, as applicable, and to deduct, from this amount, the amounts necessary to bring the legal reserve to one-tenth the amount of the new capital after each capital increase;

– Enter into any agreements, to carry out all operations and procedures both directly or through an intermediary, including required formalities arising from capital increases and relevant amendments to the articles of association, and, in general, to take all measures necessary;

– In general, to enter into any and all agreements, take all appropriate steps and carry out all formalities necessary for the issue, listing and service of the securities issued in accordance with this authorization and for the exercise of any related rights.
– Decides that this authorization voids, from this day forward, any unused portion, where applicable, of the authorizations previ-ously granted to the Board of Directors to increase the Company's legal capital through the issue of shares reserved exclusively for members of Company savings plans without pre-emptive subscription rights for these members.

6.3. Joint decisions

Sixteenth resolution: Powers for formalities

The Meeting grants full powers to the bearer of an original, excerpt or copy of the minutes of this Meeting to carry out all legal and administrative formalities, as well as all filing and publication requirements set forth by current law.

7 Documents available to the public

All the corporate documents related to the Company can be consulted at the Company's headquarters, located at 100-102, avenue de Suffren in Paris (75015), France.

ESI Group keeps its Shareholders regularly informed on its business activities through press releases published in the economic and financial media, primarily online, as well as through reports prepared for the General Meeting. These reports are available to any shareholder upon simple request.

ESI Group also works continuously to boost its communication efforts by improving its company website, www.esi-group.com. The website provides both in French and English a detailed description of the Group and its business activities, as well as financial information for shareholders and investors, including all mandatory information required under the European Transparency Directive. It provides access to reports, registration documents, Shareholders letters and guide, annual and interim consolidated financial statements, press releases, articles of association and stock prices on the Paris stock exchange.

In keeping with the Transparency Directive, adopted in 2007, ESI Group has decided to use a reporting service licensed by the French Financial Markets Authority (AMF). This allows to provide proof of compliance with legal reporting requirements.

Lastly, this registration document is available in a paper version upon simple request sent to:

ESI Group Corentine Lemarchand 100-102, avenue de Suffren 75015 Paris, France investors@esi-group.com	**NewCap** Louis-Victor Delouvrier 21, place de la Madeleine 75008 Paris esi@newcap.fr

7.1. Press releases and financial announcements

7.1.1. Press releases and financial announcements in French

Avril 2015	- ESI Group fait l'acquisition du logiciel PRESTO - Résultats annuels 2014 - Acquisition des actifs technologiques de Ciespace pour déployer l'IAO sur le *Cloud* - Les solutions logicielles d'ESI au service du domaine biomédical - ESI Group fait l'acquisition des actifs de PicViz Labs, le spécialiste de l'analyse prévisionnelle de *Big Data* grâce à une capacité de visualisation avancée
Mars 2015	- ESI Group fait l'acquisition de CIVITEC - Chiffre d'affaires annuel 2014 : croissance de 2,5 % à taux de change constants - ESI présente sa Solution de Simulation des Composites 2015 au JEC Europe - ESI Group poursuit avec succès sa certification mondiale ISO 9001
Fév. 2015	- Nomination de Peter Schmitt au poste de *Executive Vice President* Ventes et Marketing opérationnel d'ESI Group
Janv. 2015	- ESI lance Virtual Seat Solution, une solution logicielle unique, dédiée au prototypage de sièges - ESI lance la nouvelle version de VA One - ESI annonce la nouvelle version de Virtual Performance Solution
Déc. 2014	- La dernière édition de la plateforme de simulation multi-domaine d'ESI offre des améliorations clés pour les utilisateurs de CFD - ESI et EDF Énergies Nouvelles signent un Partenariat Exclusif de Collaboration
Nov. 2014	- Chiffre d'affaires du 3e trimestre 2014 - ESI Group lauréat de la 3e édition des Trophées Ambitions d'Entrepreneurs - ESI Group annonce son intégration à l'indice EnterNext© PEA-PME 150
Oct. 2014	- SL Rasch utilise Virtual Performance Solution d'ESI pour atteindre l'excellence architecturale à Médine et à La Mecque
Sept. 2014	- Mise à disposition du Rapport financier semestriel 2014 - Résultats semestriels 2014 - Chiffre d'affaires du 1er semestre 2014
Août 2014	- La seconde conférence utilisateurs OpenFOAM du 7 au 9 octobre à Berlin
Juillet 2014	- Bilan semestriel du contrat de liquidité - Descriptif du programme de rachat d'actions - AEROCAMPUS Aquitaine, le principal centre de formation en maintenance aéronautique d'Europe, adopte la solution de Réalité Virtuelle IC.IDO - Expliseat utilise Virtual Seat Solution d'ESI pour développer le siège d'avion le plus léger au monde - Proposition de nomination de deux administrateurs indépendants - ESI Group lauréat du Grand Prix des Entreprises de Croissance - Modalités de mise à disposition des documents préparatoires à l'AG du 24 juillet 2014
Juin 2014	- CEM Solutions 2014 : Solution Intégrée pour le Prototypage Virtuel en Électromagnétisme - Chiffre d'affaires du 1er trimestre 2014
Mai 2014	- Mise à disposition du document de référence 2013
Avril 2014	- Résultats annuels 2013 - Airbus, Areva, Nissan, Renault et Volkswagen seront les conférenciers d'honneur de l'*ESI Global Forum* 2014 - ESI présente IC.IDO 10
Mars 2014	- ESI Group éligible au PEA-PME - Chiffre d'affaires annuel 2013 - ESI Group lauréat du Grand Prix ASMEP-ETI / Bpifrance 2014 catégorie « Innovation et Stratégie industrielle » - ESI simule les procédés de coulée par centrifugation pour des composants en titane de grande envergure
Fév. 2014	- Acquisition de la société CAMMECH au Vietnam
Janv. 2014	- ESI lance une nouvelle version de Virtual Performance Solution - *ESI Global Forum* : la conférence internationale dédiée à l'Ingénierie Virtuelle du Produit - Calendrier de communication financière 2014 - ESI participe à un projet européen portant sur les technologies d'économie d'énergie - Création de la Chaire « École centrale de Nantes – ESI » - ESI soutient NUMISHEET 2014

7.1.2. Press releases and financial announcements in English

April 2015	- ESI Group acquires PRESTO software - 2014 annual results - ESI Group acquires Ciespace's technology assets for Cloud based CAE modeling - ESI Software Solutions Benefit the Biomedical Sector - ESI Group to acquire the assets of PicViz Labs, specialist in big-data-based predictive analysis through advanced visualization
March 2015	- ESI Group to acquire CIVITEC - 2014 annual sales : growth of 2.5% at constant currency - ESI presents its Composites Simulation Solution 2015 at JEC Europe - ESI Group successfully pursues global ISO 9001 certification
Feb. 2015	- Dr. Peter Schmitt is appointed Executive Vice President, Sales & Operational Marketing of ESI Group
Jan. 2015	- ESI releases Virtual Seat Solution, a unique software solution dedicated to seat prototyping - ESI releases the latest version of VA One - ESI releases its newest version of Virtual Performance Solution
Dec. 2014	- The latest edition of ESI's multi-domain simulation platform delivers key improvements for CFD users - ESI and EDF Énergies Nouvelles sign an Exclusive Partnership Agreement
Nov. 2014	- Sales for the 3rd quarter of 2014 - ESI Group, winner of the 3rd *"Ambitions d'Entrepreneurs"* Trophy
Oct. 2014	- German architecture firm SL Rasch uses ESI's Virtual Performance Solution to achieve architectural excellence in Medina and Mecca
Sept. 2014	- 2014 Half-year results - Revenue for the 1st half of 2014
Aug. 2014	- Second OpenFOAM User Conference to be held in Berlin Oct. 7-9, 2014
July 2014	- AEROCAMPUS Aquitaine, Europe's leading aircraft maintenance training center, adopts IC.IDO for Virtual Reality - Expliseat uses ESI's Virtual Seat Solution to develop the world's lightest aircraft seat - Proposal to nominate two independent directors - ESI Group winner of the *"Grand Prix des Entreprises de Croissance"*
June 2014	- CEM Solutions 2014 : Integrated Software for the Virtual Prototyping in Electromagnetics - Revenue for the 1st quarter of 2014
April 2014	- 2013 annual results - Airbus Defense & Space, Areva, Nissan, Renault and Volkswagen will speak at the ESI Global Forum - ESI introduces IC.IDO 10
March 2014	- ESI Group is eligible for the PEA PME - 2013 annual sales - ESI Group wins the *"Grand Prix ASMEP-ETI / Bpifrance 2014"* award in the "Innovation and Industrial Strategy" category - ESI provides advanced simulation of the Centrifugal Casting process for large Titanium structural components
Feb. 2014	- Acquisition of the Vietnamese company : CAMMECH
Jan. 2014	- ESI releases the latest version of Virtual Performance Solution - ESI Global Forum : the International Conference Dedicated to Virtual Product Engineering - Financial communication agenda - ESI participates in European Project directed at energy saving technologies - Creation of the Chair *"Centrale Nantes – ESI"* - ESI supports NUMISHEET 2014

7.1.3. Information filed with the registries of the Paris Commercial Court

– Acknowledgment of the expiration of directorship of Francis Jacques Bernard and appointment of two new independent Directors, Véronique Jacq and Rajani Ramanathan, by the Combined General Meeting of July 24,2014.

– Resignation of Michel Barbier de la Serre from his position as Director duly noted by the Board of Directors at its meeting of July 24, 2014.

– Increase of the Company's capital from EUR 17,806,896 to EUR 17,845,266 duly noted by the Board of Directors at its meeting of March 10, 2015 following the exercise of options in fiscal year 2014.

7.2. Information made available to the shareholders prior to the Ordinary General Meeting

Agenda: – Report by the Board of Directors on the consolidated annual financial statements for the fiscal year ended January 31, 2015 – Report by the Chairman of the Board of Directors on corporate governance, internal control and risk management procedures – Reports by the statutory auditors – Approval of the annual consolidated financial statements for the fiscal year ended January 31, 2015 – Allocation of net profit for the year – Approval of the agreements referred to in Article L. 225-38 of the French Commercial Code – End of term of a director and appointment of two new Directors – Authorization to be granted to the Board of Directors for the Company to purchase its own shares – Determination of the compensation paid to members of the Board of Directors (Directors' fees) – Authorization to be granted to the Board of Directors in order to grant stock options for the subscription of existing shares – Powers for formalities.
Management report plus the following notes: – Five-year financial summary –Table summarizing powers delegated to the Board of Directors with regard to capital increases
Consolidated financial statements and notes
Separate financial statements and notes
Statutory auditors' report on the consolidated financial statements and annual financial statements
Statutory auditors' statement on total compensation paid
Special report on regulated agreements with related parties
Statutory auditors' report on the Chairman's report on the Board of Directors' operational procedures, internal control and risk management procedures
Board of Directors' special report on free share awards granted during the fiscal year
Chairman's report on corporate governance, internal control and risk management procedures
Board of Directors' report to the Extraordinary General Meeting
Draft resolutions proposed to the General Meeting
List of ESI Group's registered shareholders
Composition of the Board of Directors
Mail-in vote form
ESI Group's articles of association as at March 10, 2015

8 Cross-reference table

8.1. Information required under Regulation (EC) No 809/2004

Pursuant to Article 28 of European Commission Regulation (EC) No 809/2004 of April 29, 2004, the following information is incorporated by reference in this registration document:

- the separate financial statements, consolidated financial statements, and the report from the statutory auditors for the fiscal year ended January 31, 2014, which appear on pages 65–108 of the registration document filed with the French Financial Markets Authority (AMF) on May 30, 2014 under number D.14-0587;
- the separate financial statements, consolidated financial statements, and the report from the statutory auditors for the fiscal year ended January 31, 2013, which appear on pages 56–101 of the registration document filed with the AMF on May 30, 2013 under number D.13-0582.

Information		Chapters
1.	**Persons responsible**	**1.1.**
1.1.	Persons responsible for the information in the document	1.1.
1.2.	Statement by the persons responsible for the document	1.1.
2.	**Statutory auditors**	1.2.
2.1.	Name and address of the issuer's statutory auditors	1.2.
2.2.	Statutory auditors who resigned, were removed or were not reappointed during the period in question	N/A
3.	**Selected financial information**	**2.3.**
3.1.	Selected historical financial information	2.3.
3.2.	Selected historical financial information for interim periods	N/A
4.	**Risk factors**	**2.5.**
5.	**Information concerning the issuer**	**1.**
5.1.	History and development of the Company	1.3.
5.1.1.	Corporate name and commercial name of the issuer	1.3.1.
5.1.2.	Place or registration and registration number of the issuer	1.3.1.
5.1.3.	Date of incorporation and term of the issuer	1.3.1.
5.1.4.	Headquarters and legal form of the issuer, law governing its operations, country of origin, address and telephone number of its registered headquarters	1.3.
5.1.5.	Significant events in the issuer's business development	1.3.3.
5.2.	Investments	2.4.
5.2.1.	Principal investments made by the issuer during each fiscal year	2.4.
5.2.2.	Principal investments made by the issuer in progress	2.4.
5.2.3.	Principal investments that the issuer intends to make in the future and for which its management bodies have already undertaken firm commitments	2.4.
6.	**Business overview**	**2.**
6.1.	Main activities	2.1.1.
6.1.1.	Description of the operations carried out by the issuer and its principal business activities	2.1.1.
6.1.2.	Significant new products or services launched on the market	7.1.
6.2.	Main markets	2.1.2.
6.3.	Exceptional factors that have influenced information provided under items 6.1 and 6.2	N/A
6.4.	Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	N/A
6.5.	Basis for any statements made by the issuer regarding its competitive position	2.1.2.

Information		Chapters
7.	**Organization chart**	**2.2.**
7.1.	Brief description of the Group and the issuer's position with the Group	2.2.2
7.2.	List of major subsidiaries	5.1.5. note 3 & 5.2.3. note F14.
8.	**Real estate, factories and equipment**	
8.1.	Existing or planned tangible capital assets	5.1.5. note 5.3. & 8.2.
8.2.	Environmental considerations that may affect the use of these assets	2.5. & 4.3.4.
9.	**Review of financial position and performance**	
9.1.	Financial position of the issuer	4.1.
9.2.	Operating profit or loss	4.1.
9.2.1.	Significant factors	4.1.
9.2.2.	Reasons for major changes in net revenues or income	4.1.
9.2.3.	Governmental, economic, fiscal, monetary or political strategies or factors that have materially affected, or could materially affect, the issuer's operations either directly or indirectly	2.5.
10.	**Cash flows and capital**	
10.1.	Information on the issuer's capital	5.1.5. note 5.10.
10.2.	Source and amount of the issuer's cash flows and descriptions of these cash flows	5.1.4. & 4.1.2.
10.3.	Information on the borrowing requirements and financing structure of the issuer	4.1.2.4. & 5.1.5. note 5.11.
10.4.	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations	4.1.2.4. & 5.1.5. note 5.11. & note 8.3.
10.5.	Information regarding anticipated sources of funds	4.1.2.4. & 5.1.5. note 5.11.
11.	**Research and development, patents and licenses**	**4.1.3.**
12.	**Information on business trends**	**4.2.2.**
13.	**Profit forecasts or estimates**	**N/A**
14.	**Administrative, management and supervisory bodies and executive management**	**3.2.**
14.1.	Administrative bodies	3.2.
14.2.	Conflicts of interest within administrative, management and supervisory bodies	3.4.
15.	**Compensation and benefits**	**3.2.4. & 4.3.2.1.**
15.1.	Compensation and benefits paid to corporate officers	3.2.4. & 5.1.5. note 5.12.
15.2.	Total amounts set aside or accrued to provide pension, retirement or similar benefits	3.2.4.
16.	**Practices and procedures of the administrative and management bodies**	**3.2.1.**
16.1.	End date of current terms of office	3.2.1.
16.2.	Information on service agreements	3.2.1.
16.3.	Information on the issuer's committees	3.2.
16.4.	Declaration of compliance with the corporate governance standards	3.2.
17.	**Employees**	**4.3.**
17.1.	Number of employees	4.3.2.
17.2.	Profit-sharing and stock options	4.4.
17.3.	Description of any employee profit-sharing agreements involving the issuers capital	4.4.
18.	**Major Shareholders**	**1.3.**
18.1.	Major Shareholders	1.3.4.
18.2.	Different voting rights	1.3.2.3.

Information		Chapters
18.3.	Control of the Company	1.3.4.
18.4.	A description of any agreements, known to the Company, the performance of which may result in a change in control of the Company at a later date	3.4.3.
19.	**Related party transactions**	**N/A**
20.	**Financial information concerning the issuer's assets and liabilities, financial position and performance**	**5.**
20.1.	Historical financial information	5.1. & 5.2.
20.2.	Pro-forma financial information	N/A
20.3.	Financial statements	5.1. & 5.2.
20.4.	Auditing of historical annual financial information	5.1.6. & 5.2.4.
20.5.	Date of latest financial information	7.1.
20.6.	Interim and other financial information	7.1.
20.7.	Dividend policy	N/A
20.8.	Legal and arbitration proceedings	4.6.
20.9.	Material changes in the financial or trading position	4.1.1. & 5.1.5. note 1.2.
21.	**Additional information**	**1.**
21.1.	Legal capital	1.
21.2.	Articles of association and bylaws	1.
22.	**Material contracts**	**4.1.**
23.	**Information provided by third parties, statements made by experts and declarations of interests**	**N/A**
24.	**Documents available to the public**	**7.**
25.	**Information on equity securities**	**5.2.3. Notes C2. & F14**.

8.2. Information required in the annual financial report

Informations	Chapitre
Statement by the person responsible for the registration document	1
Management report	4
– Analysis of the performance, financial situation and risks of the parent company and the Group	4
– Information regarding the structure and ownership of share capital and factors that may have an impact in the event of a public offering	4
– Information regarding share buybacks	4
– Information regarding risk factors	4
– Report on Sustainable Development and Corporate Social Responsability	4.3.
Financial statements and reports	5
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– Consolidated financial statements	5.1
– Statutory Auditors' report on the consolidated financial statements	5.1.6

Shareholders relations

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