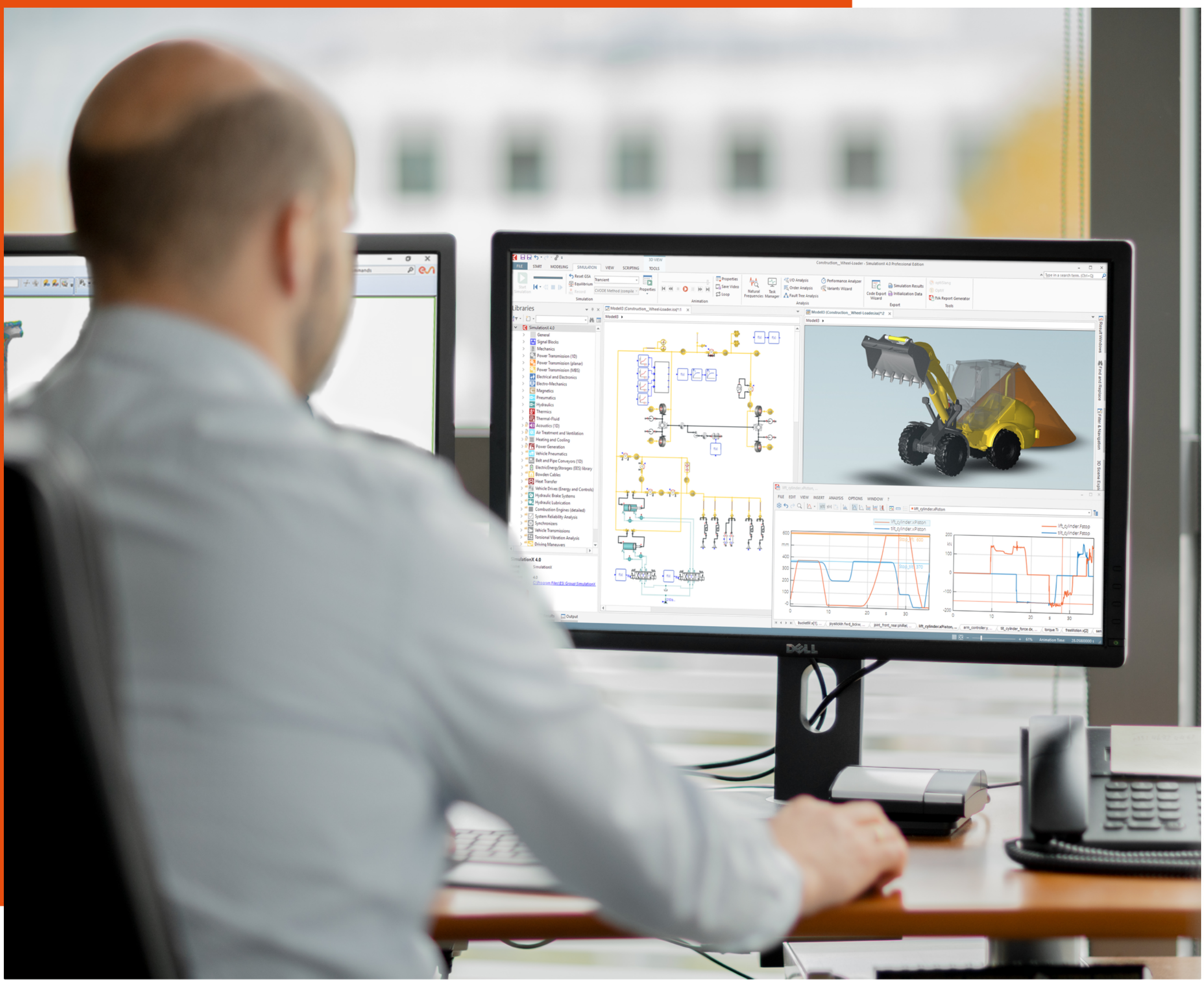
get it right

2022

UNIVERSAL REGISTRATION DOCUMENT

Including the annual financial report



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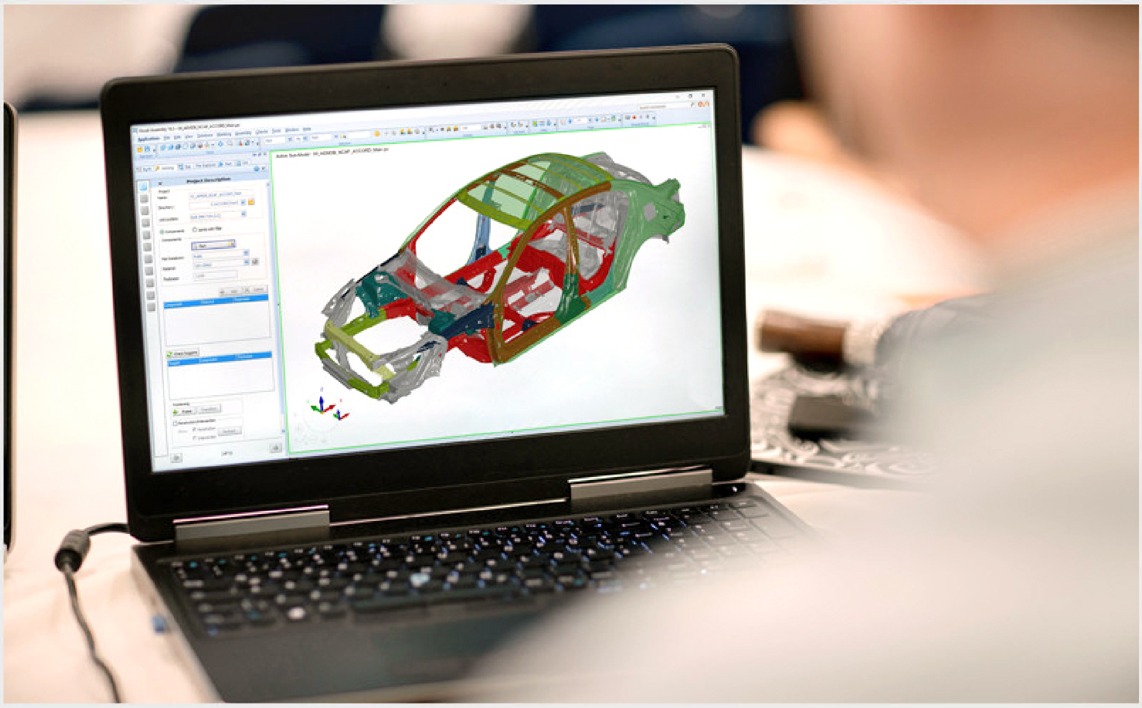


This Universal Registration Document was filed on March 17, 2023 with the *Autorité des Marchés Financiers* (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

This Document is a reproduction of the official version of the Universal Registration Document including the 2022 Annual Financial Report prepared in accordance with the European Single Electronic Format (ESEF) and filed with the AMF, available on ESI Group's website (www.esi-group.com) and on the AMF's website (www.amf-france.org).

This document is a non-binding "free" translation from French into English and has no legal value other than an informative one. Should there be any difference between the French and the English version, only the text in French language shall be deemed authentic and considered as expressing the exact information published by ESI Group.

French and English copies of this document are available free of charge from ESI Group (the "Company" or the "Group") – 3 bis rue Saarinen, 94150 Rungis, France.

SHAREHOLDERS MESSAGES

ALEX DAVERN'S MESSAGE
Chairman of the Board of Directors

€129.7M
REVENUE (c)
+3% cer
(constant exchange rate)

€15M
ADJUSTED EBIT (a) (c)
11.6% (b)

€100.6M
ANNUAL RECURRING SOFTWARE REVENUE (c) (d)
+7.4%

Dear Shareholders,

As we present our Universal Registration Document, I would like to take a moment to reflect on the leadership and governance of ESI Group over the past year. Despite the difficult international context, we have continued to focus our activities, divesting our distractions and delivering on our commitments.

I am incredibly proud of the leadership team at ESI Group, who have skillfully steered the company through this challenging time. Their dedication and strategic vision have been instrumental in our success. Additionally, our Board of Directors has remained actively engaged, providing oversight and guidance, to ensure that we stay aligned with our strategic objectives.

As we continue to pursue our mission of being a leader in virtual prototyping software, we are committed to maintaining the highest standards of corporate governance. We believe that good governance is essential to the long-term success of our company, and we remain steadfast in our commitment to transparency, accountability, and integrity.

Furthermore, we have continued to focus our activities on our core competencies, divesting ourselves of distractions that do not align with our strategic vision. This has allowed us to sharpen our focus and better serve our customers, at the heart of everything we do.

I would like to extend my heartfelt thanks to the entire ESI Group team for their hard work and dedication, which have enabled us to achieve our goals. And of course, I would like to express my gratitude to our shareholders for their continued support and trust in our company.

Sincerely,

Alex Davern
Chairman of the Board, ESI Group.

(a) Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment charges of intangible assets, amortization of intangibles assets related to acquisition, the application of IFRS 16 standard on leases and other non-recurring items (including net gain and losses on disposals).
(b) Adjusted EBIT margin is calculated based on revenue excluding special projects (public grant for R&D projects).
(c) At constant perimeter (see definition on section 5.1.2.2).
(d) All revenues from license sales (including maintenance services) excluding revenues from perpetual licenses and before changes in deferred revenues.

CRISTEL DE ROUVRAY'S MESSAGE

Chief Executive Officer

None of this success would have been possible without our employees' dedication and hard work, who are constantly innovating and improving our products and services.

As we continue to invest in our team, we are confident that we can remain at the forefront of the virtual prototyping industry and become an even more valuable strategic partner for our clients.

Dear Shareholders, Customers, and Employees,

I am thrilled to present the Universal Registration Document of ESI Group, a leading global virtual prototyping software company. As we reflect on the past year, I am proud to report that 2022 was a year of exceptional progress and transformation for our Group. We made remarkable strides towards achieving our three-year "OneESI 2024 – Focus to Grow" plan, and we are well on our way to realizing our vision of becoming a strategic partner for the digital transformation of industry.

Our team's commitment to sustainable growth is unwavering, even amidst a challenging economic environment. In 2022, we exceeded our expectations, achieving faster-than-anticipated progress in all aspects of our plan. Our passion for positive impact, and combined with our predictive, real-time, immersive physics-powered simulation solutions, extensive talent, and intellectual property, help our clients save valuable time, resources, and money by avoiding costly and limited physical testing.

As One ESI, we unlock our true potential, enabling us to solve complex simulation problems at scale and help industries become cleaner, safer, and more productive. Our efforts have translated to impressive financial results in FY22, with recurring software revenue growing 7.4% to exceed 100ME, and our adjusted profitability improving by approximately 5 points to reach nearly 12% of revenue.

None of this success would have been possible without our employees' dedication and hard work, who are constantly innovating and improving our products and services. As we continue to invest in our team, we are confident that we can remain at the forefront of the virtual prototyping industry and become an even more valuable strategic partner for our clients.

We also took several bold steps in 2022 to enhance our market position, including divesting non-core activities, globalizing our teams, professionalizing our operations, and expanding our position within the ecosystem. These actions enable us to offer more value to our customers and better meet their evolving needs.

As we continue to focus on innovation and growth, we remain grateful for the support and trust of our customers and partners. We are excited to continue working together to help them on their journey to a cleaner, safer, and more productive industry.

I would like to acknowledge the invaluable support of our Board of Directors, whose guidance and expertise have been instrumental in our success. Looking ahead, we are committed to our vision of becoming a strategic partner for the digital transformation of industry. We are confident in our ability to navigate the challenges that may arise and excited about the opportunities that lie ahead.

Thank you for your continued support, and we look forward to sharing our progress with you in the coming year.

Sincerely,
Cristel de Rouvray
CEO, ESI Group

IN **BRIEF**

CHAPTER 1

ESI Group, a **leading software partner** in selected **virtual test markets,** leveraging predictive physics IP and platform for chaining [(a)] to enable **a cleaner, safer, and more productive industry**.

[(a)] *Differentiated capability to chain physics, processes and data within customers' digital thread allows customers to connect previously siloed elements on the simulation workflow, brought to life by a common user interface.*

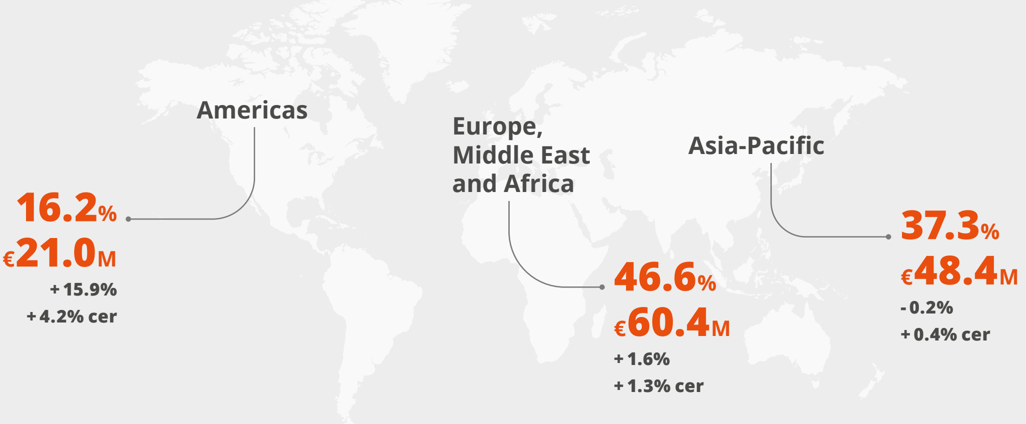
ESI IN FIGURES

50 years in business

1,000 employees

20 countries

GEOGRAPHY SPLIT



SELECTED FINANCIAL INFORMATION

Annual Recurring Revenue (ARR) [(a) (d)]

€100.6M • + 7.4%

+ 6.5% cer (constant exchange rate)

Adjusted EBIT [(b) (d)]

€15.0M • 11.6%

Revenue 2022 [(c) (d)]

€129.7M • + 3%

+ 2.1% cer (constant exchange rate)

[(a)] *Annual Recurring Revenue (ARR) : all revenues from license sales (including maintenance services) excluding revenues from perpetual licenses and before changes in deferred revenues.*

[(b)] *Adjusted EBIT is a non-IFRS indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, Impairment & amortization of intangible assets related to acquisitions or disposals, Application of IFRS 16 (leases) and other non-recurring items (including net gains and losses from disposals).*

[(c)] *Definition on part 5.1.2.2 of this document.*

[(d)] *At constant perimeter.*

INDUSTRY SPLIT

93% of the license revenue (before deferred revenue) from four focus industries

Automotive & Land transportation

Aerospace, Defense & Naval

Heavy industry

Energy

1 THE GROUP

In this Universal Registration Document, ESI Group is hereinafter referred to as "ESI Group", the "Company" or the "Parent Company". The Company and all its affiliated companies are hereinafter referred to as the "Group", "ESI Group" or "ESI".

Founded in 1973, ESI Group envisions a world where Industry commits to bold outcomes, addressing high stakes concerns – environmental impact, safety & comfort for consumers and workers, adaptable and sustainable business models.

ESI is a pioneer in virtual prototyping solutions, providing software solutions to solve critical and complex simulation problems at scale. Our virtual prototyping software accurately replicates product development, testing, and manufacturing with virtual simulations, across Automotive, Aerospace, Energy and Heavy Industry , helping our clients save valuable time, resources, and money by avoiding costly and limited physical testing. ESI is present in more than 20 countries, employs nearly 1,000 people globally and reported 2022 sales of €130 million, at constant perimeter.

ESI is headquartered in France and is listed on compartment B of Euronext Paris.

1.1. ACTIVITIES, STRATEGY AND MARKETS

1.1.1. Main activities

ESI's core strategic vision is to be a leading software partner in selected virtual test markets, leveraging its predictive physics IP and platform for chaining enabling clean, safe and productive industry.

ESI's business model is based on software licensing with selected consulting services. Its software enables reliable and predictive simulation of the performance of products and industrial assets, the identification of optimum manufacturing processes, the use of immersive virtual reality to experience early-on the products and the development of solutions for real-time monitoring of product ageing during use. At all these stages, ESI's solutions help its customers to: accelerate their time to market, to lower their operational costs, to reduce their risk and improve their product's quality and to reduce their environmental footprint.

All risks related to ESI's activities are listed, prioritized and identified in the Chapter 3.

1.1.1.1. Software Editor/Distributor (Licensing activity)

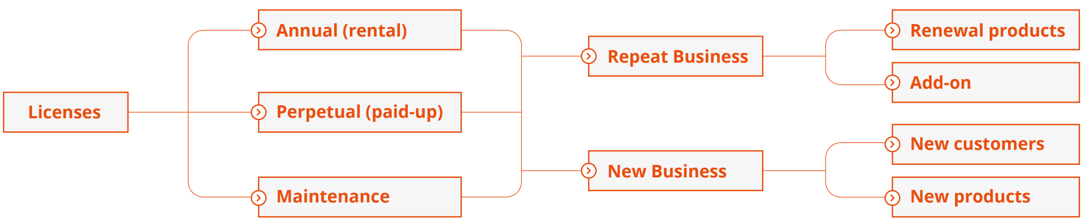
Licenses business is the Group's main activity, accounting for 85% of revenue in 2022. Software is marketed in the form of proprietary user licenses based for the most part on an annual contracting system that, by nature, generates highly recurring revenue.

The significant added value of ESI's solutions mobilizes the unique expertise of its technical teams in multi-physics, multi-materials and complex simulation methodologies. ESI Group's approach requires research and development work carried out by the Group's Research teams in situ or as part of a partnership.

Software solutions are distributed worldwide. In 2022, direct sales managed 92.3% of license sales, the rest being entrusted to a network of third-party distributors and agents. The two distribution networks – direct and indirect – are complementary.

The Licensing activity may be broken down as follows:

- By contract type:
  - **Rental license** – user license contract renewable annually and including maintenance services; this type of contract is predominant,
  - **Maintenance contract** – maintenance includes updates and technical support applicable as of the second year of a perpetual license contract. As of the second year, maintenance revenue is recognized as software (maintenance) revenue,
  - **Paid-up license** – long term license contract (paid-up licenses for the duration of legal protection) including maintenance services for renewable one-year periods (also named Perpetual);
- Or, according to criteria concerning new client purchases:
  - **"Repeat Business"** includes contracts renewed by customers from one year to the next, as well as additional features purchased for software already installed in the system of an existing client,
  - **"New Business"** comprises new customers and new products purchased by existing clients.



Aligning with the industry best practices, the Group assesses its performance with the key performance indicator (KPI): Annual Recurring Revenue (ARR). The definition of this indicator is: all revenues from license sales (including maintenance services) excluding revenues from perpetual licenses and before changes in deferred revenues.. In 2022, the ARR of the Group, at constant perimeter, amounted to 100.6 m euro, an ARR rate (all revenues from license sales (including maintenance services) excluding revenues from perpetual licenses and before changes in deferred revenues divided by our total licenses revenue number, before deferred) of 91.3%. The indicator "constant perimeter" is defined part 5.1.2,2. of this document.

The Group's approach is based on building close and long-lasting relationships which meet the specific needs of customers looking to successfully incorporate Virtual Prototyping into various industries (for example with Renault-Nissan, Volkswagen, or Honda in the Automotive, Boeing or Safran in the Aeronautics).

This approach drives the sustainability of ESI Group's business model visible in its Annual Recurring Revenue (ARR) performance and its ability to renew its contracts with its customers.

1.1.1.2. Consulting services (Services activity)

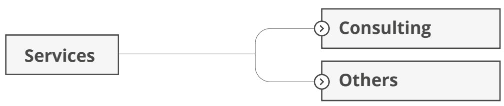
In addition to its main business activity of software publishing and distribution, the Group also provides consulting services directly related to Virtual Prototyping.

The Services activity, which represents 14% of 2022 revenues, includes consulting and other services.

Consulting covers the following three fields:

- **Engineering studies:** joint industrial projects carried out in partnership with major industrial corporations with the aim of promoting large-scale deployment of new applications with high economic potential that have already been proven technologically viable. The Group invoices its partners for the cost of its services, but funds its own software development work. As a result, it retains the intellectual property rights to the software products developed or modified;
- **Field Services:** support services in conjunction with Licenses activity (on- and off-site training and technical assistance);
- **Contracting:** specific studies, in particular application tests (design verification and virtual performance testing of industrial products). These services are generally invoiced based on the time worked (lump sum or actual time spent) except for online support services which may be provided as part of the support services included with the annual license for the use of software packages.

Note: Special projects are no more included in the revenues and have been reclassified as a reduction in research and development expenses. Correspondingly, costs incurred in connection with "Co-financed projects" have been reclassified from cost of sales to R&D expenses (please refer to 4.1 of Note to Consolidated accounts).



1.1.2. Main markets

1.1.2.1. The Simulation & Analysis market

/ Market characteristics

ESI's activity falls within the context of a major digitization of the industry. Part of this trend, the Product Lifecycle Management (PLM) sector is playing a key role.

CIMdata describes the S&A (Simulation & Analysis) segment as follows: Simulation & Analysis includes a wide range of 0D/1D/2D/3D technologies such as structural and fatigue analysis, thermal analysis, dynamics, acoustics, multi-body simulation, computational fluid dynamics, materials characterization, systems modeling and simulation, design optimization/DoE/robust design, simulation results visualization, empirical data analytics, general math-based calculations, simulation process and data management, and others designed to enable engineers to simulate real world functional behavior via digital modeling and simulations to perform "what-if" scenarios, explore and evaluate alternative design and technology concepts, and gain deeper insight into system behavior during new product development; perform final performance validation of the "as built" product as well as to optimize the performance of products and systems in real world operations (*e.g.*, supporting digital twins).

The S&A segment, star of the PLM market for the last several years is expected be one of the more rapidly growing segments within the tools sector of PLM over the next five years ($13 billion in 2026 – CAGR 10.2%).

Global product development & Manufacturing trends are making simulation indispensable. It is the only way to enable the efficient development of complex systems that combine software and real industrial assets.

ESI's solutions bring a considerable and fundamental improvement in the decision-making process by allowing the physical properties and behaviour of the materials to be realistically taken into account in the digital model. Going beyond the CAD (computer-aided design) phase of the PLM model, ESI Group's CAE (computer-aided engineering) solutions allow complete control over the performance of products during their entire lifecycle..

/ A market in strong consolidation

Each calendar year there are a number of mergers and acquisitions (M&A) in the PLM economy and 2022 was not an exception as per CIMdata. There were 190 acquisitions of note during the year, up over the 104 tracked in 2020. Simulation and Analysis (S&A) providers continued to acquire more physics to build out their multiphysics capabilities:

- Altair Engineering made three acquisitions, including Flow Simulator, a flow and heat transfer analysis technology spun out from GE Avionics; S-FRAME Software, a structural analysis software platform that marks their formal move into the Architecture, Engineering, Construction market; and World Programming, a UK-based data analytics specialist;
- Ansys added added two companies: Phoenix Integration, a leader in model based systems engineering (MBSE) and multi-disciplinary analysis and optimization (MDAO) and Zemax LLC, a provider of optical imaging system simulation;
- Gamma Technologies acquired Exothermia, producers of predictive thermo-electro-chemical solutions for zero-impact emissions technologies.

/ ESI, in the heart of a competitive market

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

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

ESI's technologies draw on:

- Its predictive physics IP;
- Its capability to chain the different physics and solutions in order to offer a differentiating value to its customers;
- Highly skilled teams of researchers, whose specialized expertise and reputation in the field of physical simulation are known.

Today, we cannot exclude, *a priori*, the arrival, as competitors in ESI's sector of intervention, of larger companies with greater resources.

Given the considerable technical barriers that protect the Group's business, the arrival of new competitors could, in any event, only take place in the context of a consolidation movement affecting the sector. It would then be difficult for a new player in the sector to rapidly build up, through company takeovers, a range of physical simulation products as rich as that offered by ESI Group, and offering the same predictive qualities recognized by major clients.

/ Long-term perspectives anchored on three pillars

Like never before Industry is adopting digital practices, moving large part of processes and decisions to virtual. ESI envisions a world with inspiring improvements in clean, safe and productive industry. To get there, everything should be simulated, exploring alternatives sooner and involving a diverse cast of stakeholders in all decisions.

To go beyond virtual testing, ESI Group software solutions anchored on three pillars:

- **Predictive:**
  - Validates the product as manufactured, chains physics, processes, and integrates with the customers' digital thread;
- **Real-time:**
  - Model Order Reduction & Hybrid Twin are transforming the virtual prototype into a Real-time Decision-Making tool;
- **Immersive:**
  - Virtually conceived products or processes need to be tested from a human-centric perspective;
  - An Industrial Metaverse for efficient virtual collaboration and decision making.

1.1.2.2. Geographic areas

Geographic areas are based on the economic breakdown of the Company:

- Europe, Middle East and Africa;
- Asia-Pacific;
- Americas.

	2022 (Jan. 1 – Dec. 31)		2021 (Jan. 1 – Dec. 31)		2020 (Jan. 1 – Dec. 31)	
Revenues	*(In € thousands)*	*(In % of the total)*	*(In € thousands)*	*(In % of the total)*	*(In € thousands)*	*(In % of the total)*
Europe, Middle East and Africa	62,148	46.4%	61,860	46.7%	58,809	45.7%
Asia-Pacific	49,653	37.1%	49,716	37.5%	50,109	39.0%
Americas	22,116	16.5%	21,003	15.8%	19,635	15.3%
TOTAL	**133,918**	**100.0%**	**132,578**	**100.0%**	**128,553**	**100.0%**

Figures are at constant perimeter.

2020 and 2021 Revenues have been restated, please refer to Note 4.1 to Consolidated Accounts.

As in previous years, the Group maintained a strong international presence, with 87% of revenue generated outside France.

1.1.3. Core strategic vision

In October 2021, ESI Group announced a three-year strategic plan named "OneESI 2024 – Focus to Grow". To increase its performance both in term of revenue and in term of profitability, the Group built a self-help plan founded on the focus of its teams on core activities. To help in this focus exercise, the Group unveiled a new Core Strategic Vision: "*Being a leading software partner in selected virtual test markets, leveraging its predictive physics IP and platform for chaining to enable clean, safe and productive industry.*"

1.1.3.1. A software partner for industry

The industrial market is deeply changing while new challenges appear for its players. Draconian regulations, disruptive technologies (Artificial Intelligence, Big Data, Internet of Things…), strong competition, shorten time to market, constrain industrial players to be more demanding in terms of quality, reliability, safety, production deadlines, and by the need to embrace environmentally friendly manufacturing and production processes.

Well-aware of these challenges, ESI, as a leading software partner in selected Virtual Test markets, empowers industrials with technological solutions that enable them to rely on simulation to accelerate, innovate, optimize and perform at another level.

Virtual reality technologies and Cloud/Saas availability significantly increase the collaborative potential of ESI's solutions, while drastically reducing acquisition and ownership costs for companies. By leveraging technologies such as Big Data, system modeling, machine learning, and the Internet of Things (IOT), ESI's solutions can be integrated into an interactive, immersive, virtual decision-making space in real time.

ESI's solutions enable industry players to achieve their performance and productivity objectives. More specifically, the Group's know-how enables its customers to meet the challenges of product pre-certification, digitization of production lines, use of an operator-centric approach, or predictability of product behavior and ageing, even before design or upstream of decision-making represented through its Hybrid Twin concept.

1.1.3.2. Selected virtual test markets

Focused on its customers' needs, ESI has organized its solutions by industry, prioritizing the four industrial sectors presented below:

/ The "Automotive & Land Transportation" industry

ESI has been supporting the automotive industry through its major digital transformations since the 1980s, notably with the invention of the virtual crash test carried out with a consortium of German car manufacturers in 1985.

In the race to bring electric, autonomous and connected vehicles to market, OEMs face a real challenge: to maintain profitability and growth, they must increase the efficiency of the existing transportation paradigm while accelerating the time-to-market of their new-generation concepts. Advanced simulation technologies are already widely used in the industry. However, tasks to process are still very complex to the point that more freedom and certainty in vehicle development have become a competitive advantage.

ESI supports players in this industry to help them:

- Design, manufacture and assemble future mobility vehicles;
- Meet their performance and quality goals with ever-shorter production deadlines;
- Guarantee passenger safety and comfort of and reducing vehicle operation and maintenance costs.

Main customers: Alstom Transport, Daimler, FAW Group Corporation, Ford Motor Company, General Motors, Gestamp Group, Honda, HKMC, Mercedes-Benz, Stellantis, Renault-Nissan, Shanghai Automotive Industry Corporation, TATA Group, Toyota, TRW Automotive, Volkswagen Group, Faurecia, Volvo Group, Benteler, ZF, and Yanfeng.

/ The "Aerospace" industry

Over the past decade, aeronautical manufacturers had to face ramp up challenge, doubling in few years the production rate for the best-seller narrow-body aircraft segment. Although a deep digital transformation have been engaged, achieving such ramp up was achieved with an incremental approach mixing traditional legacy with new paradigm. Covid pandemic had a strong impact on the overall ecosystem, almost stopping flight, production, even engineering activity with a significant amount of cancellation dropping down the OEM backlog. Digital transformation did however not stop. OEM and their supply chain has benefited from the production downtime to refine their strategy and speed-up the implementation of smart manufacturing and digital mindset. Industry bounce back natively goes for digital. In addition, sustainability and climate neutrality become more than ever an urgent matter that speed-up the engagement of several new programs as it had never been the case in the past. ESI value proposal is key to enable and support aerospace industry for this new journey.

Main customers: Airbus Group, Boeing, Bombardier, Embraer, BAE, Rolls-Royce, Safran, Raytheon Technologies (Pratt & Whitney), General Electric, Honeywell, AECC, PCC, ALCOA, NASA, Northrop Grumman, Bell Flight, Joby, Lilium.

/ The Heavy Industry

From construction machinery to forestry machinery, agricultural machinery, lifting and handling equipment and mining machinery, including the supply chain of primary metals and parts, manufacturers of industrial machinery face many challenges related not only to the design but also to the manufacturing and operations of their products. Their goal is to provide safer, greener, and more productive machines, controlling costs and lead times through effective collaborative processes. ESI's solutions for engineering and manufacturing simulation covers well the needs related to this industry, while committing to performance levels over the lifetime of their products, even under the harshest operating conditions.

For this sector, ESI works with its customers to help them:

- Guarantee the safety and productivity of human source operations during manufacturing and maintenance operations;
- Design safe, clean and efficient products aimed for the toughest conditions;
- Support the journey towards zero manufacturing defects and zero interruption of operations.

Main customers: Arcelor Mittal, Baker Hughes, Caterpillar, Cummins, John Deere, Kion Group, Komatsu, Nippon Steel, Sumitomo, ThyssenKrupp.

/ The "Energy" industry

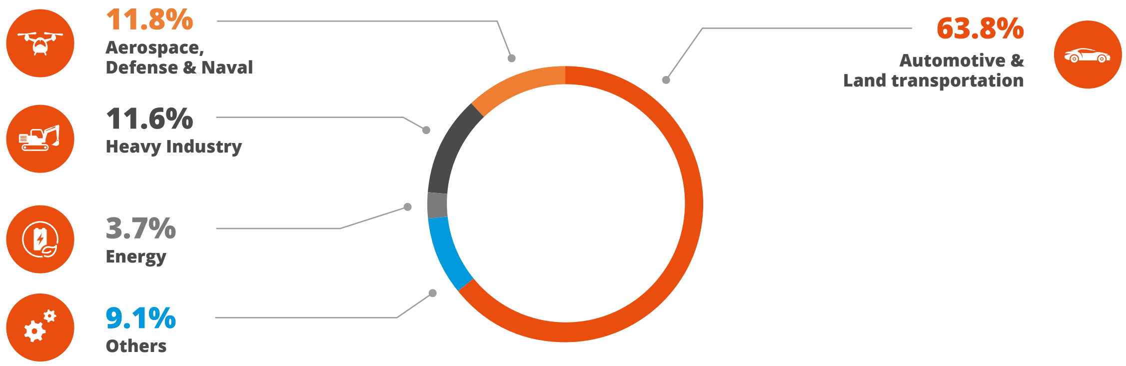
ESI's customers in the energy and power sector face a number of evolving challenges, ranging from resolving safety, environmental and sustainability issues to managing financial risks and strengthening technical requirements. Manufacturers must comply with increasingly complex regulatory requirements while improving operational efficiency. Solving these issues requires ad-hoc technical modeling methodologies that must accurately address operational and accidental events applicable to generation and transmission facilities. Therefore, effective realistic modeling is essential to remain competitive and requires a high level of innovation.

In this sector, ESI supports its customers to help them:

- Ensure optimal operations of new facilities while controlling costs and complying with safety standards;
- Manage profitability and plan the extension of the life cycle of operational installations;
- Control dismantling costs.

Main customers: EDF, Framatome, GDF, General Electric, Japan Atomic Energy Agency, Samsung, Siemens.

In 2022, orders in the four main industrial sectors above represented about 93% of software revenues (before deferred), and broke down as follows:



1.1.3.3. Company differentiators

Focused on its customers' needs, ESI has organized its solutions by industry, prioritizing its differentiators:

- Predictive physics IP to give the Group's customers the confidence to replace a physical test with a virtual test;
- Platform for chaining: ESI's differentiated capability to chain allowing the Company to give its customers the ability to connect previously siloed elements on the simulation workflow brought to life by a common user interface.

1.1.4. A focused multi-horizon offer

As part of its three-year plan, ESI is reshaping its offerings and innovation by focusing and investing on its core business.

/ Focus on the core

The core strategic vision is helping the Group focus. It helped clarify its core solutions and technologies. It will help ESI to invest significantly in the most important and to reduce investment in what is less important. It also implied end of life decisions for some products where the Group is not in a position to win. At the same time, the Group decided to open much more to the ecosystem and partners to complete and strengthen its offering.

An offering divided into three main business lines:

- **Product Performance Simulation:** enables gains in performance and productivity. Thanks to predictive models and process automation, industrialists can meet certification requirements and other validation needs without relying on physical tests.

  Product performance addresses the virtual test & validation of the performance of the product, like crash and safety, NVH (standing for Noise, Vibration, and Harshness), acoustics, and system performance. The total addressable market for the product performance business line is $1.5B. This includes ESI's flagship VPS software. In the next few years, the Groups expects to increase its market share by improving the UX, integrating better with the PLM and addressing new use cases, and winning additional OEM ecosystems. Indeed, as new safety certification regulations are emerging, ESI is in a very good position to respond to those extended market requirements. The Product Performance business line also includes Acoustics Performance and System Engineering. This is a large market where ESI chooses to focus on specific use cases where it has a clear differentiator;
- **Simulation of Smart Manufacturing processes:** establishes the right manufacturing processes to meet performance indicators for both industrial products (for instance reducing weight) and for associated processes (for example controlling distortions or reducing waste).

  The ESI Smart Manufacturing Business Line covers the Virtual Manufacturing Process Chain. This market is large (TAM estimated at $1.2B). Automotive is ESI's main short-term focus as the industry is under great pressure to adopt the digitalization of manufacturing. Common usage of simulation for manufacturing is often siloed to a single process. ESI has such point solutions for sheet metal forming, casting, and composites. Ongoing ESI priority activities include the chaining of single product manufacturing simulation with joining and assembly processes. This activity completes the bridging of performance simulation to validate the product "as manufactured" to enable improved concurrent engineering. This holistic approach aims to secure an early and reliable assessment of the manufacturing quality of the assembled product leading to massive gains in physical prototypes reduction, time-to-market, waste reduction, or even recalls;
- **Simulation of Human Workflows:** allows customers to implement an operator centric approach to ensure the efficiency and safety of assembly and maintenance operations.

  The ESI Human Centric Business Line provides solutions in the context of the industrial extended reality software solution market segment. This industry XR market is similar in size to the virtual manufacturing market (TAM estimated at +$1.2B) and is expected to grow well above 20% (5-year CAGR). In this market, the ESI activities are primarily focused on Digital Manufacturing workflows for VR Enabled Assembly Line Exploration, Validation, and Commissioning.

/ Invest to win

R&D investments

As introduced before, the objective of ESI Group's with its "OneESI 2024 – Focus to Grow" is to focus on its core. It doesn't imply to stop investing. On the opposite, thanks to its core strategic vision, the Group identified activities not aligned with its core and redeployed these investments to better invest to win, to outpace the competition in a selected market.

Part of its plan, the Group announced a redeployment of a significant portion of its R&D investment to more valuable growth opportunities. These actions will allow the Group to accelerate the delivery of software to the customers in its core markets.

Research & Innovation

The Group is prioritizing its mid-term innovation on investments on its core Hybrid Twin concept (enriching the existing knowledge consolidated in its simulation tools with data and Artificial Intelligence), in particular related to manufacturing problems (industry 4.0, to reduce scrap, energy usage, predictive maintenance) and Asset Health monitoring (reduce maintenance, warranty and operational cost), and design space exploration (in crash worthiness for example). The value for the customer is to continuously becoming safer, cleaner, and more productive.

The Group's positioning is in progress with its world class research & innovation team and will involve partnerships and the development of ecosystems.

To ensure constant innovation, ESI also establishes partnerships with several first-rate universities, technological institutes and leading colleges, in many countries where the Group does business. The purpose of these collaborations is to share experiences and explore new technologies, encouraging young people to work in the industrial sector, training the finest employees of tomorrow, and foster innovation in education.

In 2019, Professor Francisco Chinesta, Professor and Researcher at the *École Nationale Supérieure des Arts et Métiers* (ENSAM) and Chief Scientist and Chairman of the Scientific Committee of ESI, received the Silver Medal of the French National Centre for Scientific Research (CNRS) for his contribution to the Center's outreach and the advancement of research.

1.1.5. Research and development (R&D) policy

The R&D policy is applied at different levels depending on the maturity of the technologies and the target market:

- In close collaboration with customers and users for existing products to ensure product maintenance, integrate improvements and enhance functionalities to meet the expectations of the installed base and to gain new customers;
- By industrializing technical and hardware innovations, or innovation in usage modes (model reduction, new generations of processors, Cloud, etc.) in order to deliver new products that meet a confirmed market need and to ensure faster adoption of these products in an industrial environment;
- Through research contracts with industrial, academic and institutional partners (academic chairs, European projects, co-creation projects) in order to demonstrate the viability of new technologies or the relevance of solutions in new application areas or to meet new industrial requirements.

ESI Products and Technology organization prioritizes these investments based on market opportunity. On the most advanced innovation topics, ESI reduces risks through co-financing and the research tax credit in France (CIR).
In addition, the teams adopt a dual specific/generic approach to meet these different objectives:

- Ensure the "genericity" of the product and its components to cover multiple needs in multiple industrial segments;
- Maximize synergies between products to facilitate the release of new competitive and economical versions and minimize maintenance efforts;
- Ensure product competitiveness and productivity by targeting specific high-potential business applications and solutions.

For more information, see also section 5.1.3.

1.1.6. Ecosystem

Since the foundation of the Company, ESI Group developed strong partnerships with the academic ecosystem. This strategy was not applied similarly with the Simulation & Analysis ecosystem. The industry's needs evolved. All the different industrial players are now tightening their supply chain and are looking for global solutions with streamlined processes. Their suppliers need to develop interoperable systems and solutions helping them to accelerate their development and to reduce their costs.

Aware of this trend, ESI Group integrated in its strategic plan the clear objective to develop strategic partnerships with its ecosystem in order to bring an integrated value proposition to its customers. As an example, the Group developed a partnership with PTC aiming to connect ESI IC.IDO software to PTC Windchill PLM platform. The first industrialized version of this higher value offer was released by ESI in Q4 2022.

The Group develops partnerships with hardware suppliers, software solution providers, leading industrial companies, and technological and academic institutes alike.

1.2. HISTORY OF THE GROUP

1973 to 1990	In 1973, Alain de Rouvray, Jacques Dubois, Iraj Farhoomand and Eberhard Haug, created ESI (Engineering System International). The Company initially operated as a consulting company for European defense, aerospace, and nuclear industries. In 1979, the Company opened a subsidiary in Germany. In 1985, ESI carried out the first successful digital crash test simulation for a German consortium led by Volkswagen. This marked the start of development of its flagship software package, PAM-CRASH.
1991 to 1999	In 1991, ESI became ESI Group and raised venture capital to enter the field of software edition. The Company set up subsidiaries in the United States, Japan, and South Korea. In 1997, it took over Framasoft (digital and mechanical simulation for the nuclear industry), followed by Dynamic Software (stamping simulation) in 1999.
2000 to 2010	In July 2000, ESI Group launched an IPO, raising some €30 million. From 2000 to 2008, ESI Group pursued a concerted external growth strategy, successively acquiring Mecas, strengthening its distribution network in Eastern Europe, STRACO (Vibro-Acoustic market), VASci (Vibro-Acoustic Sciences for noise and acoustic comfort simulation), ProCAST and Calcom (foundry and metallurgy simulation), the Product Division of CFD Research Corporation (fluid dynamics), the Service business of IPS International (virtual human models), ATE Technology International Ltd. (sector diversification in China), the Vdot software platform (product development process management), and finally Mindware Engineering Inc. (fluid dynamics sector). Meanwhile, ESI Group strengthened its international presence by opening subsidiaries in England, India, China, Italy, Brazil, and Tunisia.
2011 to 2018	In 2011, ESI Group acquired the company IC.IDO, or “I see, I do” (immersive virtual reality solutions), followed by Efield AB (virtual simulation of electromagnetic phenomena). The following year, ESI Group took over OpenCFD Ltd (leader in open-source fluid dynamics software) from SGI, thereby taking ownership of the OpenFOAM® brand. In 2013, ESI Group signed a joint venture agreement with AVIC-BIAM to collectively operate the new company “AVIC-ESI (Beijing) Technology Co. Ltd” (effective as of February 1, 2014), and subsequently acquired CyDesign Labs Inc. (system modeling). In 2015, ESI Group carried out the following acquisitions: CIVITEC (virtual simulation of automated driver assistance – ADAS), the business assets of PicViz Labs (Big data-based predictive analysis), the technology assets of Ciespace (Cloud/SaaS offering), and the Presto software platform (electronics cooling market). In 2016, ESI Group continued to extend its strategic positioning by acquiring ITI GmbH (realistic simulation of mechatronic and multi-domain systems) and Mineset Inc. (Big data visual analytics and machine learning). In early 2017, ESI Group took over Scilab Enterprises, publisher of the Scilab open source analytical calculation software. These numerous acquisitions have allowed ESI Group to enrich its solution portfolio, putting forth a comprehensive offering suited to the needs of industrial players.
2019	The Group has been through a major change in its governance on February 1, 2019 with the nomination of Cristel de Rouvray as Chief Executive Officer of the Group while Alain de Rouvray remained non-executive Chairman of the Board of Directors. ESI continues its transformation journey with, in particular, its commercial focus and resource allocation plan, announced in April 2019, aiming to develop specific industrial strategies by close cooperation with customers.
2021	2021 was marked by two major evolutions for the Group on both the governance and strategy front. **The governance:** As part of the evolution of its governance, ESI Board appointed Alex Davern as Chairman of the Board of Directors, effective February 8, 2021, along other changes in the organization of the Board. Patrice Soudan joined the board in September and Alain de Rouvray resigned in December 2021. **The strategy:** In October, ESI Group unveiled for the first time publicly a tree-year strategic plan “OneESI 2024 – Focus to Grow” including mid-term forward-looking statement both for its revenue and its profitability.
2022	Beginning of the execution of the “OneESI 2024 – Focus to Grow” plan. ESI Group divested of the following products and technologies: ACE+ (acquired from CFD Research Corporation before 2010), Scilab (acquired in 2017), Inendi Inspector (acquired in 2015 from PicViz Labs).

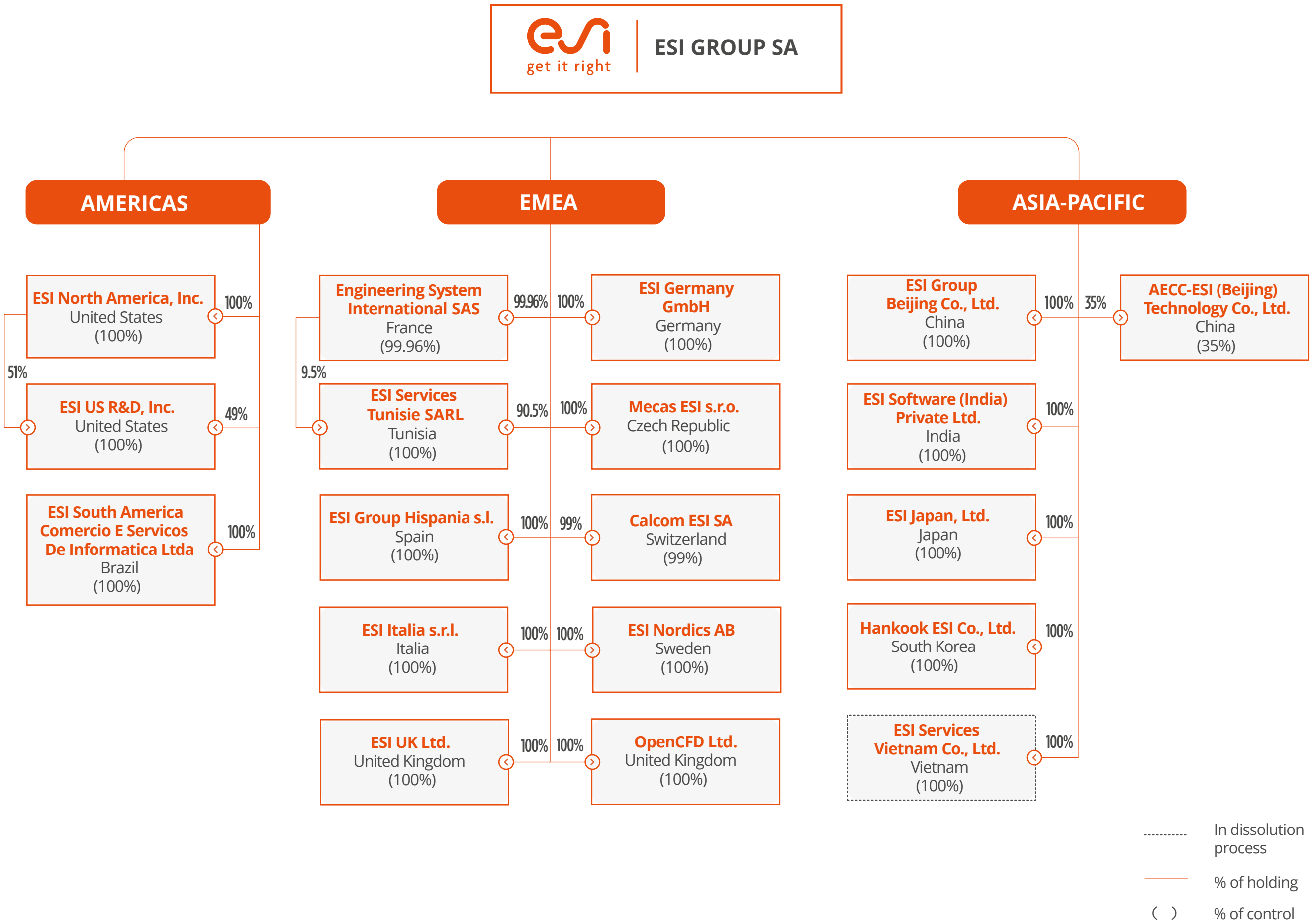
1.3. GROUP ORGANIZATION

1.3.1. Operational flowchart

As of the date of this Universal Registration Document, the Group's operational flowchart was as follows:

1.3.2. Legal flowchart

As of the date of this Universal Registration Document, the Group's legal flowchart was as follows:



Note: the percentages of equity and voting rights are identical.
For more information, see note F.8 "Table of controlled entities and affiliates" (at December 31, 2022) in the notes to the consolidated financial statements.

1.4. SELECTED INFORMATION

1.4.1. Financial information

All below information will concern "constant perimeter", otherwise will be stated. Please refer to definition, Note 5.1.2.2. of the present document.

2022: ESI Group Achieves Key Milestones of OneESI 2024 Plan, Delivering Strong Results in 2022

ESI Group has made significant progress on its strategic plan, on track with expectations for the fiscal year 2022. The Group's ability to consistently fulfil its long-term commitments was demonstrated by a strong 7.4% increase in Annual Recurring Revenue (ARR)[(1)], reflecting a focus on recurring software revenue that was prominently highlighted in the OneESI 2024 plan. The Group has successfully raised its ARR to €100.6m (compared to €93.7m in 2021), marking a substantial advancement for the Group. In addition, ESI Group has achieved its revenue objectives, with growth consistent with the communicated range to the market (between 2% and 4%) for a total revenue of €129.7m. The Group's emphasis on its licensing business has also paid off, as it now accounts for 85.0% of the company's overall activity (compared to 83.2% in FY21).

ESI Group is pursuing its transformation by focusing on its core activities and improving customer satisfaction. This focus is reflected in the company's significant Annual Recurring Revenue (ARR) growth, increased business wins, and strong employer brand, which has helped attract talent in the market. Additionally, at constant perimeter, ESI Group's revenue growth and cost-management efforts resulted in an 11.6% Adjusted EBIT[(2)] margin[(3)] (exceeding the anticipated range of 9% to 11%).

The company's strategic approach has yielded positive results, with growth in our three regions particularly in the Americas, where it grew by 15.9% (+4.2% cer), the Asia market remained stable at -0.2% (+2.4% cer) due to the acceleration of the strategic shift from perpetual to recurring licenses. The EMEA region posted a growth of 1.6% (+1.3% cer). ESI Group's commitment to enhancing customer satisfaction and attracting top talent has resulted in enabling the company to position itself as a market leader in the face of ongoing challenges.

The gross margin rate increased to 78.9% vs 76.8% in 2021 mainly due to higher rate of licenses in our revenue mix. As announced, the Group continued streamlining its operations and reduced its headcount – from 1,145 (end of December 2021) to 985 (end of December 2022). In the meantime, the Group recruited highly seasoned leaders and team members for strategic positions across the organization.

In 2022, Other operating income and expenses amounted to €12.7m mainly due to CFD sale (During the fiscal year, the Group generated profits from the sale of non-strategic assets (mainly CFDs) for a total amount of 15.9 million euro.) versus -€27.6m in 2021 due to ESI Group restructuring and transforming plan comprising of Provisions for reduction in headcount & Impairment of intangibles as related to products & services deemed non-core.

In 2022, ESI Group continued demonstrating its capacity to improve its financial situation. ESI Group controlled its costs thanks to a better resource allocation and reduced its net financial debt[(4)] (from €12.5m in 2021 to -€7.3m in 2022) with more reimbursement of the bank loans (€8.5m in 2022 vs €5.3m in 2021).

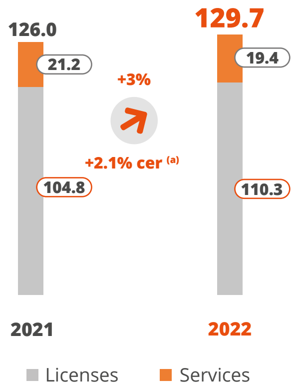
The Group has increased its cash position end-of-year from €30.3m to €41.6m which includes the positive impact of the CFD business sale (+€20m of cash) announced in July 2022 and the payment of restructuring charges for the Group linked to its departure plan (about €7m euros in 2022 versus €1.7m in 2021).

The gearing[(5)] significantly improved from 17.2% in 2021 to -8.0% in 2022.

(1) Annual Recurring Revenue - all revenues from license sales (including maintenance services) excluding revenues from perpetual licenses and before changes in deferred revenues.
(2) Adjusted EBIT is a non-IFRS indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, Impairment of intangible assets, amortization of intangible assets related to acquisitions, Application of IFRS 16 (leases) and other non-recurring items (including net gains and losses from disposals). For definitions of non-IFRS indicators, please refer to Note 5.1.2.2. of the present document.
(3) Adjusted EBIT margin is a non-GAAP indicator margin corresponding to the Adjusted EBIT out of the Revenues.
(4) Net financial debt: Gross financial debt minus cash and cash equivalents.
(5) Gearing: Net financial debt/equity.

Revenue evolution – at constant perimeter

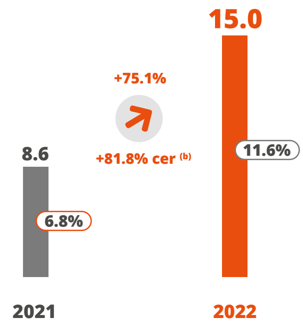
(In € millions)



(a) Constant exchange rate.

Adjusted EBIT[a] – at perimeter

(In € millions and % of revenue)



(a) Adjusted EBIT is a non-IFRS indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, Restructuring charges, Impairment of intangible assets, Amortization of intangible assets related to acquisitions or disposals, Application of IFRS 16 (leases) and Other non-recurring items (including net gains and losses from disposals).

(b) Constant exchange rate.

Geographical revenue breakdown – at constant perimeter

Focus on Licenses revenue – at constant perimeter

(In € millions)	2022 (Jan 1 – Dec 31)	2021 (Jan 1 –Dec 31)	Change	Change Constant Exchange Rate (cer)
Revenue	129.7	126.0	3.6%	2.1%
Licenses	110.3	104.8	5.3%	4.3%
Annual Recurring Revenue (ARR)	**100.6**	**93.7**	**7.4%**	**6.5%**
PUL (Perpetual Licenses)	9.7	11.4	(15.2%)	(17.0%)
Deferred revenue	—	(0.3)	(89.9%)	(105.7%)
Services	**19.4**	**21.2**	**(8.4%)**	**(8.7%)**

1.4.2. Extra-financial information

Refer to chapter 4 for more detailed information.

CSR strategy

In 2022, ESI worked on the alignment of its CSR strategy with the "OneESI 2024 – Focus to Grow" plan to improve its growth, profitability and sustainability for the benefit of all stakeholders.

We defined 4 corporate objectives which are embedded in the four axes of the CSR strategy:

CSR pillars	Objectives by 2024	2022	2021	2020	2019
1. Being a Committed Employer	Reach 25% of women within the Group	21.8 %	21.9 %	22.1 %	22.2 %
2. Being an outstanding partner	75% of success stories mention positive impact on planet, human and industry performance	80 %	74 %	21 %	13.0 %
3. Being an Ethical & Committed Company	Reach an average burn rate[a] of 1% over 3 years (based on LTI plans)	0.92 %	0.62 %	0.50 %	0.54 %
4. Being an Environmentally friendly player	Reduction of our GHG emissions[b] by 25% due to the implementation of New ways of Working (NWoW)	51.35% (293 T GHG)	57.22% (257 T GHG)	57.25% (257,5 T GHG)	n/a (601 T GHG)

(a) Burn rate (or run rate) refers to the dilution represented by the total number of options and restricted shares granted by the company in a given period. One-year burn rates are calculated by dividing the number of options and restricted shares granted in a year by the total number of common shares outstanding.
(b) GHG emissions: Sum of GHG due to electricity + GHG due to transport + GHG due to company cars.

2022 has been marked by 2 main initiatives to support women in the workplace, and specifically in the technology sector:

- ESI created an internal network "women@ESI" charged to set off multiple initiatives to ensure inclusion and gender equality;
- ESI joined the WEP established by UN Global Compact and UN Women.

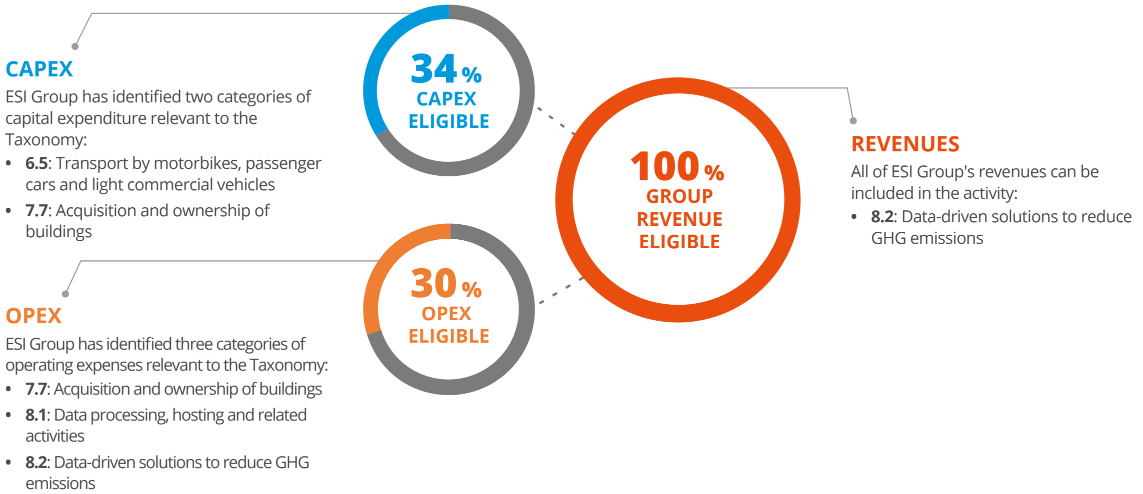
Taxonomy

ESI is convinced of the environmental benefits of virtual prototyping and its role in the overall reduction of greenhouse gas emissions through the benefits of its solutions such as:

a. Replacement of physical prototypes;
b. Optimization of product performance and durability;
c. Lightening of products in order to reduce the resources required for their use;
d. Improvement of manufacturing processes to reduce errors and waste generated, as well as the volume of materials required.

The Group's activity is considered an "enabling activity" because it has the potential to enable manufacturers to improve their own sustainability approach in the design-production phase of their products. Therefore, the eligible turnover is 100% to the climate objectives of the European Taxonomy.

ESI has identified categories of capital expenditures and operating expenses relevant to the Taxonomy.



CHAPTER 2

MEMBERSHIP OF THE BOARD OF DIRECTORS


Alex **DAVERN**
Chairman


Cristel **DE ROUVRAY**


Rajani **RAMANATHAN**


Patrice **SOUDAN**

7 DIRECTORS
+ 1 OBSERVER

INCLUDING 3 WOMEN AND 6 INDEPENDENT MEMBERS


Yves **DE BALMANN**


Véronique **JACQ**


Éric **D'HOTELANS**


Charles-Helen **DES ISNARDS**

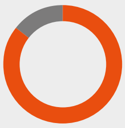
Attendance rate: 98%

3 BOARD OF DIRECTORS' COMMITTEES

3 BOARD OF DIRECTORS' COMMITTEES	ATTENDANCE RATE
Strategic Committee	100%
Audit Committee	92%
Compensation, Nomination & Governance/CSR Committee	100%

KEY FIGURES

60.6 years
average age [a]


85.7%
independent members [a] [b]


42.9%
of women [a] [c]


57.1%
of diversity [a] [d]

(a) At the date of this Universal Registration Document, excluding the Board Observer.
(b) At the date of this Universal Registration Document and in accordance with the recommendation R.3 of the Middlenext Code which recommends that the Board include at least two independent Directors and sets the independence criteria.
(c) In accordance with the Article L.22-10-3 of the French Commercial code.
(d) Board members/Directors who are foreign nationals, at the date of this Universal Registration Document.

2 REPORT ON CORPORATE GOVERNANCE

This section constitutes the report of the Board of Directors on corporate governance pursuant to Article L. 225-37 of the French Commercial Code. This report notably sets out the conditions of preparation and organization of the work of the Board of Directors and its committees, the powers of the corporate officers, the principles and rules adopted to define their remuneration and benefits of any kind granted to them, as well as other information to be included under Articles L. 225-37 *et seq*. and L. 22-10-3 *et seq*. of the French Commercial Code.

This report has been prepared on the basis of work carried out by various departments of the Company, in particular, the Legal Department, Finance and Administration Department and Human Resources Department.

This report was approved by the Board of Directors on February 27, 2023, after review and recommendation by the Board committees of the sections under their respective responsibilities and sent to the Statutory Auditors. It will be presented to the Combined General Meeting of June 29, 2023.

2.1. GOVERNANCE CODE

The Company is a limited company (*société anonyme*) with a Board of Directors. The Directors, the Chairman of the Board and the Chief Executive Officer ("CEO") are referred to collectively in this Universal Registration Document by the term "Corporate Officers".

On the date of publication of this Universal Registration Document and to the Company's knowledge, there are:

- No family ties among the Company's corporate officers);
- No conflict of interest between the private interests of each corporate officers and their duties with regard to the Company;
- No arrangement or agreement concluded with the principal shareholders or with clients, suppliers or others, as a result of which any of the corporate officers would have been appointed in such position;
- No restriction on the sale by corporate officers of their shareholdings in the Company's capital whereas there is no shareholders' agreement as described under section 8.2.5 of this Universal Registration Document);
- No service agreement binding the corporate officers to the Company or any of its subsidiaries that provides benefits to be granted to them, apart from the regulated agreements as set out under section 2.6 of this Universal Registration Document.

In addition, to the Company's knowledge on the date of this Universal Registration Document, no corporate officer has been in the last five years:

- Convicted of fraudulent offences;
- Associated with any bankruptcies, receiverships or liquidations;
- Subject to any official public incrimination and/or sanctions by statutory or regulatory authorities;
- Disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

During its Meeting of February 27, 2023, the Company confirmed it voluntarily referred to the Middlenext Code, which is available on the website www.middlenext.com as revised on September 2021. As every year, the Board of Directors reviewed its compliance with the recommendations, in particular the points of vigilance of the Code. As part of the "Comply or Explain" rule provided in Article L. 225-37-4 of the French Commercial Code, the Company considers that its practices comply with recommendations of the Code with the exception of the following recommendations for the reasons given below:

Exceptions to the Middlenext Code		Explanations
R.7	*Chairmanship of the specialised committees entrusted to independent "members of the Board", except in very special cases for which reasons are given.*	*In relation to the specific mission of the Strategic Committee, which is responsible for reflecting on the Group's positioning and, in particular, analysing M&A opportunities, its chairmanship by the Chief Executive Officer allows for a complete alignment between strategy and the implementation of decisions. This is the only committee chaired by a non-independent director*
R.8	*The Board of Directors has a specialized committee on Corporate Social Responsibility (CSR) or meets as a CSR committee, depending on its size. Depending on the topics, this committee works in conjunction with the others Board of Directors' Committees.*	*As indicated in section 2.3.1.2 of this document, as of September 6, 2022, the Compensation, Nomination and Governance/CSR Committee has been established following the merger of the Compensation Committee with the Nomination and Governance Committee/CSR, which already covered the consideration of social and environmental issues in its recommendations to the Board for fiscal year 2021.* *The Compensation, Nomination and Governance/CSR Committee is thus responsible for monitoring the CSR approach in line with the Group's strategy, as explained in section 2.3.4.3. which sets out the composition of the Committee, its tasks and the frequency of its meetings during fiscal year 2022. The CSR strategy is presented in the Chapter 4 of this document.*
R.12	*Presence condition for Directors' remuneration*	*This criterion is applied to independent Directors but is not relevant for the non-independent Director (CEO), who is always present because of her executive role within the Company (see Directors' compensation policy for 2023 under section 2.4.1.1).*
R. 16	*Definition and transparency of the compensation of Corporate Officers*	*The code provides that in the case of variable compensation, the assessment of performance achievement takes into account quantitative criteria - financial and non-financial - as well as qualitative criteria. In the context of its transformation, the Board of Directors has chosen to focus the remuneration of the Chief Executive Officer on financial performance criteria in line with the objectives of the three-year strategic plan communicated in October 2021, which refer to the growth and profitability of the Company.*

2.2. FUNCTIONING OF THE GENERAL MANAGEMENT

2.2.1. Chief Executive Officer

In accordance with the legal provisions and articles of association, the Board of Directors decided on September 18, 2018 to separate the functions of Chairman of the Board of Directors and Chief Executive Officer ("CEO"): Cristel de Rouvray took function as CEO on February 1, 2019.

The CEO is vested with the broadest powers to act in all circumstances on behalf of the Company. The powers of the CEO are however limited by the Board of Directors (see section 2.2.3.1 below).

In accordance with Article L. 225-54-1 of the French Commercial Code, Cristel de Rouvray does not hold any other position as CEO in a public limited company with its registered office in France.

No one can be appointed CEO if he is over 65 years old. If the current CEO exceeds this age, he is deemed to have resigned from office.

2.2.2. Limits on the powers of the Chief Executive Officer

The CEO represents the Company in its dealings with third parties. He is vested with the broadest powers to act in all circumstances on behalf of the Company, provided that the act he performs is part of the corporate object and is not expressly reserved to Shareholders' Meetings or to the Board of Directors.

Without prejudice to the legal provisions relating to authorizations to be granted by the Board of Directors (regulated agreements, sureties, endorsements and guarantees, transfers of participations or real estate, etc.), the Chief Executive Officer must obtain the prior authorization of the Board of Directors for the following operations that are outside the scope of day-to-day management, in accordance with its internal rules:

- Purchase or acquire, sell or dispose of, or mortgage any real estate, pledge any movable property and claim, where the transaction exceeds the amount of €100,000;
- Operations intended to consent to or contract any loans, credits or advances, where these exceed an amount of €2,000,000;
- Direct operations or equity investments that may affect the Group's strategy and substantially modify its financial structure or scope of business;
- Settle any dispute and take legal action, with the exception of debt recovery actions or any day to day operations and urgent actions such as provisional or conservatory measures;
- The issue of pledges, guarantees, endorsements or sureties where these exceed an annual amount of €100,000;
- The issue of securities, whatever their nature, which may lead to a change in the share capital, regardless of the amount.

2.2.3. Leadership Team (ELT)

.The CEO is assisted by the Leadership Team for the Company's daily management pertaining to growth strategy.

The Leadership Team meets usually once a week and as often as the interest of the Company requires, to report on the activities of the Company to the CEO. The Leadership Team prepares, with the support of the specialized committees, all matters submitted to the prior authorization of the Board of Directors for the execution and/or implementation of strategic operations.

As at the date of this Universal Registration Document, the Leadership Team comprises the following members (by alphabetical order):

Cristel de Rouvray
Chief Executive Officer

Francis Griffiths
Executive Vice-President,
Chief Revenue Officer

Emmanuel Leroy
Executive Vice-President,
Chief Product & Technology
Officer

Olfa Zorgati
Executive Vice-President
Operations &
Chief Financial Officer

Dominique Lefebvre
Senior Vice-President
Product Development
Planning

Corinne Romefort-Régnier
Senior Vice-President General
Secretary & Governance

Yannick Charon
Vice-President
Human Resources

Florence Barré
Chief of Staff
CEO Office

2.3. BOARD OF DIRECTORS

2.3.1. Composition of 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 at most the maximum number of members permitted by law, unless a decision is made to increase this maximum in the event of a merger.

Directors are appointed by the annual Ordinary General Meeting, on proposal of the Board of Directors, for a term of four years, in accordance with the recommendations of the Middlenext Code (R.11). Directors may be re-elected. They may be dismissed at any time by the Ordinary General Meeting.

The age limit to serve on the Board of Directors is 80. If a member of the Board of Directors exceeds this limit, he will automatically be deemed to have resigned. He will nonetheless retain his seat until the first Board Meeting following the date at which the Director in question exceeded the age limit.

On the recommendation of the Nomination, Remuneration and Governance/CSR Committee, and on the proposal of the Board of Directors in its meeting of 28 February 2022, the General Meeting of 28 June 2022 amended the Company's Articles of Association to lower the age limit for the Chairman of the Board to 75 years.

In accordance with the Group's policy to promote diversity (see section 4.3.2 of this Universal Registration Document for more details), the Board of Directors, based on the recommendations of the Nomination and Governance Committee, seeks to promote diversity in its composition with regard to criteria such as independence, age, gender or qualifications and professional experience. In view of the evolution of the Board's composition, these diversity criteria will be decisive in the choice of candidates for appointment.

Overview of the Board of Directors from September 6th, 2022 and until the date of this Universal Registration Document

	Age	Gender	Nationality	Strategic Committee	Audit Committee	Compensation, Nomination and Governance/CSR Committee	Start of first term	Start of current term	End of current term	Expertise, experiences
Members considered as non independent by the Board of Directors (see section 2.3.1.3)										
Cristel de Rouvray	46		French-American	✓			1999	2021	SM 2025	Technologies, Leadership, CSR
Members considered as independent by the Board of Directors (see section 2.3.1.3)										
Alex Davern	56		Irish, American	✓		✓	2021	2021	SM 2025	Finance, Leadership, M&A, Listed company
Yves de Balmann	76		French, American	✓		✓	2016	2020	SM 2024	Finance, Leadership, M&A, Listed company
Éric d'Hotelans	72		French	✓	✓	✓	2008	2019	SM 2023*	Technologies, Finance, Leadership, Listed company
Véronique Jacq	55		French	✓	✓		2014	2018	SM 2026	Finance, M&A, Listed company
Rajani Ramanathan	55		American, Indian	✓		✓	2014	2018	SM 2026	Technologies, Business, Leadership, CSR
Patrice Soudan	64		French	✓	✓		2021	2021	SM 2024	Finance, Leadership, Technologies, Listed Company
Observer										
Charles-Helen des Isnards	78		French				2021	2021	SM 2023 *	Finance, M&A, Listed company

60.6 years
AVERAGE AGE (a)

85.7%
INDEPENDENT MEMBERS (a) (b)

42.9%
3 WOMEN & **4** MEN (a) (c)

57.1%
DIVERSITY (a) (d)

SM: Shareholders' Meeting.
Chairman.
✓ *Member.*
* *Renewal of mandate is not proposed at the Shareholders' Meeting to be held on FY22 financial statements.*
(a) *At the date of this Universal Registration Document and excluding the Board Observer.*
(b) *At the date of this Universal Registration Document and in accordance with the recommendation R.3 of the Middlenext Code which recommends that the Board include at least two independent Directors and sets the independence criteria.*
(c) *In accordance with the Article L. 22-10-3 of the French Commercial Code.*
(d) *Board members/Directors who are foreign nationals, at the date of this Universal Registration Document.*

2.3.1.1. Chair of the Board of Directors

In accordance with Article 11 of the articles of association, the Board must appoint a Chairman among its physical members, for a term which may not exceed his mandate.

Since February 8, 2021, Alex Davern acts as Chairman of the Board.

As part of his duties, the Chairman sets the agenda for the Board Meetings. In accordance with the internal regulations, the Chairman also chairs the Meetings of the Board, directs the deliberations and ensures compliance with the internal regulations. The Chairman also ensures the quality of discussions and the collegiality of decisions. The Chairman maintains a regular dialogue with the CEO and the Directors and ensures that they are able to fulfil their mission. The Chairman may also request any document or information that may help the Board of Directors prepare for its meetings and ensures the quality of the information provided to the Directors prior to their meetings.

2.3.1.2. Changes in the composition of the Board of Directors and its committees

Changes in the composition of the Board of Directors in 2022 and until the date of this Universal Registration Document

Board members	Events	Effective date
Rajani Ramanathan	Renewal (a)	June 28th, 2022
Véronique Jacq	Renewal (a)	June 28th, 2022
Patrice Soudan	Ratification of co-optation (b)	June 28th, 2022
Observer		
Charles-Helen des Isnards	Renewal (c)	June 28th, 2022

(a) For a duration of four years, i.e until the General Meeting which will be held in 2026 to approve the accounts of the year 2025.
(b) For the remaining term of his resigning predecessor, until the General Meeting to be convened in 2024 to approve the accounts of the year 2023.
(c) For a duration of one year, i.e until the General Meeting which will be held in 2023 to approve the accounts of the year 2022.

Changes in the composition of the committees in 2022 and until the date of this Universal Registration Document

As of September 6th, 2022, the Compensation, Nomination and Governance/CSR Committee has been established following the merger of the Compensation Committee with the Nomination and Governance/CSR Committee. Its composition from that date until the date of this Universal Registration Document is set out in section 2.3.4.3.

The following changes should be noted:

The Technology and Marketing Committee has been removed as of September 6th, 2022. Members were: Rajani Ramanathan as Chairwoman, Alex Davern, Cristel de Rouvray, Patrice Soudan as members.

Board members	Events	Committees	Effective date
Alex Davern	Termination of mandate of Chairman by decision of the Board of Directors – Remain Member	Chairmanship of Nomination and Governance/CSR Committee	September 6th, 2022
Eric d'Hotelans	Termination of mandate of Chairman by decision of the Board of Directors – Remain Member	Chairmanship of Compensation Committee	September 6th, 2022
Rajani Ramanathan	Appointment by decision of the Board of Directors	Chairwomanship of Compensation, Nomination and Governance/CSR Committee	September 6th, 2022
Patrice Soudan	End of mandate as member	Compensation Committee	September 6th, 2022

2.3.1.3. Independence

In accordance with the recommendations of the Middlenext Code (R.3), following the opinion of the Nomination and Governance Committee, the Board of Directors analysed and determined at a Meeting of February 27, 2023, the proportion of independent Directors within the Board. In particular, it examined each of the Directors' situations in light of the five criteria presuming independence defined by the Code, namely:

Criterion 1	Not to be and not to have been during the course of the previous five years, an employee or corporate officer of the Company or an entity of the Group
Criterion 2	Not to have been during the course of the previous two years and not to be in a significant business relationship with the Company or its Group (customer, supplier, competitor, service provider, creditor, banker)
Criterion 3	Not to be majority shareholder or not holding a significant percentage of the Company's voting right
Criterion 4	Not being related by close family ties to a corporate officer or a majority shareholder
Criterion 5	Not having been an Auditor of the Company during the course of the previous six years

The table below shows each Director's situation in light of the independence criteria as stated above, and the classification chosen by the Board of Directors. The Board identified six independent Director out of seven, representing 85.7% of independence, largely above the one-third of independence recommended by the Middlenext Code for a controlled company.

Director	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Classification chosen by the Board of Directors
Cristel de Rouvray	X	X	X	X	✓	Non-independent*
Alex Davern	✓	✓	✓	✓	✓	Independent
Yves de Balmann	✓	✓	✓	✓	✓	Independent
Éric d'Hotelans	✓	✓	✓	✓	✓	Independent
Véronique Jacq	✓	✓	✓	✓	✓	Independent
Rajani Ramanathan	✓	✓	✓	✓	✓	Independent
Patrice Soudan	✓	✓	✓	✓	✓	Independent

X: *Not compliant.*
✓: *Compliant.*
* *Cristel de Rouvray was a consultant prior to her corporate mandate and is also related to the former Chairman and CEO, who became Chairman of the Board of Directors before being replaced by the current independent Chairman in February 2021. She also holds 4.17% of the Company's share capital as of 31 December 2022.*

2.3.1.4. Balanced gender representation on the Board

At the date of this Universal Registration Document, the Board of Directors is composed of three women and four men, pursuant to Articles L. 22-10-3 and L. 225-18-1 of the French Commercial Code.

2.3.2. Offices of Directors

The number of directorships held by Directors is in accordance with the limits set forth in Article L. 225-21 of the French Commercial Code. This is an important guarantee of their commitment and availability to the Group.

Alex Davern

- Independent Board member
- Chairman of the Board of Directors

Date of birth: 09/23/1966
Irish and US
Shares held at December 31, 2022:
12,024 shares*

Alex Davern, observer since October 21, 2020, was appointed as Chairman of the Board following his co-optation as Director on February 8, 2021.

Alex Davern served National Instruments (NATI: NASDAQ, global leader in automated test and automated measurement systems for 26 years in different top management positions from Chief Financial Officer, Chief Operating Officer to Chief Executive Officer. Alex Davern contributed to the Company's development until it reached approximately $1.4 billion in sales with 7,400 people spread in 50 countries in 2019. In Feb 2020, Alex stepped down from his role as CEO to focus on serving as a Board member of National Instruments and other listed companies. He is a former President of the American Electronics Association's Small Business Advisory Committee and a former member of the SEC's Small Business Advisory Committee. Alex started his career as Auditor in PricewaterhouseCoopers. He Graduated from the University College Dublin with a degree in Commerce and a post graduate Diploma in Professional Accounting and has both Irish and American citizenships.

Current offices held outside the Group:

- Member of the Board of National Instruments (NATI:NASDAQ)
- Member of the Board and Audit Committee Chairman of Cirrus Logic (CRUS:NASDAQ)
- Member of the Board and Audit Committee Chairman of FARO Technologies (FARO:NASDAQ)

Expired offices held over the past five years:

- Member of the Board and Audit Committee Chairman of Helen of Troy (HELE:NASDAQ)

* *See chapter 8.2.5 for all registered shares and bearer shares held at the date of publication of the Universal Registration Document.*

Cristel de Rouvray

- Board member
- Chief Executive Officer
- Chairwoman of the Strategic Committee

Date of birth: 10/15/1976
French, American
Shares held at December 31, 2022:
253,054 shares

Cristel de Rouvray is Chief Executive Officer since February 1, 2019. Cristel de Rouvray joined the ESI Group Board in 1999. She was Chairman of the Compensation, Nomination and Governance Committee from 2007 to 2019 and Board Leader from 2015 to 2019. She graduated from Stanford University and the London School of Economics, where she obtained a Ph.D. in economics. She has 14 years of experience as a Director at College Track, a US non-profit organization.

Current offices held outside the Group:

- Director of Open Foam Foundation

Expired offices held over the past five years:

- *None*

Patrice Soudan

- Independent Board member
- Chairman of the Audit Committee (since January 1, 2022)

Date of birth: 09/29/1958
French
Shares held at December 31, 2022:
2,100 shares

Patrice Soudan, a French citizen, was born on September 29, 1958. He held various positions in finance in an international audit firm and in the food industry before joining Legrand in 1991.

He began his career as Management Controller, then Director of Management Control, and finally Group Chief Financial Officer in 2001.

He was appointed Deputy Chief Executive Officer and member of Legrand's Executive Committee in 2008, taking over the management of the group's main industrial division, and then of all the group's industrial divisions and operations as of 2014 until the end of 2018.

Current offices held outside the Group:

- President of P3C Management

Expired offices held over the past five years:

- Chairman of the Board and CEO of Legrand France
- Member of the Board of Netatmo

Rajani Ramanathan

- Independent Board member
- Chairwoman of the Nomination, Compensation & Governance/CSR Committee (since September 6, 2022)

Date of birth: 03/25/1967
American, Indian
Shares held at December 31, 2022:
1 share

Rajani Ramanathan currently serves as an advisor and director to several private technology companies in the AI, VR, Blockchain, and connected (IoT) technology space. Since June 2021, she serves on the board of the public company, Guidewire Software, a platform P&C insurers trust to engage, innovate, and grow efficiently. She has served on their Compensation Committee and Risk Committee since June 2021 and took over as Chairperson of their Risk committee in October 2022. Since July 2022, Ms. Ramanathan has served on the board of Faro Technologies, a publicly traded company serving 3D Metrology, AEC (Architecture, Engineering & Construction), O&M (Facilities Operations & Maintenance), and Public Safety Analytics markets. She is a member of their Talent Development and Compensation Committee.

Since October 2021, she has also served on the board of Hayden AI, a smart city solutions provider that developed the world's first autonomous traffic management platform.

From June 2000 to March 2014, Ms. Ramanathan served in a variety of leadership roles at Salesforce, a cloud software company, most recently as its Chief Operating Officer and Executive Vice President – Technology and Products. From December 2021 to present, Ms. Ramanathan has served as Advisory Council Member, Cybersecurity Executive Education Program, California State University, Chico.

Current offices held outside the Group:

- Member of the Board of the company Guidewire
- Member of the Board of the company Hayden.ai
- Member of the Board of the company Faro Technologies

Expired offices held over the past five years:

- Member of the Board of the company CloudCherry
- Member of the Board of the company Vayu

Véronique Jacq

▶ Independent Board member

Date of birth: 01/02/1968
French
Shares held at December 31, 2022:
157 shares

A Civil Engineer and graduate of the École 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 BPI France) as Director of Business Development. In 2003, she joined the 2nd Chamber of the French Court of Auditors, where she was responsible for auditing financial statements and management reports of companies and government agencies as well as international organizations. In 2007, she joined CDC Entreprises, a CDC subsidiary company specializing in private equity, and in 2010 became Deputy General Manager in charge of Business Development. In 2012, she took responsibility for the investment activity in digital startups first at CDC Entreprises and then at Bpifrance as of 2013. The Digital Venture activity she is piloting in Bpifrance covers seed and venture capital operations in enterprise software, consumer, marketplaces, hardware, IoT (€700 millions under management).

Current offices held outside the Group:

- Member of the Board of the company Evaneos
- Member of the Board of the company OpenClassrooms
- Member of the Board of the company Scality
- Member of the Board of the company Famoco
- Board observer of the company Acinq
- Board observer of the company Uavia

Expired offices held over the past five years:

- Member of the Board of the company Netatmo
- Member of the Board of the company Klaxoon
-
- Member of the Board of the company Cardiologs

Yves de Balmann

▶ Independent Board member

Date of birth: 05/28/1946
French, American
Shares held at December 31, 2022:
1 share

A graduate of Stanford University in the United States and *École Polytechnique* in France, Yves de Balmann began his career at Citibank where he served as North American Executive Director for the Rates and Currency Derivatives Division, as well as its Proprietary Trading Department. He joined Bankers Trust in 1988, where he eventually rose to become Head of its Global Investment Bank and Vice-Chairman of the Corporation. After the 1999 merger of this company with Deutsche Bank, de Balmann became Co-Head of the Global Investment Bank (GIB) of Deutsche Bank and Co-Chairman and Co-CEO of Deutsche Bank Alex. Brown, the US division of the German bank, which brings together investment banking and intermediation activities. He held these positions until 2001. He also served on the Board of the Global Corporates and Institutions Division (GCI). In 2002, he created the company Bregal Investments, a top international player in the field of private equity, which he co-managed until 2012.

Current offices held outside the Group:

- Member of the Board of the company Constellation
- Member of the Board of the non-profit organization Sonoma Valley Hospital Foundation

Expired offices held over the past five years:

- Member of the Board and non-executive Chairman of the company IP Management
- Member of the Board of the company Laureate Education
- Member of the Board of the non-profit organization Sweetwater Spectrum
- Member of the Board of the company Finalsite
- Member of the Board of the company Exelon Corporation

Éric d'Hotelans

▶ Independent Board member

Date of birth: 03/07/1950
French
Shares held at December 31, 2022:
261 shares

Éric d'Hotelans held positions in the information technology sector, first at Tandem (US computer manufacturer, taken over by HP), where he headed the Europe/Finance Business Unit. In 1997, he joined CMG, one of the oldest European IT services companies, as a member of the Executive Committee. In this capacity, he created CMG France (1,200 employees), the Group's French subsidiary, of which he became Chairman and CEO. He left 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 research and analysis of IT-related activities. In 2003, he joined the Board of Directors of M6 Group as Deputy Chairman in charge of management activities. President of the Group's online sales since 2009, he retired in July 2017.

Current offices held outside the Group:

- Member of the M6 Group Corporate Foundation

Expired offices held over the past five years:

- President of the company Home Shopping Services SA
- President of the company T-Commerce SAS
- Member of the Board of the company *Société Nouvelle de Distribution SA*
- Member of the Board of the company *Métropole Production SA*
- Managing Director of the company Home Shopping Services SA
- Chairman of the Board of the M6 Group Corporate Foundation
- Member of the Board of the company M6 Films
- Member of the Board of the company M6 Diffusion SA

Charles-Helen des Isnards

▶ Observer since February 8, 2021

Date of birth: 01/01/1945
French
Shares held at December 31, 2022:
3,551 shares

Charles-Helen des Isnards, Board member until February 8, 2021, date of his appointment as observer.

He is a graduate of the Paris Institute of Political Studies and holds a degree in law. After an international career within BUE, UBAF and CIC Group in France and in Italy, Charles-Helen des Isnards contributed to the creation of CIC Finance as member of the Board. He served as Deputy Chief Executive Officer of CM-CIC Corporate Advisory until September 2012.

Current offices held outside the Group:

- Member of the Board of the Day-Solvay Foundation

Expired offices held over the past five years:

- Member of the Board of the association *Les Arts Florissants*
- Member of the Supervisory Board of the company *Nature et Découvertes*

Others offices held:

- Senior Advisor of CAP M – New York, independent consulting firm on strategy and M&A

2.3.3. Operations of the Board of Directors

2.3.3.1. Internal rules of the Board of Directors

The Board of Directors adopted internal rules which set out the operational procedures of the Board and its committees, as well as the rules of professional ethics applicable to all Directors and Observers. These internal rules were reviewed by the Board of Directors:

- On October 21, 2020 in order to update it with the PACTE law No. 2019-486 of May 22, 2019, to establish the function of Observer, and as well as to limit the role of the Chairman of the Board of Directors to legal provisions;
- On February 8, 2021 to take into account the change of governance;
- On February 28, 2022, to be in compliance with the last recommendations of the Middlenext Code as revised in September 2021 regarding the training of Board members, the independance of the chairmanship of the committees, and the communication of potential conflicts of interests by any Board member involved with respect to each session agenda. The new remuneration policy for the Board members has been updated;
- On 6 September 2022, the Board of Directors adopted new updates to its internal regulations in compliance with the recommendations of the Middlenext Code regarding the remuneration policy of the members of the Board of Directors, but also regarding the monitoring of conflicts of interest and, finally, in line with the new simplified committee structure in place as of 6 September 2022.

The Internal Rules of the Board of Directors can be consulted on the Company's website (www.esi-group.com). Considering the new recommendation of Middlenext, each Board of Directors signed a copy of the last version of the internal rules.

In accordance with recommendations of the Middlenext Code (R.9), these Internal Rules specify in particular the following points:

- The role of the Board and, as the case may be, operations subject to the prior authorization of the Board;
- Composition of the Board/independence criteria of the members;
- Definition of the missions of any specialized committees set up;
- Duties of the members (deontology: loyalty, non-competition, disclosure of conflicts of interest and duty of abstention, ethics, confidentiality, etc.);
- Operation of the Board (frequency, convening, information of the members, self-assessment, use of videoconferencing and telecommunication facilities, etc.);
- Protection of corporate officers: liability insurance for corporate officers;
- Rules for determining the remuneration of Directors;
- The succession of the officers and key people.

2.3.3.2. Professional ethics of Board members and prevention of conflicts of interest

Regarding professional ethics, the Board members refer to the Director Charter set forth by the French Institute of Corporate Directors (IFA) and appended to the Internal Rules of the Board of Directors.

Concerning prevention and management of conflicts of interest, the Internal Rules recommend that each Director strive to avoid any potential conflict between his moral and material interests and those of the Company. Each Director is bound to inform the Board of any potential conflict of interest. During each Board of Directors Meeting, each Board Member is requested to communicate any potential conflict of interest with respect to the agenda, and in compliance with the Middlenext recommendations (R.2). Should the Director be unable to avoid a conflict of interest, he must abstain from taking part in the debates as well as any decision on the subjects concerned.

In addition to comply with the procedure of regulated agreements which are subject to prior authorization by the Board of Directors in accordance with Article L. 225-38 of the French Commercial Code, the Board examines each year in accordance with Article L. 225-40-1 of the French Commercial Code, the regulated agreements concluded and authorized during previous financial years. During this annual review, the management informs the Board, if necessary, of any significant new agreements between the Company and a subsidiary relating to current operations concluded under normal conditions, thus allowing the Board to assess if these conditions are actually met. It is specified that the persons directly or indirectly interested in one of these agreements do not participate in this assessment.

To the Company's knowledge and as at the date of this Universal Registration Document, there is no conflict of interest between the duties of the individual Board members with respect to the Company and their private interest and other duties.

2.3.3.3. Duties and powers 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 the Company's corporate interests under any and all circumstances. The Board of Directors determines the guidelines for the Company's operations and oversees their implementation. Subject to the powers expressly given, under the law, to General Meetings, the Chairman and Chief Executive Officer and the Chief Operating Officers and within the limit of the corporate object, the Board of Directors may handle any matter relevant to the Company's operations and decides on all matters within its responsibility.

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

- Preparing for and convening Annual General Meetings;
- Preparing the resolutions to be voted on by the shareholders;
- Deciding on the executive management structure of the Company by opting to appoint as Chief Executive Officer either the Chairman of the Board of Directors or another individual;
- Determining the powers that may be delegated to a subsidiary's legal representative and setting monetary limits on these powers;
- Preparing parent company and consolidated annual financial statements and interim financial statements, the annual management report and the interim financial report, as well as approval of these documents;
- Approving the report of the Board of Directors on corporate governance;
- 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, the Chief Executive Officer and the Chief Operating Officers, and supervising their management of the Company;
- Allocating Directors' compensation;
- Creating committees within the Board of Directors, defining their responsibilities and operational procedures, appointing and determining the compensation of the members of these committees;
- Establishing and updating the internal rules of the Board of Directors.

Certain transactions considered to be outside the scope of day-to-day management of business are subject to the prior authorization of the Board of Directors, as defined by the internal rules (section 2.2.3.1 of this Universal Registration Document).

2.3.3.4. Organization of the Board of Directors' work

In accordance with the internal rules, the Directors shall each receive, within a reasonable time before each Meeting of the Board, a file containing the agenda of the Meeting, the draft minutes of the previous Meeting and any relevant documentation relating to each of the items on the agenda. The Chairman answers to requests from Directors for additional information. The Directors consider as at this date, that they receive a complete and sufficient information to fulfil their mission.

In addition, each issue raised during the session is thoroughly discussed and debated among members before being put to the vote at the end of the discussion. Lastly, the Directors are regularly informed between meetings whenever the Company's situation requires, in accordance with Recommendation R.6 of the Middlenext Code.

The Board meets as often as required for the interests of the Company. The frequency and length of the 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 Middlenext Code Recommendation R.6, the internal rules state that the Board of Directors meets at least four times per year.

The Board systematically meets to:

- Draw up the annual financial statements and prepare for the Annual General Meeting called to approve said financial statements;
- Report on half-year results;
- 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 sale;
- Significant operations outside the Group's established strategy;
- Organic growth or restructuring operations.

The draft minutes of each Board of Directors Meeting are formally approved and signed by the Board members during the subsequent Meeting. The minutes set out the discussions, specify the decisions made and mention the questions and reservations raised.

Furthermore, during each Board 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.

Board of Directors' Meetings are not valid unless at least half of its members are in attendance. The Board's decisions are made by majority vote among the members present or represented. In the event of a tie, the Chairman of the Meeting has a casting vote. In accordance with the provisions of the articles of association, Board members who attend the Board Meeting via videoconference or teleconference are considered present as for the quorum. This provision does not apply to decisions for which the French Commercial Code expressly excludes the use of this process unless specific derogations related to sanitary measures.

An attendance sheet is drawn up and signed by the Board members attending the Board of Directors' Meeting.

2.3.3.5. Training

The internal rules of the Board of Directors states on point 2.11 that "Each Director may receive additional training on the specific characteristics of the Group, its businesses and sectors of activity as well as on accounting and financial aspects in order to improve his or her knowledge."

This may involve external or internal training courses either on governance or on the activity of the Company, as it is the case during internal seminars focusing on the Company's business. Such training is organized by the Company and is its sole responsibility.

Aware of recommendation No. 5 of the Middlenext Code of Governance on the three-year training plan, directors received training in 2022 on the digitalisation of Board and committee meetings, with a presentation of the dedicated platform deployed for this purpose during the year.

The Board's retreats, held in January and July 2022 in Paris, enabled the Directors, to keep abreast of the Group's news and the specificities of its business sector. In addition, some workshops have been organised on specific topics linked to governance and business activities.

2.3.3.6. Works of the Board of Directors in 2022

In 2022, the Board of Directors held six Meetings. The attendance rate was 98%.

Attendance of Directors at Board Meetings in 2022

Dates of Board of Directors' Meetings	28/02/2022	02/05/2022	28/06/2022	06/09/2022	21/10/2022	17/11/2022	% of attendance
Alex Davern	✓	✓	✓	✓	✓	✓	100
Cristel de Rouvray	✓	✓	✓	✓	✓	✓	100
Yves de Balmann	✓	✓	✓	✓	✓	✓	100
Éric d'Hotelans	✓	✓	✓	✓	✓	✓	100
Véronique Jacq	✓	✓	x	✓	✓	✓	83
Rajani Ramanathan	✓	✓	✓	✓	✓	✓	100
Patrice Soudan	N/A	N/A	N/A	N/A	✓	✓	100
OVERALL ATTENDANCE DIRECTORS							**97.60**
Charles-Helen des Isnards	✓	✓	✓	✓	✓	✓	100
OVERALL ATTENDANCE OBSERVERS							**100.00**

This table summarizes the attendance of all committees during the year. As of September 6, 2022 the Compensation Committee and the Nominations/Governance Committee have been merged. The Technology and Marketing Committee has been abolished in order to meet as a Board on these subjects.

	Strategic Committee		Audit Committee		Nomination and Governance Committee		Compensation Committee		Technology and Marketing Committee		Compensation, Nomination & Governance/CSR Committee	
Director/ Observer	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings	Attendance rate	Number of meetings
Alex Davern	100%	2/2	—	—	100%	3/3	100%	2/2	100%	2/2	100%	1/1
Cristel de Rouvray	100%	2/2	—	—	—%	—	—%	—	100%	2/2	—%	—
Yves de Balmann	100%	2/2	—	—	—%	—	100%	6/6	—%	—	100%	1/1
Éric d'Hotelans	100%	2/2	75	3/4	100%	3/3	100%	6/6	—%	—	100%	1/1
Véronique Jacq	100%	2/2	100	4/4	—%	—	—%	—	100%	2/2	—%	—
Rajani Ramanathan	100%	2/2	—	—	100%	3/3	100%	6/6	100%	2/2	100%	1/1
Patrice Soudan	100%	2/2	100	4/4	—%	—	100%	4/4	—%	—	—%	—
OVERALL ATTENDANCE DIRECTORS RATE	**100%**	**—**	**92**	**—**	**100%**	**—**	**100%**	**—**	**100%**	**—**	**100%**	**—**
Charles-Helen des Isnards	100%	2/2	100	4/4	100%	3/3	100%	6/6	—%	—	100%	1/1
OVERALL ATTENDANCE OBSERVERS RATE	**100%**	**—**	**100%**	**—**	**100%**	**—**	**100%**	**—**	**—%**	**—**	**100%**	**—**

The Directors exchange information without the presence of the executive, as provided for in paragraph 2 of article 2.4.2 of the Board of Directors 'internal rules and in application of the latest Middlenext recommendations in force (R6). These exchanges take place several times a year, in particular after Board meetings to debrief.

In addition to approving the minutes of previous Board meetings and the systematic review of any conflicts of interest of its members at the beginning of each meeting, particularly with regard to the items on the agenda of Board meetings, and beyond the usual decisions in the framework of the Company's activity and results, the main items discussed, and decisions taken by the Board of Directors at its meetings in 2022 were as follows:

/ Corporate Governance

On 28 February 2022, the Board of Directors, on the proposal of the Nomination and Governance Committee, decided to submit to the vote of the General Meeting, convened on 28 June 2022 to approve the 2021 financial statements, the renewals of the terms of office of Rajani Ramanathan and Véronique Jacq as directors, as well as the appointment of Charles Helen des Isnards as Observer for one year. It also noted the resignation of Alain de Rouvray from his position as director, effective 16 December 2021.

The Board also examined the independence criteria for directors based on the proposal of the Nomination and Governance Committee.

In addition, the Board of Directors discussed issues related to its functioning and the preparation of its works, the policy related to internal control and the implementation of the program of shares buy back.

The Board of Directors conducted its annual review of the purpose and application of the regulated agreements to be continued, verifying, where applicable, whether they still meet the criteria that led it to give its initial approval.

Finally, the Board of Directors, meeting on 28 February 2022, updated its Internal Rules in particular to reflect the following changes:

- Alignment with the new Middlenext governance code and lowering of the statutory age limit for the Chairman of the Board of Directors and the Chief Executive Officer in order to comply more closely with best market practices;
- Implementation of a digital governance platform dedicated to the organization and holding of Board and Committee meetings;
- Board compensation policy for the year 2022;
- Name and evolution of ESI's Leadership Team.

Following the Combined General Meeting of 28 June 2022, the Board of Directors confirmed the committee mandates of Rajani Ramanathan and Véronique Jacq and analyzed the votes of the General Meeting of Shareholders.

As part of the Group's transformation plan, the Board of Directors decided on several divestitures for activities that were not considered as core business.

In addition, intra-group restructuring operations were approved by the Board of Directors for reasons of legal simplification, relating to:

- The effective merger of ESI ITI GmbH and ESI GmbH within ESI Software Germany GmbH having been renamed ESI Germany GmbH;
- The closing of the representative office in Russia;
- The liquidation of ESI Services Vietnam Co, LTD;
- The merger of the two subsidiaries US R&D, Inc. and ESI North America, Inc.;
- The appointment of a permanent legal representative for ESI Hispania.

At its meeting on 6 September 2022, the Board of Directors, on the proposal of the Nomination and Governance Committee and after deliberations at the Board Retreat in July 2022, decided to simplify the committee structure in line with the recommendations of the Middlenext governance code and to review the composition of each committee, applicable on the same day.

It has thus proceeded to a second update, during the financial year, of its Internal Rules on 6 September 2022 with immediate effect, which has been submitted for signature to all members of the Board, in order to reflect:

- The simplification of its committee structure;
- The alignment of the compensation policy of the Board of Directors;
- The strengthening of the prevention and management of conflicts of interest, which is systematically included on the agenda of each Board meeting.

/ Activity and results

The systematic and in-depth review of the Company's activity is carried out at each meeting.

In accordance with the recommendation of the Audit Committee, the Board of Directors held on February 28, 2022:

- Approved the turnover for the financial year 2021;
- Noted the capital increase following the exercise of options during the financial year 2021;
- Approved the results for the financial year 2021, which are subject to approval by the ordinary general meeting of 28 June 2022;
- Defined the strategic orientations.

The budget for the 2023 financial year was approved at the meeting of the Board of Directors on 17 November 2022.

A review of all the company's main risks was also carried out, particularly in the geopolitical context.

/ Compensation policy and human resources

On 28 February 2022, the Board of Directors decided to submit to the vote of the General Meeting of Shareholders on 28 June 2022:.

- The compensation distribution to be paid to the Directors and the Chief Executive Officer for the financial year 2021;
- The compensation policies for the Directors, the Chairman of the Board of Directors and the senior executives for the financial year 2022;
- The components of the variable compensation applicable to the Chief Executive Officer for the financial year ending 31 December 2022.

On September 6, 2022, the Board approved the new compensation policy for the Board members for the financial year 2023, including the compensation of the Chairman, based on the recommendation of the Nomination, Compensation and Governance/CSR Committee.

On 17 November 2022, based on the recommendations of the Nomination, Compensation and Governance/CSR Committee, the Board of Directors was asked for the first applicable year to decide on the achievement of the qualitative performance of the Chief Executive Officer's long-term incentive plan based on a stock option plan, granted by the Board on 10 September 2021.

At the meetings of 28 June 2022 and 17 November 2022, the Board of Directors deliberated on the long-term incentive plans in place for the benefit of the CEO, certain executives and beneficiaries for free shares and stock options.

As every year, the Board deliberated on the Company's policy on corporate social responsibility and, in particular, on professional equality between women and men. This policy is detailed in the Statement on Extra-Financial Performance in section 4.3.2. of this document.

2.3.3.7. Board assessment

In accordance with Middlenext Code Recommendation R.13 and with the provisions of Article 2.9 of the Board of Directors Internal Rules, the Board of Directors carried out during 2022 financial year, a yearly internal self-assessment of its composition, organization and mode of operation. This assessment was performed using a questionnaire addressed to each Director. The results of the self-assessment were shared during the annual Retreat and during the Board Meeting held on September 6, 2022. This evaluation led to the redesign of the committees towards a simplification of the governance. Reflections were raised on the achieved Company's transformation work, which should allow the improvement of the performance, as well as the need to bring new expertise to support the development strategy.

2.3.4. Specialized committees

The Board of Directors may decide on the creation within its Board of committees of which it determines the composition [1] (see section 2.3.3.1 above) and defines the missions in the internal rules. The committees carry out their activities under the Board's sole responsibility. The Board of Directors remains the decision-making body. The purpose of the committees is to optimize the discussions of the Board of Directors and to ensure it 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. In accordance with current legislation and Middlenext Code Recommendation R.7, the following committees have been established within the Company:

- The Strategic Committee;
- The Audit Committee;
- The Compensation, Nomination, Governance/CSR Committee.

As of September 6, 2022 the Compensation Committee and the Nomination and Governance/CSR Committee have been merged. The Technology and Marketing Committee has been abolished in order to meet as a Board on these subjects.

The attendance of the Directors at the Committees' Meetings during financial year ended on December 31, 2022 is presented under section 2.3.3.6 above.

(1) *The composition of all the committees was reviewed during the Board Meetings held on February 8, 2021 and September 3, 2021.*

2.3.4.1. Strategic Committee

Composition since September 6, 2022 until the date of the present document			
Cristel de Rouvray (Chairwoman) Alex Davern* Yves de Balmann* Éric d'Hotelans* Véronique Jacq* Rajani Ramanathan* Patrice Soudan*	7 members [(a)]	100% attendance rate [(a)]	2 meetings [(a)]

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (see above section 2.1.3).*
(a) *At December 31, 2022.*

The Strategic Committee is namely in charge of, upon proposal from the Chief Executive Officer:

a. Considering the position occupied by ESI Group on the market where the Group operates as well as its expected evolution, taking into account the development of major competitors;

b. Making proposals to the Board on the main lines of development of the Group in the medium/long term as well as the necessary resources to conduct this development;

c. Analyzing M&A opportunities.

2.3.4.2. Audit Committee

Composition in 2022 until the date of the present document			
Patrice Soudan* (Chairman) Véronique Jacq* Éric d'Hotelans*	3 members [(a)]	92% attendance rate [(a)]	4 meetings [(a)]

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.1.3).*
(a) *At December 31, 2022.*

In accordance with regulations in force, Board members having executive roles within the Company are not allowed to serve as members of the Audit Committee, and all members are independent. In addition, the majority of its members have expertise in the area of finance or accounting.

The CEO and the Chief Financial Officer of the Company attend the Meetings of the Audit Committee as guests in accordance with Middlenext recommendations and best market practices.

Similarly, the Chairman of the Board of Directors no longer attends the Audit Committee as a member but as a guest if applicable.

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 administration, management and supervision, the Audit Committee is responsible, in particular, for the following tasks:

- Monitoring the process of drawing up financial and extra-financial documents and, if necessary, making recommendations to ensure their integrity;
- Monitoring the effectiveness of internal control and risk management systems as well as internal audit systems, if necessary, in terms of the preparation and processing of financial and accounting information, when such initiatives are compatible with the Committee's independence;
- It controls the foreign exchange and interest rate risk management policy and reviews the mapping of the main risks;
- Issuing a recommendation regarding appointment of Auditors by the General Meeting, as well as regarding the potential reappointment of Auditors;
- Monitoring Auditors as they fulfil their duties;
- Ensuring Auditors' independence;
- Regularly reporting to the Board of Directors regarding on its activities and the results of certification of financial statements, how said certification has contributed to the integrity of financial information, and the role that the Committee played in the process. The Committee immediately reports any problems that may arise;
- It makes a global review on the services other than account certification (SACC) which can be ordered by the Company.

The Statutory Auditors are invited to participate in the Board Meetings that validate the sales figures and the financial statements.

2.3.4.3. Compensation, Nomination and Governance/CSR Committee

Composition since September 6th, 2022 and until the date of the present document			
Rajani Ramanathan* (Chairwoman) Alex Davern* Éric d'Hotelans* Yves de Balmann*	4 members [(a)]	100% attendance rate [(a)]	10 meetings [(a) (b)]

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*
(a) *At December 31, 2022.*
(b) *Total number of meetings over the 2022 financial year including those of (i) the Compensation Committee and those of (ii) the Nomination and Governance Committee, the two committees having merged into the Compensation, Nomination and Governance/CSR Committee.*

The mission of the Compensation, Nomination and Governance/CSR Committee is to prepare the decisions of the Board of Directors concerning:

- The composition of the Board in view of the composition and evolution of the shareholding of the Company, research and evaluation of potential candidates, the opportunity of reappointments;
- The procedure for selecting future Directors and observers;
- The succession plan for corporate officers in case of unexpected vacancy, hiring, nomination or dismissal of officers;
- The criteria of independence of Directors and assessment of independence;
- The assessment procedures of the functioning of the Board and its committees;
- In deliberation with the CEO, appointment and dismissal of senior management positions, primarily in the ELT;
- The monitoring of the Corporate Social Responsibility (CSR) policy in line with the Group's strategy in alignment with Middlenext recommendation (R8);
- The compensation policy of the Group, in particular for key Directors and corporate officers, based on information provided by the Finance and Human Resources Departments;
- The general policy to grant options to subscribe or purchase shares or free shares, reported in the annual report and the special report dedicated to the shareholders at the General Meeting, and the frequency of allocations;
- The allocation of stock options or purchase of shares in favor of employees and/or corporate officers, as well as any pattern of ownership of Employees (profit sharing, etc.), to issue an opinion on the legal and financial conditions of these plans, and the list of beneficiaries related to strategic goals;
- The Company's policy on equal pay and equal wages for all employees and between women and men (Article L. 225-37-1 of the French Commercial Code).

2.3.5. Function of Observer

2.3.5.1. Role

The Extraordinary General Meeting of October 21, 2020 approved the amendment to the articles of association which incorporates the function of observer. An Article 16 has thus been inserted in the ESI Group's articles of association [(1)]. The number of observers may not exceed four. They are appointed for a maximum period of one year.

The observers have a general and permanent advisory and supervisory role for the Company. They are responsible for ensuring the strict application of the articles of association and their main mission is to participate, as necessary, in Meetings of the Board of Directors and committees, to provide the necessary information, their expertise and their knowledge of the various businesses of the Company. When they attend Board Meetings or committees, they have an advisory capacity. They should not interfere in the management of the Company under any circumstances.

The Board of Directors' internal regulations [(2)] have also been updated in order to align the obligations and responsibilities of the observers with those of the Directors.

The Board of Directors may devote a part of the compensation that the General Assembly granted to the Board members to the observers and/or allocate to them exceptional compensations.

2.3.5.2. Appointment of observers

On October 21, 2020, the Board of Directors appointed Alex Davern as observer, in accordance with the recommendations of its Nomination and Governance Committee.

On February 8, 2021, following the resignation of Charles-Helen des Isnards from the Board of Directors, Alex Davern was co-opted as Director, for the remaining term of office, thereby ceasing his function as observer. Charles-Helen des Isnards was appointed, on the same date, observer until June 22, 2021. His renewal as observer has been decided by the Shareholders' Meeting held on June 22, 2021 for a duration of one year, then by the General Meeting of Shareholders of 28 June 2022 for the same term *i.e.* until the General Meeting to be held in 2023 to approve the accounts for the year 2022 (resolution No. 9). It will not be proposed to this General Meeting to renew this Observer mandate.

(1) *https://investors.esi-group.com/regulated-information*
(2) *https://investors.esi-group.com/governance/governance and section 2.3.3.1 above.*

1 2 3 4 5 6 7 8 9

2.3.6. Relationships with shareholders

The Board of Directors ensures that dialogue with the Company's shareholders can always take place under the best possible conditions. In particular, the Directors and the Observers are invited to attend the General Meeting and analyze the results of the vote on each resolution. They pay special attention to negative votes so as to draw the appropriate conclusions before the following General Meeting.

Moreover, in addition to the General Meeting, the Chief Executive Officer and Chief Financial Officer regularly meet with shareholders and investors at Individual Meetings and during roadshows and conferences, provided that such events do not take place during blackout periods.

2.4. COMPENSATION PAID TO THE DIRECTORS AND THE MANAGEMENT

This section is an integral part of the corporate governance report referred to in Article L. 225-37 of the French Commercial Code. The purpose of this report by the Board of Directors on the remuneration policy for Executive Directors (in this case the Chief Executive Officer of the Company) and the remuneration of Directors is to present the following information:

- Remuneration policy for the Executive Directors (i.e. Chairman of the Board of Directors, Chief Executive Officer and members of the Board of Directors by virtue of their office) submitted to the vote of the 2023 General Meeting ("*Ex Ante*" vote);
- Remuneration for the financial year ending 31 December 2022 ("*Ex Post*" vote);
- Total remuneration of the Corporate Officers.

2.4.1. Compensation policy for corporate officers for 2023 financial year

In accordance with Article L. 22-10-8 of the French Commercial Code, you are presented below with the remuneration policy established by the Board of Directors on 27 February 2023, on the proposal of the Remuneration, Nomination and Governance/CSR Committee.The principles and criteria of definition and allocation of the fixed, variable, exceptional components of the total remuneration as well as benefits in kind payable to the corporate officers for financial year are presented below and will be subject to the approval of the Shareholders' Meeting to be held on June 29, 2023.

The 2023 Shareholders' meeting will be asked to vote on the remuneration policy for corporate officers (the "*Ex Ante*" vote). To this end, three resolutions will be presented for the Chairman, the CEO and the Directors respectively. It should be noted that resolutions of this nature are submitted each year to the Shareholders' Meeting for approval under the conditions provided for by law.

This chapter includes the following elements:

- The remuneration policy;
- The report on the remuneration paid during the past financial year or awarded for the same financial year, required under Articles L. 22-10-34, I and II and L. 22-10-9, I (the "*Ex Post*" vote) and including in particular;
  - The information mentioned in I of Article L. 22-10-9 of the French Commercial Code (see 4.2.2.1) concerning each corporate officer, as well as the ratios between the remuneration of each of the Executive Directors and the remuneration of employees within the Group and their evolution over 5 financial years with regard to the Group's performance, which will be the subject of a resolution submitted to the vote of the 2023 Shareholders' meeting pursuant to Article L. 22-10-34, I of the French Commercial Code (the "*Ex Post* Global" vote);
  - The fixed, variable and exceptional components of the total remuneration and benefits of any kind paid during the financial year or granted in respect of the same financial year to the Executive Directors, which are the subject of a separate resolution for the Chairman and the Chief Executive Officer (see 4.2.2.2) (the "*Ex Post* Individual" vote);
  - The standardised tables summarising the information to be included in the Universal Registration Document on the remuneration paid or awarded to corporate officers by the company and any other company included in the scope of consolidation;
  - The reports required by Articles L. 225-184 and L. 225-197-4 of the French Commercial Code on the granting of stock options and free shares (see 2.4.3).

The table below gives details of the votes by resolution (votes: *Ex Post* individual and *Ex Ante*) relating to the remuneration of executive directors.

	Individual Ex Post Remuneration *(% of positive votes)*			Ex Ante Remuneration *(% of positive votes)*		
Name and Title	**Resolution**	**FY21**	**FY20**	**Resolution**	**FY22**	**FY21**
Alex Davern - Chairman	12	84.4%	—	15	100 %	82.16%
Cristel de Rouvray - Chief Executive Officer	13	84.4%	82.16%	16	84.4%	79.03%

2.4.1.1. Compensation policy applicable to Directors and Chairman of the Board of Directors for 2023 financial year

/ Directors' compensation

For their mandate, the independent Directors receive compensation, the total amount of which is set by the General Meeting. The maximum amount of the remuneration package to be distributed among the Directors is voted by the Shareholders' Meeting on the basis of a proposal by the Board, taking into account the recommendations of the Compensation, Nomination and Governance/CSR Committee and taking into account the company's interest. This amount remains unchanged until a new decision by the General Meeting. The Compensation, Nomination and Governance/CSR Committee assesses each year whether the amount of this envelope is adapted to the number of Board and Committee meetings and the number of directors and/or Committee members. The allocation is made, on proposal of the Compensation, Nomination and Governance/CSR Committee to the Board of Directors, according to the following criteria:

1. Frequency of Meetings and participation (effective presence);
2. Chairmanship of specialized committees;
3. Chairmanship of the Board of Directors.

Non-independent Directors receive fixed compensation without being subject to presence condition depending on existing of current corporate officer's role.

/ Chairman of the Board of Directors' compensation

The compensation of the Chairman is only linked to the attribution of Board fees.

The compensation policy of Directors and Chairman of the Board of Directors for the 2022 financial year was approved by 100% of the votes of the General Meeting of June 28, 2022.

The draft resolutions (Nos. 11 and 9) related to the remuneration policy attributable to the members and to the Chairman of the Board of Directors for 2023 and submitted to the General Meeting of June 29, 2023, are presented in chapter 7 of this Universal Registration Document.

This remuneration policy has been established in accordance with the principles of taking involvement into account and allows for the valuation of professionalism and effective contribution (R.12) as defined in the Middlenext Code.

Below is a summary of the compensation policy attributable to the Directors and the Chairman of the Board of Directors for the 2023 financial year as decided by the Board of Director on September 6, 2022. It is specified that the compensation of the Chairman of the Board may be combined with the one of member of the Board of Directors and member of the committees.

The overall remuneration package was set at 450,000 euros by the General Meeting of 22 June 2021 and has remained unchanged in 2022 and 2023.

Allocation of compensation for Directors [(a)]

(Per year, in €)

	Board Chairmanship	Board of Directors	Committee membership	Audit Committee Chairmanship
Independent Director [(b)]	120,000	30,000	5 000 [(c)]	30 000 [(c)]
Non independent Director [(d)]	N/A	10,000	N/A	N/A
TOTAL COMPENSATION APPROVED BY THE SHAREHOLDERS' MEETING: €450,000				

(a) It should be noted that the table above presents exclusively the compensation attributable to the mandates as Directors. It does not include any compensation that may be awarded for other mandates exercised within the Group.
(b) Payment subject to an annual presence at 100%, failing which the amount is calculated in proportion to the annual presence.
(c) For each Committee membership, annually.
(d) Fixed payment not subject to presence condition.

2.4.1.2. Chief Executive Officer's remuneration policy applicable in 2023 financial year

/ Principles of remuneration policy

In accordance with Article L. 22-10-8 of the French Commercial Code, the compensation policy for corporate officers must be in line with the Company's corporate interests, contribute to its sustainability and be part of its business strategy. To this end, the Company's compensation policy establishes a competitive compensation framework, adapted to the strategy and the context of the Company and notably aims at promoting its performance and competitiveness over the medium and long term.

The principles and criteria governing the remuneration policy of the executive corporate officers and amounts were determined by the Board of Directors upon the recommendation of the Compensation, Nomination and Governance/CSR Committee during its Meeting dated February 3rd, 2023 in order to be aligned with the corporate interest.

This compensation policy also contributes to the sustainability of the Company and is part of its business strategy insofar as it takes into account the performance of the Company in the calculation of the variable compensation. Indeed, this remuneration policy must remain consistent with the Company's performance, while ensuring that the objectives of the executives are aligned with the Company's medium-term strategy and take into account the interests of shareholders.

This remuneration policy has been established in accordance with the principles of completeness, balance between the elements of remuneration, benchmark, consistency, readability of the rules, measurement and transparency (R.16) such as defined in the Middlenext Code with the exception of the use of non-financial criteria.

In accordance with the provisions of Article L. 22-10-8, III, paragraph 2 of the French Commercial Code, in the event of exceptional circumstances, the Board may, on the recommendation of the Compensation, Nomination, Governance and CSR Committee, depart from the application of the compensation policy if such departure is temporary, consistent with the Company's interest and necessary to ensure the Company's continuity or viability, provided that such exceptional circumstances:

- Are due to external events beyond the control and/or decision of the Company;
- May have an impact on predefined Indicators prior to such circumstances; and
- That the Company will have done everything possible to reduce the impact, if any, on such Indicators.

For example, a major event impacting the industry as a whole or a change in accounting method imposed by law could lead the Board to use its discretionary power to make temporary adjustments to certain existing compensation components, which it deems necessary to ensure consistency between the performance of the compensation of the Executive Officer(s) and that of the Company in accordance with the principles of this compensation policy. In accordance with the provisions of Article L. 22-10-8, II, paragraph 1, the Board shall assess whether the adjustments thus made constitute one or more significant changes to the remuneration policy requiring a vote at the Shareholders' Meeting. If so, the use of such a waiver by the Board would relate exclusively to the elements of annual or long-term variable compensation, as defined by the Board of Directors on the recommendation of the Committees in accordance with the compensation policy, and would result in:

- Modification of the levels of the thresholds, targets and/or ceilings of the Performance Conditions conditioning the acquisition and/or payment in cash of the variable compensation, upwards or downwards, if necessary in compliance with the resolutions relating to the Share Plans voted by the General Meeting;
- The adaptation of the scope and/or the methodology for calculating an Indicator;
- The elimination of an Indicator that has become inapplicable or its replacement in the event of an unforeseen and sudden change linked to an external event, it being understood that any new Indicator would be accompanied by demanding objectives linked to the Group's value creation objectives;
- The adjustment of the weight of the Indicators maintained in the event of the suppression of an Indicator if the preceding point occurs.

Thus, the use of such a waiver would not allow an increase in the value of the target and maximum amounts to be paid or allocated.

For the 2021 financial year, the General Assembly held on June 22, 2022 approved by 84.4% of the votes the compensation policy applicable to the Chief Executive Officer and by 84.4% of the votes the compensation policy for the 2022 financial year.

Independently of the compensation policy, the Company covers or reimburses the travel expenses (transport and accommodation) of the corporate officers.

/ Remuneration structure

The Chief Executive Officer's remuneration is structured as follows:

- A fixed annual part determined based on the level and complexity of responsibilities, experience in the position and length of service in the Group, as well as practices observed in groups or companies of similar size;
- A variable annual part representing a target ratio of 62.5% of the fixed remuneration: it is subject to an assessment based exclusively on quantitative criteria related to the performance of the Group (growth and profitability). These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation, Nomination and Governance/CSR Committee and aligned with the strategic plan and the current year's budget. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation, Nomination and Governance/CSR Committee at the end of the year. As regards variable compensation, the Compensation, Nomination and Governance/CSR Committee proposes the quantifiable criteria to be taken into account and sets:
  - a threshold below which the variable compensation is not paid,
  - a target that allows for the allocation of 100% of the compensation provided for under the criterion.

  The reconciliation between achievements and the objective, broken down into threshold and target, constitutes the performance evaluation method;

  In accordance with Article L. 225-100 of the French Commercial Code, the payment of variable or exceptional remuneration is subject to the prior approval of this remuneration by the Shareholders' Meeting;

- A long term incentive compensation linked to qualitative and financial performance over the long term. This can take the form of one or more of the following financial instruments: Stock option or free shares.Pursuant to Articles L. 225-185 and L. 225-197-1, II of the French Commercial Code, the Board sets the number of Shares resulting from the exercise of Stock options plans or the definitive acquisition of free shares that each Executive Director is required to hold in registered form until the expiry of his or her corporate mandate. This percentage is set by the Board, on the recommendation of the Remuneration, Nomination, and Governance/CSR Committee, when new stocks options plans or free shares plans are implemented for Executive Directors.

Cash compensation for 2023

- A fixed part established at €400 000 ($400 thousand at budget rate); This amount was determined by the Board of Directors in its February 27th, 2023 Meeting, on the recommendation of the Compensation, Nomination and Governance/CSR Committee and in alignment with compensation paid to executive officers for similar companies;
- A variable part established at €250 000 ($250 thousand at budget rate) on 100% quantitative criteria related to growth (50%) and profitability (50%). In the context of its transformation, the Board of Directors has chosen to focus the compensation of the Chief Executive Officer on these financial performance criteria in alignment with the objectives of the 3-year strategic plan which refer to the growth and profitability of the Company;

  These criteria do not take into account over-performance and are therefore limited to 100% target achievement and are aligned with those of the Executive Leadership Team (ELT) and are calculated as follows:
  - 50% on Group profitability (Adjusted EBIT) - In order to target an improvement in profitability, the trigger point is set based on the 2022 result,
  - 50% on Group revenue growth - In order to aim for an improvement in performance, this only applies in the case where the profitability trigger applies and is based on revenue growth with the revenue for the financial year 2022 as the threshold.

Criteria	Nature	Threshold and cap	Amount of variable compensation *(€)*	As a % of annual variable compensation	As a % of annual fixed compensation
Group profitability (Adjusted EBIT)	quantifiable	**Threshold:** Adjusted EBIT 2022 **Cap:** 100%	€125,000	50%	31.25%
Group revenue growth	quantifiable	**Threshold:** Adjusted EBIT 2022 + Revenue 2022 **Cap:** 100%	€125,000	50%	31.25%
TOTAL			**€250,000**	**100%**	**62.50%**

Long-term compensation

Long-term incentive plans are subject to a condition of presence over time and to performance conditions meeting objectives set in line with the Group's strategic plan.

For 2023, and exceptionally, no long-term incentive plans are planned for the Chief Executive Officer, as the 2022 plan was implemented for 18 months as part of a change in the seasonality of the grant period.

Exceptional compensation

Very specific circumstances (for example because of their importance for the Company, the involvement they require and the difficulties they represent) could give rise to exceptional remuneration granted to executive corporate officers. The award of such remuneration would be exceptional, motivated and justified by the Board. Its payment would be subject to the approval of the Shareholders' Meeting.

Benefits in kind

Benefits in kind include a Company car or equivalent allowance.

Other components of the executive corporate officers' compensation

Severance pay

No executive corporate officer of the Company receives severance pay.

Non-compete clause

No executive corporate officer has a non-compete clause in his corporate office.

Supplementary pension plan

No executive corporate officer has a supplementary pension plan other than mandatory pension plans.

Health benefits and reimbursement scheme

The executive corporate officers of the Company benefit from the pension plan and reimbursement of health expenses applicable to all employees.

Non-combination of employment contract and corporate office

At the time of appointment to the position of executive corporate officer, it is decided to suspend any existing employment contract with the Company for the duration of the office.

As of the date of this Universal Registration Document, there is no employment contract between the Chief Executive Officer and the Company.

Summary table of the Chief Executive Officer's compensation

Compensation elements	Comments
Fixed annual compensation	Determined by the Board of Directors on the recommendation of the Compensation, Nomination and Governance/ CSR Committee (taking into account in particular the responsibilities exercised, experience, external and internal comparisons)
Annual variable compensation	**Amount:** ■ Caped to 62.5% of the annual fixed compensation on achievement of objectives. **Criteria:** ■ For 100% on quantifiable objectives (50% on Growth and 50% on profitability); ■ Payment conditional upon approval by a General Meeting of the compensation elements.
Deferred variable compensation	Not applicable
Multi-year variable compensation	Not applicable
Exceptional compensation	Applicable, by decision of the Board of Directors, in very special circumstances. Payment conditional on approval by an Ordinary General Meeting of the compensation elements
Stock options, free shares or any other long-term compensation	Eligibility for long-term incentive plans set up by the Group's management. These plans include a presence condition and qualitative or quantitative performance conditions. Obligation to retain 50% of the shares effectively granted in this context throughout the term of office
Compensation mentioned in Article L.22-10-14 of the French Commercial Code	Applicable as a non-independent director
Other benefits of any kind	Flat rate allowance according to internal policy
Severance pay/change of function	Not applicable
Non-competition indemnity	Not applicable
Supplementary pension indemnity	Not applicable

2.4.2. Compensation due to Directors for financial year ended on December 31, 2022

This paragraph describes, in application of the compensation policy approved by the General Meeting of 28 June 2022 (17th ordinary resolution), the compensation and benefits paid (or to be paid) in respect of the financial year 2022 to the members of the Board of Directors as a result of their corporate office.

Summary table of compensation and other components of compensation due to non-executive corporate officers (Table 3 of AMF nomenclature)

Compensation Non-executive corporate officers	Amounts allocated for 2022 financial year	Amounts paid for 2022 financial year [(a)]	Amounts allocated for 2021 fiscal year	Amounts paid for 2021 fiscal year [(a)]
Alex Davern [(b)]				
Compensation as Director	172,000	—	171,722	19,125
Other compensation	N/A	N/A	N/A	N/A
Éric d'Hotelans				
Compensation as Director	44,000	—	36,000	36,000
Other compensation	N/A	N/A	N/A	N/A
Véronique Jacq				
Compensation as Director	33,000	—	37,944	37,944
Other compensation	N/A	N/A	N/A	N/A
Rajani Ramanathan				
Compensation as Director	56,000	—	35,722	35,722
Other compensation	N/A	N/A	N/A	N/A
Yves de Balmann				
Compensation as Director	38,000	—	33,000	33,000
Other compensation	N/A	N/A	N/A	N/A
Patrice Soudan				
Compensation as Director	66,000	—	6,167	6,167
Other compensation	N/A	N/A	N/A	N/A
Charles-Helen des Isnards [(c)]				
Compensation as Director/ Observer	24,000	—	24,427	24,427
Other compensation	N/A	N/A	N/A	N/A
TOTAL				
Compensation as Director	433,000	–	369,982	369,982
Other compensation [(d)]	N/A	N/A	114,305	114,305

(a) Before taking into account the withholding tax.
(b) Alex Davern, Chairman of the Board from February 8, 2021.
(c) Charles-Helen des Isnards was Board member until February 8, 2021, when he resigned from his mandate and became Board Observer.
(d) Concerns Alain de Rouvray for 2021

For 2022 financial year, the compensation of non-executive corporate officers amounts to €433,000. In addition, the compensation allocated to the executive corporate officer due to their mandate as Director, respectively €10,000 for Cristel de Rouvray (see 2.4.3.1.2); have to be included. Consequently, out of the total compensation package of €450,000 approved by the General Meeting of June 22, 2021 (unchanged in 2022 and 2023), a total amount of €443,000 was allocated.

1 2 3 4 5 6 7 8 9

2.4.3. Compensation to the executive corporate officers

The following tables are prepared in accordance with the recommendation No. 2021-02 of the French Stock Market Authority (Autorité des Marchés Financiers – AMF). They detail the amounts of remuneration and benefits paid, as well as the amounts due for the financial year ended December 31, 2022, where applicable, to the Chairman of the Board of Directors and the Chief Executive Officer.

It should be noted that the remuneration of Alex Davern, Chairman of the Board of Directors since 8 February 2021, is solely in respect of this mandate and that he does not receive any other remuneration (see section 2.4.1.1).

2.4.3.1. Summary table of compensation and stock options granted to each corporate officer (Table 1 of AMF nomenclature)

(In €)	2022	2021
Alex Davern **Chairman of the Board of Directors**		
Compensation due for the year (detailed in 2.4.1.1 and 2.4.2)	172,000	171,722
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	None	None
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	None	None
Cristel de Rouvray **CEO**		
Compensation due for the year (detailed in 2.4.3.1.2 below)	500,862	509,022
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	635,473	357,476
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	None	None

2.4.3.2. Summary table of compensation to each corporate officer (Table 2 of AMF nomenclature)

It should be noted that the remuneration of Alex Davern, Chairman of the Board of Directors since 8 February 2021, is solely in respect of this mandate and that he does not receive any other remuneration (see section 2.4.1.1).

Cristel de Rouvray CEO since February 1, 2019 *(In €)*	2022		2021	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	365,633	365,233	319,679	319,679
Annual variable compensation	114,260		123,519	123,519
Multi-annual variable compensation	—	—	—	—
Exceptional compensation			45,685	45,685
Compensation as Director	10,000		10,000	10,000
Benefits in kind	10,969	10,969	10,139	10,139
TOTAL	**500,862**	**376,202**	**509,022**	**509,022**

2.4.3.3. Summary table of compensation and other components of compensation due to Directors (Table 3 of AMF nomenclature)

Please refer to section 2.4.2 above of the Universal Registration Document.

2.4.3.4. Share subscription or purchase options granted to each corporate officer by the Company and any Group company during 2022 financial year (Table 4 of AMF nomenclature)

Share subscription or purchase options granted during the year to each executive corporate officer by the Company and any Group company						
Name of the executive corporate officer	Plan No. and date	Type of options (purchase or subscription)	Value of options on the method used for the consolidated financial statements	Number of options granted during the year	Exercise price *(in €)*	Exercise period
Cristel de Rouvray CEO	No. 21 bis* 06/28/2022	Purchase	635 473€	36000	64.73	8 years

* *100% of the plan is linked to performance conditions :*
- *60% on qualitative conditions:*
  - *Achievement of the leadership team criteria as per annual assessment done by the Compensation, Nomination, Governance/CSR Committee before each Exercisable Date.*
  - *Achievement of the transformation plan as per annual assessment done by the Compensation, Nomination, Governance/CSR Committee before each Exercisable Date.*
- *40% on quantitative conditions linked to the 3 year plan One ESI – Focus to grow (https://www.esi-group.com/company/oneesi-2024-focus-to-grow).*

2.4.3.5. Share subscription or purchase options exercised to each corporate officer by the Company and any Group company during financial year ended on December 31, 2022 (Table 5 of AMF nomenclature)

Share subscription or purchase options exercised during the year to each executive corporate officer by the Company and any Group company			
Name of the executive corporate officer	Plan No. and date	Number of options exercised during the year	Exercise price
Cristel de Rouvray CEO	None		

2.4.3.6. Free shares allocated to each corporate officer during financial year ended on December 31, 2022 (Table 6 of AMF nomenclature)

Free shares allocated to each executive corporate officer						
Free shares allocated by the Shareholders' Meeting during the year to each executive corporate officer by the Company and any Group company	Plan No. and date	Number of shares allocated during the year	Value of shares on the method used for the consolidated financial statements	Acquisition date	Availability date	Performance conditions
Cristel de Rouvray CEO	None					

2.4.3.7. Free shares vested to each executive corporate officer during financial year ended on December 31, 2022 (Table 7 of AMF nomenclature)

Free shares allocated vested to each executive corporate officers	Plan No. and date	Number of shares vested available during the year	Acquisition conditions
Cristel de Rouvray CEO	None		

2.4.3.8. History of share subscription or purchase option allocations (Table 8 of AMF nomenclature)

Date of Shareholders' Meeting	Plan No. 10: 06/26/2012	Plan No. 17: 07/24/2014	Plan No. 19: 06/29/2017 (a)	Plan No. 20: 25/06/2020	Plan No. 21: 25/06/2020
Date of the Board of Directors' Meeting(s)	12/19/2012 02/07/2014 03/26/2015 07/22/2015	07/22/2015 03/11/2016 05/05/2017	07/18/2018 02/01/2019 12/18/2019		09/10/2021 28/06/2022
Number of options allocated	180,000	37,400	89,735	0	69,150
Of which:					
■ Cristel de Rouvray, CEO	n/a	n/a	20,000	0	60,000
Start date of exercise period	2016 to 2019	2017 to 2021	2021 to 2022		2022 to 2030
Expiration date	2020 to 2025	2023 to 2026	2026 to 2027		
Exercise price *(in €)*	27.82; 24.42; 21.66; 27.17	27.17; 23.35; 50.92	42.97; 27.04; 29.12		60.47 64,73
Type of option	Subscription	Subscription	Subscription	Subscription	Purchase
Option exercised	69,675	15,900	3,149		
Subscription or purchase options cancelled or exercised	110,325	13,000	59,461		
Subscription or purchase options as at end of financial year	0	8,500	27,125		69,150

(a) All plans, with the exception of Plan 19 ter, are subject to performance conditions.

/ Allocation of share subscription and purchase options

The allocation of options during 2022 is linked to Cristel de Rouvray and an employee of the company, as shown above in the table.

/ Exercise of share subscription options

The Board of Directors has noted during its Meeting of February 27, 2023, that the number of new shares issued as a result of the exercise of options during 2022 financial year amounted to 11,475 shares with a nominal value of €3 representing an increase in the share capital of the Company of an amount of €34,425, which increased from €18,192,423 to €18,226,848.

2.4.3.9. Share subscription or purchase options granted to the top 10 non-corporate officers beneficiary employees and options exercised by them during financial year ended on December 31, 2022 (Table 9 of AMF nomenclature)

Share subscription or purchase options granted to the top 10 non-corporate officers beneficiary employees and options exercised by them	Total number of options granted/ shares subscribed or purchased	Weighted average price *(in €)*	Plan No.
Options granted during the year to the ten employees of the Company and its Group which represent the largest number of options allocated	9,150	64.78	21
Options held and exercised during the year by the ten employees of the Company and its Group which represent the largest number of options purchased or subscribed	10,938	37.53	10, 17 & 19

2.4.3.10. History of free shares allocations (Table 10 of AMF nomenclature)

Date of Shareholders' Meeting	Plan No. 6: 07/21/2016	Plan No. 7: 07/21/2016	Plan No. 8: 07/21/2016	Plans No. 9, 9 *bis*, 9 *ter*, 9 *quater*, 9 *quinquies*, 9 *sexies*, 9 *septies*: 07/18/2018	Plans No. 10, 10 *bis*, 10 *ter*, 10 *quater*, 10 *quinquies*, 10 *sexies*, 10 *septies*, 10 *novies*: 25/06/2020	Plan No. 11, 11 *bis*, 11 *ter*, 11 *quater*, 11 *quinquies*, 11 *sexies*, 11 *septies*, 11 *octies*
Date of the Board of Directors' Meeting	07/21/2016	12/23/2016	08/01/2017	07/18/2018 07/18/2019 12/18/2019 19/03/2020	25/06/2020 10/06/2021 04/10/2021 19/11/2021	28/06/2022 17/11/2022
Number of shares allocated	25,000	2,275	9,000	58,666	59,674	81,821
Of which						
■ Cristel de Rouvray, CEO	n/a	n/a	n/a	n/a	n/a	N/A
Date of delivery	From 07/21/2018	12/23/2018	From 08/01/2019	From 07/18/2020	from 11/06/2023	from 28/12/2023
Term of vesting period	From 07/21/2020	12/23/2020	From 08/01/2021	From 07/19/2022	From 11/06/2023	From 28/06/2024
Number of shares delivered	25,000	1,962	9,000	39,443	5,000	0
Number of shares cancelled or expired	0	313	0	13,067	18,712	129
Remaining shares as at end of Fiscal Year	0	0	0	6,166	35,962	81,692

2.4.3.11. Summary table of benefits or advantages to corporate officers (Table 11 of AMF nomenclature)

	Employment contract		Supplemental pension plan		Compensation or benefits due or likely to be due following termination or position change		Compensation relating to a non-competition clause	
Executive corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Cristel de Rouvray CEO		×		×		×		×

2.4.3.12. Equity Ratio between the level of compensation of corporate officers and the average and median compensation of employees of the Company (Article L. 22-10-9-(6) and (7) of the French Commercial Code)

	2022 (b)	2021 (b)	2020 (b)	2019 (a)(b)	2018 (b)
Performance of the Company					
Net results of the Company *(in € million)*	15.4	(18.5)	1.4	(2.82)	(5.55)
Compensation of employees					
Average compensation of employees	73,545	66,679	65,776	59,726	60,526
(Evolution compared to the previous year)	*10,3%*	*1.4%*	*10.1%*	*(1.3%)*	
Median compensation of employees	59,674	53,562	54,603	51,605	51,443
(Evolution compared to the previous year)	*11,4%*	*(1.9%)*	*5.8%*	*0.3%*	
CEO (Cristel de Rouvray from 2019 to 2022 and Alain de Rouvray in 2018)					
Compensation	500,862	509,022	365,652	392,256	548,533
(Evolution compared to the previous year)	*(1,6%)*	*39.2%*	*(6.8%)*	*— %*	
Compensation ratio compared to average compensation of employees (d)	6.81	7.63	5.56	6.57	9.06%
(Evolution compared to the previous year)	*(10,8%)*	*37.3%*	*(15.4%)*	*— %*	
Compensation ratio compared to the median compensation of employees (e)	8.39	9.50	6.70	7.60	10.66%
(Evolution compared to the previous year)	*(11,7%)*	*41.9%*	*(11.9%)*	*— %*	
Compensation ratio compared to SMIC (c) (f)	25.37	27.13			

* *2019 revenue 12-month comparable (January to December) to ensure comparability of data.*

(a) *For 2019, calculation based on total fixed compensation and benefits in kind – due to the 11-month fiscal year, reconstitution of a prorata temporis over 12 months to maintain the comparability of the ratios presented.*

(b) *Executive compensation includes base salary, variable compensation, exceptional bonuses, benefits in kind and Directors fees as part of the compensation paid.*

(c) *SMIC: minimum salary in France at 18655€ as of January 2021 and 19074€ as of October 2021, 19237,4€ as of January 2022, 19747€ as of May 2022, 20147,4€ as of August 2022.*

(d) *Average compensation of employee: average gross salary recalculated on a full year basis of French employees who worked more than 180 days on the year.*

(e) *Median compensation of employees: median gross salary recalculated on a full year basis of French employees who worked more than 180 days on the year.*

(f) *Gross compensation of the CEO/ French minimum salary on 1820 hours basis.*

2.4.3.13. Summary table of compensation to corporate officers

The General Meeting to be held on June 28, 2022 will be called upon to approve the fixed, variable and exceptional components constituting the total compensation and benefits of all kinds paid or granted with respect to the financial year ended on December 31, 2021 to the corporate officers of ESI Group pursuant to Article L. 225-100 of the French Commercial Code.

Compensation payable or granted for 2022 financial year to Cristel de Rouvray, Chief Executive Officer

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation	365,633	The fixed compensation payable to Cristel de Rouvray as Chief Executive Officer and for her other mandates exercised within the Group in respect of 2022 financial year amounts to €365,633.
Variable annual compensation	114,260	Variable compensation represents a target ratio of 62.5% of fixed compensation: it is subject to an evaluation based exclusively on quantitative criteria linked to the Group's profitability and revenue growth: ■ 50% on Group profitability – The rate of achievement of this criterion is 100%, i.e. a remuneration of €114,260; ■ 50% on the growth of the Group's revenues - The rate of achievement of this criterion is 0%, i.e. a remuneration of 0 euros.
Long term or deferred compensation		No long term of differed compensation was granted by the Board of Directors.
Exceptional compensation		The Board of Directors has not granted any exceptional compensation for the year 2022.
Compensation for Director's mandate	10,000	Aligned with Board member compensation policy for Executive Directors.
Stock-options and performance shares	635,473	At its meeting of June 28, 2022, the Board of Directors decided to grant a maximum of 36,000 stock options subject to presence and performance conditions: ■ For 40% of these stock options, performance is linked to the achievement of combined objectives of average revenue growth between FY20 and FY24 (proforma and constant rates) and the adjusted EBIT margin rate in FY24; ■ For 60% of these stock options, performance is linked to the achievement of annual qualitative targets reviewed by the Compensation, Nomination, Governance and CSR Committee: • Achievement of executive team management objectives (ELT), • Achievement of transformation plan objectives.
Benefits in kind	10,969	The benefits in kind include an allowance for vehicle of €10,969
Severance pay	n/a	Cristel de Rouvray is not a beneficiary of any severance pay.
Retirement compensation	n/a	Cristel de Rouvray is not a beneficiary of any retirement compensation.
Non-compete compensation	n/a	Cristel de Rouvray is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Cristel de Rouvray is not a beneficiary of any supplementary retirement plan.

2.5. ADDITIONAL INFORMATION IN RESPECT OF CORPORATE GOVERNANCE

2.5.1. Regulated agreements and commitments and related party transactions

2.5.1.1. Regulated agreements and commitments

The law, the Company's Articles of Association and the Board of Directors' internal rules organise the control of regulated agreements. Proposed new agreements are examined prior to their conclusion. In addition, the Board of Directors examines each year, at the beginning of the financial year, the purpose and application of the agreements that are to continue in effect. It verifies whether they still meet the criteria that led it to give its initial approval.

The Statutory Auditors' special report on the regulated agreements and commitments referred to in Articles L. 225-38 *et seq*. of the French Commercial Code for 2022 financial year is set out under section 2.6 below.

During the 2022 fiscal year, no new agreement gave rise to the procedure provided for in Articles L. 225-38 et seq. of the French Commercial Code mentioning the presence of a new regulated agreement during the year.

To the best of the Company's knowledge, there are no agreements and regulated commitments that produced any effect during the financial year or that are currently in force.

2.5.1.2. Transactions with related parties

Details of transactions with related parties can be found in note 11 to the consolidated financial statements in chapter 6 of this Universal Registration Document.

2.5.2. Control of current agreements concluded under normal conditions

The Board of Directors assesses whether the agreements relating to current operations and concluded under normal conditions meet these conditions. The Board has adopted the principle of an annual assessment.

2.5.3. Delegations of authority

At the date of this Universal Registration Document, the Company's share capital amounted to €18,226,848. It was divided into 6,075,616 shares with a nominal value of €3 each, all of the same class, fully paid up.

Apart from the share subscription or purchase option plans and the allocation of bonus shares described in section 2.4.2.1.8, there is no financial instrument to access the Company's share capital.

Table summarizing currently valid delegations granted to the Board of Directors and use of such delegations during 2022 financial year

Resolution number	Purpose	Term	Expiration date	Maximum	Used in 2022 and available as at December 31, 2022
Combined General Meeting of June 25, 2020					
Resolution 17	Grant of stock subscription options	38 months	August 2023	Not to exceed 3% of the Company's share capital at the date of the Combined General Meeting, *i.e.* 180,000 shares	Options granted at the date of this Universal Registration Document: 0 Options remaining: 180,000
Resolution 18	Grant of stock purchase options	38 months	August 2023	Not to exceed 5% of the Company's share capital at the date of the Combined General Meeting, *i.e.* 300,000 shares	Options granted at the date of this Universal Registration Document: 69,150 Options remaining: 230,850
Combined General Meeting of June 22, 2021					
Resolution 23	Increase of the share capital by issuing shares reserved for employees enrolled in the employee savings plan	26 months	August 2023	Not to exceed 2% of the Company's share capital	None
Combined General Meeting of June 28, 2022					
Resolution 18	Company's purchase of its own shares [(a)]	18 months	December 2023	Not to exceed 10% of the Company's share capital	None
Resolution 19	Grant of free shares to eligible employees and executive corporate officers of the Company and affiliated companies [(a)]	38 months	August 2025	Not to exceed 120,000 shares representing 2% of the share capital as of the date of the Combined General Meeting	Free shares granted during the year 2022: 81,821 Free shares to be allocated: 38,179

(a) A new delegationwill be submitted to the vote of the Shareholders' Meeting on June 29, 2023 for 60 000 shares.

2.5.4. Provisions of the articles of association concerning the participation of shareholders in General Meetings

General Meetings (Article 19 of the articles of association)

In accordance with Article 19 of the articles of association and legislation in force, decisions are made collectively by shareholders in General Meetings classified as either Ordinary or Extraordinary General Meetings.

The procedures for convening and holding General Meetings are governed by French law. Meetings are held at the head office or at any other location indicated in the Meeting notice.

Ordinary General Meetings are convened to make all decisions that do not require amendments to the articles of association.

They occur at least once a year, within six months from the end of the previous financial 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 transactions stemming from any valid consolidation of shares.

If there are multiple categories 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 category in question.

All shareholders are entitled, upon presentation of proof of their identity, 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.

The right to attend or be represented at the General Meeting is subject to shares being recorded for accounting purposes in the name of the shareholder or the intermediary registered on behalf of the latter, by 12:00 am Paris time, two working days prior to the General Meeting:

- Either in the registered share account kept by the Company;
- Or in bearer share accounts kept by the authorized intermediary.

A participation certificate must be established by the authorized intermediary on the basis of this registration and attached to the mail-in ballot/proxy form or the access card application submitted in the name of the shareholder.

In accordance with the conditions set forth above, the legal representatives of shareholders deemed legally incompetent and individuals representing legal persons that hold shares in the Company may take part in General 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 legislation 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 Board member appointed to replace him or her.

The two shareholders present at the Meeting who represent the largest number of shares, either on their own behalf or as proxies, are appointed to serve as scrutineers, provided that they accept the responsibility.

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

Quorum and majority (Article 20 of the articles of association)

The Ordinary General Meeting cannot validly conduct business when first convened unless the shareholders present or represented account for at least one-fifth of shares with voting rights.

When convened a second time, no quorum is required.

The Meeting issues decisions by a majority vote of the shareholders present or represented.

The Extraordinary General Meeting cannot validly conduct business unless the shareholders present or represented account for at least one-fourth of shares with voting rights when first convened, and one-fifth when convened a second time. If this quorum is not attained, the second General Meeting may be postponed for a maximum of two months from the date at which it was initially convened.

The Extraordinary General Meeting issues decisions by a two-thirds majority vote of the shareholders present or represented.

Special General Meetings cannot validly conduct business unless the shareholders present or represented account for at least half of shares with voting rights when first convened, and one-fourth when convened a second time. If this quorum is not attained, the second General Meeting may be postponed for a maximum of two months from the date at which it was initially convened, the one-fourth quorum remaining necessary.

Special General Meetings issue decisions by a two-thirds majority vote of the shareholders present or represented.

2.5.5. Factors that may have an impact in the event of a public offering

Pursuant to Article L. 225-37-5 of the French Commercial Code, the following points are likely to have an impact on the public offering:

- The structure of the share capital as well as direct or indirect investments of which the Company is aware and all such information is included in section 8.2.5 of this Universal Registration Document under the heading "Change in the breakdown of the Company's share capital over the past three financial years";
- There are no statutory restrictions on the exercise of voting rights and share transfers;
- To the Company's knowledge, there are no agreements or other commitments entered into between shareholders (see section 8.2.5);
- There are no securities giving special control rights other than double voting rights stipulated in Article 9 of the articles of association and mentioned in section 8.1.2 of this Universal Registration Document under the heading "Double voting rights (Article 9 of the articles of association)";
- Voting rights attached to ESI shares with regard to the employee savings plan are exercised by the ESI FCPE;
- The rules for appointing and removing members of the Board of Directors are those of common law;
- Concerning the powers of the Board of Directors, current authorizations are described in the table summarizing powers delegated with regard to share redemption and capital increases in section 2.5.2 of this Universal Registration Document;
- Any amendments to ESI Group's articles of association are made in accordance with legal requirements and regulations;
- There are no agreements entered into by the Company that are modified or terminated in the event of a change of control of the Company other than the syndicated loan agreement presented in chapter 6, notes 7.1.2 and 7.4 of this Universal Registration Document;
- There are no agreements providing for compensation in the event of the departure of members of the Board of Directors.

2.6. STATUTORY AUDITOR'S REPORT ON REGULATED AGREEMENTS

This is a translation into English of a report issued in French 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.

Annual General Meeting held to approve the financial statements for the year ended December 31, 2022

To the Annual General Meeting of ESI Group,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the year ended December 31, 2022, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement.

Agreements submitted for approval to the Annual General Meeting

We hereby inform you that we have not been notified of any agreements authorized and concluded during the year ended December 31, 2022 to be submitted to the Annual General Meeting for approval in accordance with Article R. 225-38 of the French Commercial Code (*Code de commerce*).

Agreements previously approved by the Annual General Meeting

We hereby inform you that we have not been notified of any agreements previously approved by the Annual General Meeting whose implementation continued during the year ended December 31, 2022.

Paris-La Défense, 17 March 2023

The Statutory Auditors
French original signed by

KPMG Audit
Département de KPMG S.A.
Stéphanie Ortega

Ernst & Young Audit
Pierre-Henri Pagnon

3 RISKS AND RISK MANAGEMENT

3.1. RISK FACTORS

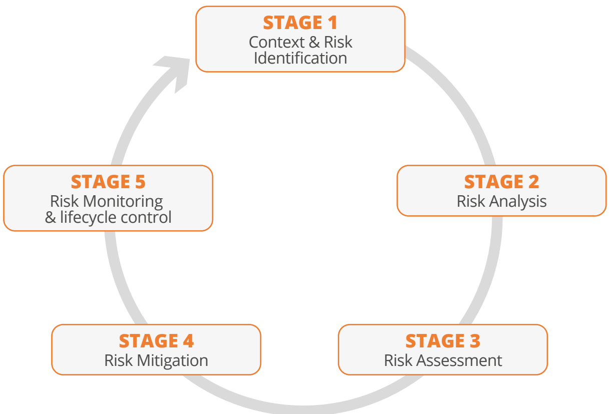
The Group has reviewed the major risks that could have a significant effect on its business, financial position or results. The data presented below constitute the main risks for the Group. Non-specific risks are not detailed in this document.

3.1.1. Risk analysis and evaluation method

ESI's risk management system is organized in five stages, according to the methodology described below:

The risks listed on the following pages have been assessed (Stages 2 and 3) in relation to their occurrence and their impact on ESI's activity. The combination of these two criteria makes it possible to identify what is known as the "exposure level" (high, important, medium, low), which then implies the implementation of measures to control these risks (Stage 4).

In each category (table below), risk factors are listed in descending order of importance, considering the probability of their materialization and the estimated magnitude of their impact and after taking into account the mitigation measures already implemented by ESI.



Strategic and operational risks	■ Concentration among top customers and industry sector ■ Competition and differentiation ■ Intellectual Property ■ Alignment of Human resources
Digital risk	■ Information security
Risks related to the environment in which the Group operates	■ International environment, geopolitical, and regulatory risks ■ Environment: Global Pandemic situation

3.1.2. Strategic and operational risks

3.1.2.1. Competition (competitive edge), differentiation

Risk identification and description: Simulation & Analysis is a vibrant, high stakes market with consolidation and concentration of competition. These larger actors have considerably higher growth and profitability performance than ESI Group. This results in a heightened need for ESI to clearly position itself and focus to grow profitably. The competitive environment in the Virtual Prototyping market and its concentration of competitors could be perceived as a risk given the economic and/or technological power of larger groups.

Risk Assessment:

- *Impact*: The competitive environment and the on going concentration of players could impact our market position;
- *Exposure level*: Important.

Mitigation measures:

ESI is an historical actor developing its offer since 1973 and with customers relations based on several decades of successful business relations and with a growing recurring business over years (91.3% on FY22 at the constant perimeter). ESI clearly outlines the differentiators in its offering and positioning, focusing on the core business in alignment with ONE ESI Focus to Grow Plan. It creates more clarity and simplification of the offer around three lines of business (Product Performance, Smart Manufacturing and Human Centric), to increase the added value provided by chaining our predictive physics capabilities, and to invest to win by aligning on the core business. The level of ESI R&D investment in FY22 reached 33.3 % of total revenue.

3.1.2.2. Intellectual property

Risk identification and description: Due to the nature of the high added-value activities resulting from ESI's ecosystem interactions and its culture of innovation, the Company relies on its software, which is its main asset to guarantee a source of income and continuous growth. Despite the implementation of protection systems, the Company may be exposed to risks such as counterfeiting of specific products by individuals or companies, claims to intellectual property rights and fraudulent use/infringement of our technologies.

Risk Assessment:

- *Impact*: The counterfeiting/piracy of our products might lead to a loss of revenue and incurring of legal costs to fight those risks. To date, there is no ongoing major litigation for counterfeiting activities;
- *Exposure level*: Important.

Mitigation measures:

ESI controls the intellectual property of codes developed in-house for which ESI retains the ownership through the clauses on the employment contracts, ad-hoc development agreements inside the Group, and through the protection of codes via bailiff deposits. The Group implements strong protection methods on its products and uses best-in-class illegal use detection software associated with a legal assistance service to prosecute infringers. In addition, ESI has implemented the necessary contractual protection elements in our relationship with customers and partners.

3.1.2.3. Alignment of human resources

Risk identification and description: The Group's success depends in large part on its ability to attract, retain, and motivate quality employees, with a constant focus on aligning their skills with the Group's needs and challenges. The ever-increasing volatility of skills in the technology sector, and the changing expectations of the new generation of candidates, could pose a risk to access particular skills for the concerned business areas.

Risk Assessment:

- *Impact*: The non-access or disappearance of certain internal knowledge on specific areas could represent a challenge to maintain the necessary pace of innovation demanded by the market;
- *Exposure level*: Important.

Mitigation measures:

ESI's international implementation and his prominent acting role in a vibrant technological market is an attractive element for new talents. ESI implements retention and loyalty policies, by setting up talent development plans and attractive compensation policy for key people. ESI practices regular benchmarks on the working conditions to maintain and improve our attractiveness for current and new talents. ESI identifies the critical talents where it is required to anticipate the knowledge sharing for key activities. ESI has reinforced the expertise on the Talent Acquisition activities by creating a dedicated centre of expertise, also boosting the attractiveness by offering the right level of compensation through better usage of salary benchmarking. ESI has improved the development of competences based on a global training approach.

3.1.2.4. Concentration among top customers and industry sector

Risk identification and description: ESI Group is confronted with the reality of managing some "key customers" with a significant weight in terms of turnover and growth. These customers are mainly part of the Automotive sector. The automotive industry is massively investing (2.4B USD in 2021) in simulation and analysis tools to meet the end users needs on new mobility (electrification, light weighting and other ways of mobility).

Risk Assessment:

- *Impact*: The share of turnover achieved with the top twenty customers is 50% of the Total FY22 Revenue;
- *Exposure level*: Medium.

Mitigation measures:

The Group works with industrial large organisation with long production cycles, willing to work in partnership mode and to stabilize their processes in the long term.

ESI seeks to create long term relationship with our customer base to build strong and integrated business processes. For large customers our software are totally embedded on the industrial processes and any migration will take several years which will give us the necessary time to acknowledge any impact on the company revenue and react accordingly.

3.1.3. Digital risk

Risk identification and description: ESI's value chain relies heavily on an IT infrastructure that is of paramount importance in the processing, transmission, and storage of data related to internal and external operations. The Company may be exposed to computer attacks of all kinds (viruses, fraudulent e-mails, phishing, financial fraud, industrial espionage, etc.). The General Data Protection Regulation (GDPR) is also integrated into the legal requirements environment. ESI also seeks to comply with client requirements concerning the confidentiality, integrity, and availability of information entrusted to the Group.

Risk Assessment:

- *Impact*: Failure to comply with security requirements including client expectations concerning the confidentiality, integrity, and availability of information entrusted to the Group could have negative consequences on long-term relationships with customers and on ESI's reputation. ESI, like many other organizations, is in a situation of dealing regularly with Cyberattacks, which thanks to the measures implemented were either mitigated or contained;
- *Exposure level*: Medium

Mitigation measures:

ESI relies on its Information Management System based on the requirements of ISO 27001, which certification was achieved on March 2022. The Group benefits from a TISAX (Trusted Information Security Assessment Exchange) certification for several sites (Germany, Czech Republic, and Spain). The setting up of a global cyber insurance policy allows the Group to protect its activities while reviewing and validating its internal systems and control points.

In addition, in 2022, ESI Group decided to appoint an External CISO who is working hand in hand with the concerned teams to review and strengthen the measures & initiatives implemented to mitigate the Cybersecurity Risk.

3.1.4. Risk related to the environment

3.1.4.1. International, geopolitical, and regulatory environment

Risk identification and description: The global economic, commercial, and social as well as geopolitical context may influence the Group's development. In particular, the economic context and limited visibility may have an impact on customer investments and lead to lengthened sales cycles. The Group may also face risks of non-compliance with local laws and regulations restricting exports of certain solutions and new reinforced rules on CSR subjects.

Risk Assessment:

- *Impact*: The increased tensions, in or between certain regions or countries, could lead to the implementation of protective laws and regulations in certain areas that would slow down the deployment of our solutions. In the event of non-compliance, ESI would face the penalties and sanctions laid down in those legal texts. For the time being ESI Group has not seen its Sales Cycle lengthen;
- *Exposure level*: Medium.

Mitigation measures:

The Group's presence in many countries protects it from the adverse effects of unfavourable local economic conditions. The Group ensures compliance with Export Trade laws and regulations as they evolve, when necessary as a way to ensure the following external constraints will not impact our activity.

Trade:

- For EU: EU General Export Authorizations, Wassenaar Dual Use and Munitions, EU Sanctions Programs, EU National Controls (FR/ UK/DE), European Law, Other Trade-Related Regulations;
- For US: Administration Regulations (EAR), The Commerce Control List (CCL), International Traffic in Arms Regulations (ITAR), Office of Foreign Assets Control (OFAC), Federal Register Orders, Other Trade-Related Regulation.

CSR: ESI has implemented during FY22 an initiative to be in compliance with such as (CSRD (move from DPEF), Taxonomy, Whistleblowing Decree, etc.).

3.1.4.2. Environment: Global pandemic situation

Risk identification and description: In the current context and environment and specifically the Covid-19 crisis, it has been necessary to keep adapting and transforming the operational activities, in order to limit its influence on the development of the Group. The Group put in place a crisis management system (see section 3.2.3 related to Crisis management) enabling identification of action plans and deployment of the necessary measures to ensure the continuity of the activity while protecting the employees.

The health crisis created opportunities for increased engagement with the customers in a different manner but also for bringing new working methods to ensure the continuity of the operations.

Risk Assessment:

- *External Impact*: Resilience of ESI Group's business model. The latest published results showed our strengths to run our current activities under these circumstances;
- *Internal Impact*: Acceleration of digitalization and process agility;
- *Exposure level*: Medium

Mitigation measures:

The health crisis created opportunities for increased engagement with the customers in a different manner but also for bringing new working methods to ensure the continuity of operations.

During 2022, ESI Group has pursued the implementation of the project "NWoW" (New Ways of Working) which helps continuing delivering our products and services whilst working differently.

3.2. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

3.2.1. Control environment

General organization

ESI is a multinational corporation that includes 19 subsidiaries (the "subsidiaries"), 18 of which are based outside of France, as of the date of publication of this document.

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.

Given the current constraints, in particular regarding the size of the subsidiaries, the availability human resources and regulations that may differ from country to country, the Group's structure has been based on the following key factors:

- A global organisation around business activities with proper delegation structure;
- A centralized organization to manage the Group's business activities;
- A limited number hierarchical levels to streamline decision-making processes;
- A relatively small size for efficient communication among the various departments.

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

- Ensuring that management activities and operations, as well as employee conduct, are aligned with the guidelines set out by the Company's management and the operational departments overseeing the various business activities and countries, as well as with regards to 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 of error or fraud, especially in the areas of accounting and finance;
- Verifying that the accounting, financial and management information reported to corporate bodies, shareholders and third parties accurately reflects the Company's position and the business situation.

Internal control bodies

/ Within the Company

The Board of Directors

The Board of Directors is responsible for the Company's risk assessment policies, implementation of an internal control system suitable for managing these risks and initiatives to monitor the effectiveness of this system. This policy features a system of checks and procedures regarding financial management, as well as operational and compliance monitoring. The Board of Directors is supported by five Board committees to prepare the reviews and decisions.

Leadership Team

The Leadership team oversees effective implementation of the internal policies. The Leadership team gives strategic orientation and makes the arbitration decisions concerning the allocation of resources in order to ensure the Company's worldwide development. The Team generally meets weekly.

Operational and corporate departments

The operational departments primarily oversee business processes and manage projects. Their role is to ensure the implementation of procedures to guarantee:

- Effective business processes: identification of business opportunities, distribution network, partnerships, responsiveness, assessment of potential economic benefits, negotiation and signing of contracts, profitability monitoring;
- Effective project management: evaluation of technical feasibility, team management and leadership, compliance with specifications, customer satisfaction tracking and customer service.

The Support functions departments are responsible for formalizing internal control procedures in their respective areas and coordinating and applying these procedures. These departments are the following:

Administration and Finance Department

The Administration and Finance Department handles the implementation of the internal control policy at its level by:

- Establishing the operations procedures for the internal financial control system;
- Organizing financial control operations on different Group activities, as well as the accurate transcription in the Group's accounts, ensuring regulatory compliance.

Legal Affairs Department

The Legal Affairs Department is the guarantor of the respect of laws and regulations while being a business partner, and covers two main areas:

- The Corporate Legal Affairs activity, which manages all stock exchange and company laws aspects for ESI Group and its subsidiaries, in order to ensure compliance and a good harmonisation among the Group's subsidiaries;
- The Contract and Intellectual Property activity, which covers reviews, drafts, and negotiation of the various contracts with clients and partners in the industry, government bodies and academic institutions, and ensures that the Group's intellectual property rights are protected.

Quality Management Department (QMD)

The Quality Management Department has three main missions: first, to support the Leadership Team to define and then implement the Corporate Quality Policy. Second, to support the Process Owners and Process Pilots to design and deploy robust processes which will deliver the expected outcomes. And third, act as a catalyst to spark the continuous improvement of activities.

To achieve the above-mentioned missions, the QMD will use the following tools:

- Internal Audits;
- External Audits;
- Process Analysis;
- Process Review.

Information and Technology (IT)

In an increasingly digital and connected world, data security is of a paramount importance for ESI, its customers, and its partners, who are posing stricter conditions with regards to the way the Company is handling its information.

In this context, ESI is committed to improve its capabilities on this aspect by implementing the requirements of the international standard ISO 27001:2013, and TISAX obligations to comply with the particular constraints from the Automotive's sector customers.

The IT Department ensures the application of the security policy and the internal controls necessary to the proper application and execution of actions to secure our assets, from a point of view physical, logical and Human.

Internal and external audits contribute to the continuous improvement process to help us keep our infrastructure and procedures up to date.

Human Resources Department (HRD)

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

ESI's HR policy is based on four main components:

- Personal management;
- Performance management;
- Compensation management;
- An advisory function for operational staff.

Advising operational staff seeks to fostering independence among Managers on employment issues by offering them assistance in the field on a day-today basis, and by providing them with services tailored to their specific needs.

The Group HRD sets the guidelines for the Group's Human Resources Policy which is cascaded into operational objectives for HR business partners who assist each operational leader on their global scope and can rely on a network of local HR to remain competitive and compliant with local laws in 20 countries.

ESI's Human Resources mission is to create a great work environment, acting as a partner between the organization for the best employee engagement and experience. ESI's HR Policy is based on four main components:

- Culture;
- Career Growth & Employee Engagement;
- Learning Programs;
- Compensation & Benefits.

By respecting our organization's ethics, values, and strategy, we will constantly ensure to foster the positive attitude of teamwork, career growth, employee engagement, empowerment, and motivation leading us to great achievements individually and as a whole organization.

The Global HR Coordinators sets the guidelines for the Group's Human Resources Policy which is cascaded into operational objectives for the Performance Units. They coordinate the implementation of these objectives in collaboration with a team of HR Business Partners working with global teams and supported by Culture Representative member ensuring the local regulation requirements.

/ Third-parties to the Company

The Company may call on renowned law firms for specific expertise, dispute management, as well as a tax advisory firm. The Company may also call on specialists from time to time to review the legal aspects of complex mergers and acquisitions, or to verify local legal constraints within the Group's subsidiaries outside of France.

3.2.2. Internal control organization

The increasingly international nature of the Group's business and the cross-organizational character of its projects, involving international interactions of ever-greater complexity and speed, have highlighted the need for more rapid and efficient methods and operational management tools, both centrally and in the subsidiaries.

In order to achieve this objective, the organization of the Administration and Finance Department has been structured to ensure a high-level quality of operations and of controlling, Meeting the level of requirements to support operational staff in the development of the activity, and to allow a reactivity adequate to the changes in the market in which the Group operates. The organization of the Administration and Finance Department is based on the following three pillars:

- A network of financial controllers having both central and local approach, enabling to gather all required information;
- Centralized tools;
- Processes to organize reporting and control of financial information.

A network of financial controllers

This network covers the monitoring and control of all financial operations within the Group, according to a dual organization: central financial controllers are dedicated to the functional monitoring of worldwide activities (e.g. monitoring of research and development activities, revenue generation activities, support activities etc.), while local financial controllers are dedicated to monitoring the scope of their subsidiaries and geographic coverage, by providing detailed local financial information to central team.

All financial controllers report hierarchically and functionally to the Group Administration and Financial Department and to the Group Chief Financial Officer. Each local financial controller having access to information as close as possible to the operations, interactions between the teams of local and central controllers enable gathering of information to ensure a good understanding of operations, and analyses carried out at several levels for better anticipation and more efficient piloting.

The size of local financial teams depends on the size of related entities. In large countries, controlling and accounting functions are performed by separate teams, in charge of all subsidiaries in the country. In the case of smaller entities, local external accounting firms ensure the bookkeeping of transactions under the supervision of a financial controller dedicated to the geographic area.

The management IT system

Financial control is based on a management IT system consisting of the following centralized tools, deployed on a worldwide scope:

- Salesforce, the customer relationship management tool, is the backbone of the organization and internal control system for sales. Salesforce gathers data about customer contracts for Licensing and Services activities, and also more detailed operational information for each licensing contract. This information is automatically integrated to the accounting tool, to allow customer invoices generation as well as revenue recognition;
- HR-IS (HR-Information System), the HR data management tool, enables consolidation at Group level of data related to salaries and headcount. This tool also allows monitoring of the different steps of the hiring process and provide managers with any information necessary to optimize management of their teams. HR-IS data are one of the sources used for financial reporting regarding employees;
- Anaplan, the financial planning and analysis tool, is the cornerstone of the budget process and ensures complete reporting of all activities through centralizing data for the entire Group from Salesforce, from HR-IS, and from management systems for research and development activity as well as for consulting activity;
- Netsuite, the accounting tool, deployed in all countries where accounting is performed internally, enables booking of operations for each entity according to both local accounting standards of the country and to Group standards. Deployment of Netsuite in all countries where accounting is externalized has been achieved in 2022. Netsuite is integrated with the customer relationship management tool, with the travel expenses management tool and with the procurement tool (in France);
- Talentia CPM, the financial consolidation tool, enables to centralize data for all Group entities, necessary to produce consolidated financial statements compliant with IFRS standards.

Main accounting and financial information monitoring processes

/ Accounting and consolidation process

Consolidated financial statements are prepared on a quarterly basis. Revenue is published on a quarterly basis, whereas full financial statements are published twice a year.

Consolidated financial statements result from the centralizing of accounting and financial data for all Group entities, applying a process organized around the following key points:

- A calendar of tasks to be carried out and deadlines to meet for all people involved, be it in accounting, consolidation or FP&A team;
- The phased deployment of a single Group accounting tool, ensuring a homogeneous closing process and enabling to optimize closing deadlines, and use of a specialized consolidation software;
- The separation between preparation of consolidated financial information and control activities;
- A review of the half-year and yearly financial statements by legal auditors, the Audit Committee and the Board of Directors.

The deployment of Netsuite in 2020 in countries where accounting is performed internally enabled to change from a quarterly to a monthly accounting closing.

/ Budget monitoring and reporting process

The Group budget is established at the end of each previous financial year. It is built on assumptions related to business development of each entity, based on Group strategy per industry, per business line and per customer type. These assumptions are discussed with all internal stakeholders, then consolidated to verify alignment with Group targets. Budget is finally validated by the Board of Directors.

Budgeted results are compared each month with actuals and monthly forecasts of yearly results. This reporting is sent to Group top management each month before leadership meetings.

FP&A team also prepares key performance indicators (KPIs) enabling performance monitoring and necessary for Group piloting. These KPIs mostly refer to:

- Licensing and Services revenue, be it actuals or forecasted year-end revenue, and correlation with current backlog;
- Headcount and staff costs evolution;
- Other costs evolution and their possible optimization;
- Cash position and cash forecast until the end of the current year and at year-end for next year.

/ Revenue recognition process

Revenue recognition process is the joint responsibility of the Finance, the Sales and the Technical Departments.

Revenue recognition calculation for Licensing is based on the different types of existing customers contracts. For Services it is based on the percentage of completion rate of the projects.

Reliability of data filled in business tools (customer relationship and projects monitoring management tools) ensures accuracy of recognized revenue.

In countries where Netsuite is deployed, revenue is calculated in the tool on the basis of information retrieved from Salesforce. All recognition rules, those compliant with local accounting standards of each country, and also those compliant with Group standards (IFRS), are configured in the system. As customer invoicing is also performed with Netsuite, the tool enables automation of related period-end book entries in the balance sheet.

/ Client risk management process

Client risk management process is the joint responsibility of the Sales and the Finance Departments.

Regular monitoring of cash collection by accounting team enables efficient incident resolution, with the help of sales team if necessary.

/ Cash management process

Finance Department is responsible for cash flows and financing facilities management. It is in charge of:

- Controlling cash positions for all Group entities and their adequacy to current needs, through tracking of cash inflows and outflows. If authorized by local regulations, subsidiaries' cash positions are centralized;
- Establishing monthly cash forecasts for each Group entity and at Group level, and reviewing their consistency with results forecasts;
- Negotiating and setting necessary financing facilities (signed by Group parent company) to ensure sufficient cash level to meet short and medium terms engagements and enable Group development;
- Assessing foreign exchange risks, to take any necessary preventive action.

/ Payroll management process

The payroll process falls under the responsibility of the Human Resources Direction and involves:

- Processing the various items involved in calculating salaries;
- Entering payroll information in the accounting system;
- Provisioning for paid vacation to distribute the expense over the full year;
- Ensuring compliance with labor-related reporting obligations.

3.2.3. Risk management

Process management and certification

ESI Group has been ISO 9001-certified since the 2000's and has oriented its Quality approach to develop a worldwide certification for the entire Group, thereby aiming to align its business activities under the same operational criteria for all its subsidiaries. This approach has been supplemented by the transition to the 2015 version, which is an additional asset to strengthen process management and facilitate the implementation of risk management, thereby ensuring long term and effective prevention.

This global approach to Process alignment and continuous improvement continues with a commitment by Group management to continue integrating additional key requirements (TISAX, ISO 27001: see section 3.1.3.1 "Information Security" for details) and thus strengthen operations in terms of Performance, Confidentiality, Integrity, and Availability of information (employees, customers, Company).

Insurance and risk coverage – general information

In the context of its strategy regarding risk management, the Group subscribes to several insurance policies with internationally known insurance companies.

Thanks to these policies, the Group manages major risks that it might face and creates a prevention mechanism to reduce the hazards as much as possible. The Group follows up on a daily basis the level of risks and the scope in order to adjust at best its insurance coverage.

The Group (ESI Group and its subsidiaries) benefits from the following insurance policies worldwide to cover the main risks:

- Cybersecurity and professional civil liability: covering the interruption of activity due to a failure or break down of the system, as well as the security attacks on the network, and all their consequences (damages to third parties, loss of revenues, cyber extortion, loss of documents, data protection and attempt to the Group's reputation);
- IT risks: covering damages on our IT material;
- Liability of our Directors and Officers Liability Insurance (D&O);
- Specific coverage for business trips of employees.

Depending on local risks, ESI Group subsidiaries may also subscribe to local insurance to cover mainly the offices and vehicles, but also some employees insurance (civil liability, accidents).

Crisis management

/ General crisis management system

The Group has developed a business continuity plan that is intended to ensure that necessary systems, plans and actions are in place to protect the teams and ensure the business continuity. Each action plan is adapted to local constraints and context in order to consider adequately specificities for each site. A crisis cell is activated whenever particular and identified typologies of events appear requiring a coordinated and collaborative response.

/ Specific approach related to the management of the Covid-19 crisis

In the current context of health crisis that can affect both employees and customers, the crisis management system has been activated involving the creation of two specific cells:

- One rapid response cell to be in contact on the day to day with the employees and answer all their questions. This cell, including members from each region, was very active at the beginning of the crisis.
- One crisis cell to ensure continuity of activities including HR, Facilities, IT, Quality, Communication, Finance and Governance.

The crisis cell focused on:

- Coordinating all actions and information from the government and other sources (*e.g.* Legal, Insurance, HR/Social, etc.) and assessing the situation globally and locally;
- Defining and implementing the necessary measures or guidelines (*e.g.* work from home, adequate infrastructures, guidance and instructions for travellers or in case of site visits or others aspects);
- Transforming the way of working to open new opportunities and support business functions with new ways to interact with customers (*e.g.* digital trainings, digital forums, etc.).

The measures and initiatives of the crisis cell are supported by regular communication initiatives ("Business Continuity Plan Talk") held at worldwide level.

Creative Social events also have enabled employees to maintain a strong link. The importance of maintaining team spirit, the conviviality and looking after the well-being of our employees, led to the setting up of activities such as "Virtual Contest", "Virtual Coffee break" events as well as other local or global initiatives.

As the international health situation has evolved since the beginning of the pandemic, these initiatives have been slowed down. The monitoring of the situation in each country is maintained.

Concerning the financing, ESI Group was granted State-guaranteed loans (PGE). This helped strengthening the Group's financial position to face the foreseeable consequences of the pandemic situation.

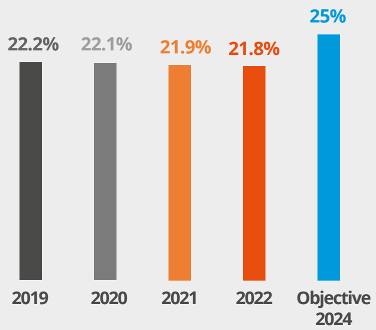
CHAPTER 4

CSR APPROACH: THE FOUR AXES OF THE GLOBAL STRATEGY

Being a committed employer

Encourage the motivation of talent by ensuring mutual commitment in an international environment that promotes meaningful work, professional growth, diversity and inclusion.

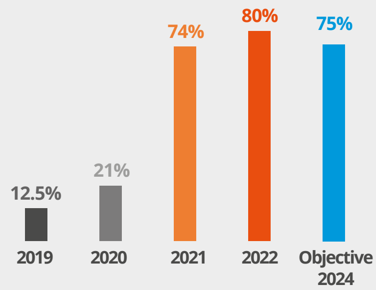
Reach **25%** of women within the Group.



Being an outsanding partner

Commit to enabling a safe and productive global clean industry by providing virtual prototypes and predictive physics for the benefit of all.

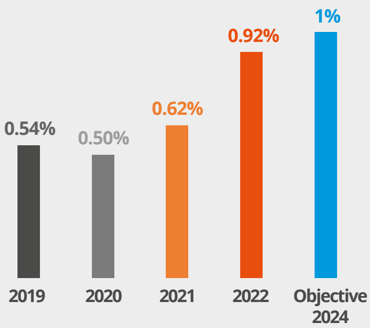
75% of success stories mention positive impact on planet, human and industry performance.



Being an Ethical and Commited Company

Ensure strong and diverse governance and act in an ethical and responsible manner.

Reach an average burn rate [(a)] of **1%** over 3 years (based on LTI plans).

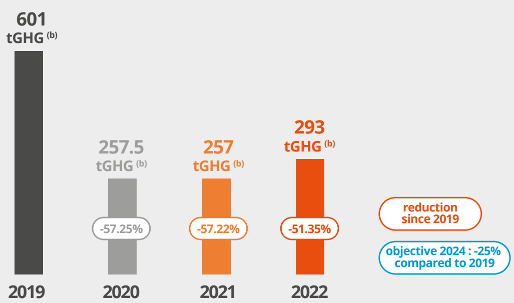


(a) Burn rate (or run rate) refers to the dilution represented by the total number of options and restricted shares granted by the company in a given period. One-year burn rates are calculated by dividing the number of options and restricted shares granted in a year by the total number of common shares outstanding.

Being an Environmental Friendly player

Operate in a cleaner way to reduce our impact on the environment and engage our staff in creating a green world.

Reduction of our GHG emissions by **25%** due to the implementation of New ways of Working (NWoW).



(b) GHG emissions: Sum of GHG due to electricity + GHG due to transport + GHG due to company cars.

4 STATEMENT ON EXTRA-FINANCIAL PERFORMANCE

4.1. ESI – CORPORATE SOCIAL RESPONSIBILITY

4.1.1. Purpose

"Boost human creativity to drive industrial performance to ever higher levels."

This is our purpose.

This emphasis on human ingenuity to steward massive change has always been the ESI way.

We enable our customers to reach their next leap of performance in a sustainable manner, by equipping them with software solutions to anticipate and manage virtually the performance of their products and assets.

Our purpose is a bold affirmation of our historical, ethical and practical terms, as well as an expression of our journey as a leading innovator in Virtual Prototyping software and services. This purpose is also our guiding star, stimulating change and progress toward what we are seeking to achieve with our entire ecosystem, while keeping human well-being and human creativity in the heart of our business.

4.1.2. Business model

The development of certain industrial products (cars, place, etc.) requires significant testing phases to ensure their safety and integrity. Traditionally, companies have used physical prototypes to test these products and assess their ability to meet technical requirements. The production of these prototypes is an environmental and social challenge as they require significant amounts of materials and energy.

We are deeply passionate about the positive impact our work has on the world and it drives us to keep striving for more every day. Our predictive, real-time, immersive physics-powered simulation solutions, combined with our extensive talent and intellectual property, help our clients save valuable time, resources, and money by avoiding costly and limited physical testing. At ESI, we operate as One, unlocking our true potential, which is to solve complex simulation problems at scale, thus helping industry become cleaner, safer and more productive.

ESI designs, develops and distributes Virtual Prototyping software on the one hand, and, on the other hand, offers its customers access to consulting services associated with this software. The Group primarily targets customers operating in four sectors: Automotive, Aerospace, Heavy Industry and Energy (for more details, see section 1.1.3 "Principal markets" of this document). Thus, the sustainability of the Group's business model depends on its ability to understand the industrial and technical challenges of its customers, to simulate them thanks to the new possibilities offered by technology and, to do so, to rely on the talent of its employees and the confidence of its stakeholders.

Since its creation, ESI has been committed to supporting strong social and environmental topics such as safety or the reduction of the industry's environmental footprint and improvement of productivity. In 2022, ESI has strengthened significantly its commitments, set clear objectives and indicators in line with the global strategy in order to be a lever for additional growth. On the following pages we invite you to discover our CSR approach.

4.1.3. ESI values

ESI's values infuse this recognized organization with a culture and an ambition that have produced innovation for the benefit of the Group's customers, partners and employees for nearly 50 years.

These values – Passion, Global, Change, Trust, Social Responsibility and Energy – anchor the Group's identity and fit logically together, as can be seen in the Corporate Social Responsibility actions defined as follows:

4.2. ESI – A COMMITTED GROUP

4.2.1. Setting priorities: CSR framework

Aware of its responsibility in each of the three pillars of sustainable development, ESI has gradually developed a Corporate Social Responsibility (CSR) policy that contributes to shared economic and social development and the preservation of human balance.

ESI core strategic vision is to be a To be a leading software partner in selected virtual test markets, by leveraging our predictive physics IP and platform for chaining to enable clean, safe and productive industry.

The Group thus intends to be its customers' preferred software partner, capable of understanding and supporting them in their efforts to bring innovative, quality, sustainable, ethical and highly resource-efficient products to market. The Group has carried out a review of major risks and opportunities, including the main CSR and sustainability challenges that could have a significant impact on its business, financial position or results.

In 2021, ESI supported by its CSR Steering Committee has clarified and strengthened its commitments and aligned them with its strategy and offer, through the implementation and monitoring of social, societal and environmental initiatives with and for the Group's stakeholders.

Moreover in 2021 ESI has updated its materiality matrix to better visualize its priorities, challenges, their impact on the Company and on its main stakeholders. For more details, please refer to chapter 3 "Risks and risk management" and the following section of this chapter.

In 2022, ESI Group continued to work on the areas identified in its materiality matrix. ESI's CSR strategy, which is divided into four axes and cascaded into thirteen (13) commitments, aims to:

- Being an outstanding partner;
- Being a committed employer;
- Being an ethical and committed company;
- Being an environmentally friendly player.

Through its activities, ESI has a very limited impact on the fight against food waste, food insecurity, respect for animal welfare, and the promotion of responsible, fair and sustainable food.

4.2.2. Evaluating sustainability challenges: materiality assessment

In line with ESI's commitment to ensuring responsible and sustainable business, while giving priority to issues that have the greatest impact on the society, economy, planet and governance, and that most influence stakeholders' decision-making, ESI establishes a materiality matrix on a triennial basis, the last update was made in 2021.

Materiality methodology

/ 1. Identification

The preparation of this matrix involves the identification and preliminary assessment of various risk and opportunity factors for ESI in terms of sustainable development.

This identification step is based on:

- Sustainable Development Goals (SDGs) defined by the United Nations Global Compact (UNGC), to which ESI contributes through its activities and its CSR approach. ESI is also a member of UNGC since 2018;
- Consultation of existing internal documentation, including the 2020 materiality assessment;
- A benchmark of the materiality assessment of other companies operating in the same sector.

The identified material challenges have been reviewed and consolidated by the CSR Steering Committee (presented under the previous section).

/ 2. Evaluation and prioritization

The objective of this step is to rank and assess the identified material challenges (called "commitments" henceforth) according to their potential impact on the business and their importance to ESI's stakeholders.

Thirteen (13) commitments have been defined under four axes (presented above under the performance table.

In the same line, we integrate the feedback of our stakeholders, in particular our customers, without forgetting our suppliers, investors, financial and legal ecosystem through a dedicated and targeted survey.

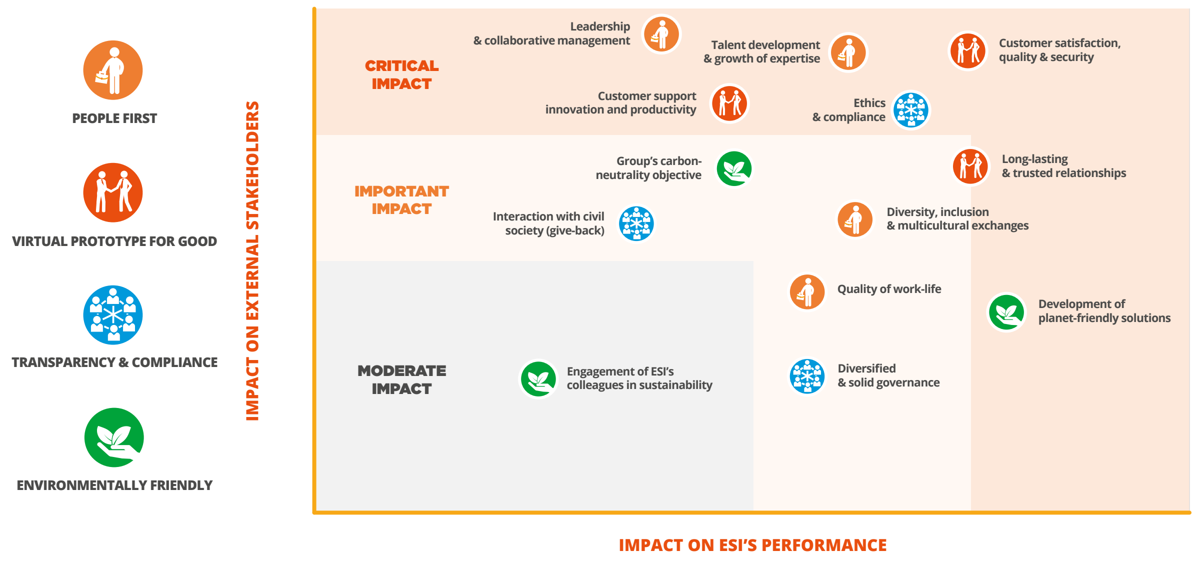
These commitments were then positioned in a matrix – the axes of which are represented by the two evaluated internal and external dimensions above, evaluated via the both surveys presented above.

/ 3. Validation

This step aims to verify that the results are well aligned with the Company's strategy and values. The matrix is therefore adjusted and reviewed.

Finally, the matrix followed an internal validation process and has been audited by an external CSR agency.

Materiality matrix



Understanding the materiality results

In the materiality matrix above, ESI's sustainable commitments (13) are divided into three distinct sections/areas, allowing a better visualization and understanding of the impact of each challenge and its importance to ESI's stakeholders, internally and externally:

- **The "Critical Impact"** section contains ESI's six (6) priority commitments;
- **The "Important impact"** component encompasses six (6) major commitments;
- **The "Moderate Impact"** section includes one (1) commitment.

Exploiting the materiality results

The materiality matrix is made available and accessible to all ESI's internal and external stakeholders. In addition, the identified commitments are being constantly discussed by the CSR Steering Committee in the aim to continue developing concrete sustainable initiatives and monitor CSR performance, as part of the Group's commitment to ensuring a responsible and sustainable activity.

Furthermore, this materiality analysis has made it possible to identify the priority challenges with the greatest impact on the Company and its environment, in particular their impact on internal and external stakeholders. These sustainability commitments will be analysed and presented in detail in the next sections of this chapter.

4.2.3. CSR distinctions and commitments

Global Compact

Since 2018, ESI Group signed the Global Compact (United Nations Global Compact) and thus undertakes to align its CSR strategy on the ten United Nations principles, relating to human rights, international labor standards, the environment and the fight against corruption. The Group also undertakes to yearly communicate its progress to its stakeholders through the release of a Communication on Progress (COP).

For more information, visit: www.unglobalcompact.org.

The Sustainable Development Goals of the United Nations Global Compact to which ESI Group contributes

As will be detailed below, the Group's CSR commitments are strongly linked to the following Sustainable Development Goals:

Women's empowerment principles

At the end of 2022, ESI took the initiative to join the Women's Empowerment Principles (WEP). This community was established in 2010 by the United Nations Global Compact and UN Women and are based on international labour and human rights standards. There are a set of seven principles offering guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community of which ESI has committed to apply three principles:

1. Principle 2: Treat all women and men equally at work - respect and support human rights and non-discrimination;
2. Principle 4: Promote education, training, and professional development of women;
3. Principle 7: Measure and report publicly on progress towards gender equality.

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

Gaïa Index

Being rewarded for its continuous improvement approach to its social, societal, environmental and governance practices, and on the basis of the new and increasingly demanding criteria ESI Group has achieved the silver level as a reward for its CSR commitment based on 2021 figures

The Gaia Index (www.gaia-index.com) was created in 2009 and is now the benchmark sustainability index for medium-sized listed French companies. Developed by EthiFinance (www.ethifinance.com), the Gaia Index selects small and medium-sized companies based on their non-financial performance. It is composed of the 70 best stocks out of a panel of 230.

The ratings are based on 174 criteria (economic, governance, human capital, environment and stakeholders) and are used by the main management companies in their management process and their investment decisions.


Gaïa RESEARCH by EthiFinance

ESI Group

a reçu un Certificat Gaïa Research 2022

Niveau Argent

pour récompenser sa performance ESG 2021

61 /100

Carol Sirou
CEO of EthiFinance

Ecovadis

Since 2021, ESI Group has been engaged with Ecovadis as a source of improvement with the objective of achieving an ESG performance level in line with the requirements of our clients and partners.

At the time of our first assessment (2021), we had achieved the Bronze level.

In our 2022 assessment, despite Ecovadis updating their requirements and assessment criteria, we were able to keep our bronze medal and we continue to work and improve our score in future assessments.


ecovadis

ESI GROUP SA (GROUP)

a reçu une

médaille de bronze

pour sa notation EcoVadis

- FÉVRIER 2023 -

BRONZE 2023 ecovadis Sustainability Rating

4.3. BEING A COMMITTED EMPLOYER

ESI's mission as employer is based on:

- Attract, develop and motivate talents and encourage leadership and collaborative management;
- Promote multicultural exchanges; Ensure Diversity, equity and Inclusion;
- Contribute to the well-being of employees and ensuring the quality of working life.

In the context of Gender Equity, ESI has made a challenging commitment in the form of a measurable target to increase the percentage of women in the ESI Group by 2024 to at least 25%.

Objective: By 2024, reach 25% of women within the Group

	2022	2021	2020	2019
Total % women	21.8%	21.9%	22.1%	22.2%

The results show that Women within the Group are in minority, with percentages very similar to the ones related to women in degrees in Engineering, Computer science and Physics, which according to research is around 20%. If we analyse the figures the data are very stable from the previous years.

ESI has a clear commitment to increase this percentage by defining career path and attract women talents. In 2022, ESI achieved 50/50 gender balance across the ESI Leadership team and worked on commitment and action on gender equality and women's empowerment in the workplace, the marketplace and community.

4.3.1. Developing talents and encouraging leadership and collaborative management

Employees are the major contributors to the success of our company "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" and "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

/ Policies

In this way, ESI focuses on:

- Onboarding Programs: Ensure the future performance of new talents with the onboarding program "Welcome Days";
- Creation of Job Architecture Project to allow career progression;
- Performance Management: Promote talents, measure and develop employees' skills;
- Learning Programs: Deploying training enabling employees to develop their expertise and supporting in the career growth;
- Partnerships with Universities: Participating in the training and development of junior population and employment-enhancing;
- Internal and transparent communication: Promoting the dissemination of information to all employees.

/ Results

List of key Indicators

Indicators	2022	2021	2020	2019
% of employees with Permanent contracts	96%	96%	91%	92%
Number of Hours on Training	5,538	6,912	11,531	7,713
Number of hours of training/employee	5.61	6.04	9.79	6.23
Training *(k€)*	288	250	250	n/a

Recruiting and retention of talents

The Group invests in permanent contracts, being the most common type, the aim is to offer opportunities for career path. The percentage of employees on permanent contracts remained unchanged at 96% with respect the previous year, showing a growing trend in comparison with 2020 and 2019.

To ensure a proper definition of, identification and inducting skilled and talented people, a new CoE (Centre of Expertise), Talent Acquisition, has been created in 2022.

The Group pays particular attention to the integration of new talents through onboarding programs. In the context of the globalization, the standard tools and the intranet portal have been set up to guide the arrival of newcomers and guarantee that everyone has access to a single level of information to support them during the first days, weeks and months at ESI Group.

Since 2018, the Group integrated a practical onboarding, called "Welcome Days", to integrate new joiners into the company culture within a short time. The aim of this program is to enable all new joiners to have a better understanding of ESI, its business and its strategy. Organized at the regional level (EMEA, AMERICAS, ASIA), it allows newcomers to meet the top management and to exchange with colleagues from different countries.

The Group has also defined an internal mobility system integrated into the performance assessment tool that allows each employee to make his or her motivations known and thus highlighting its skills and know-how by applying to open opportunities within the Group in connection with the customer needs and projects.

Training and Career path

The number of hours of training per employee remained almost stable, exception of 2020 in which the Group increased the hours of online courses due to the pandemia.

Training is key in our Human Resources policy. The group increased the budget for training in 2022, identifying the skills to develop the training programs and aligning employee training with company objectives, helping employees access better quality knowledge to develop their careers.

The Group has a digital process for evaluating the performance and development of each employee, which aims to organize at least once a year with his or her direct report an evaluation of the past year's performance in relation to previously assigned objectives and to define the objectives for the coming year.

These assessments are the first source for collecting the training and development needs and encourage the construction of local and/or global training plans that are relevant and meet the needs of the business' development. They also provide an opportunity to detect the Company's high potentials and thus implement development actions useful for their internal mobility. In addition, this system makes it possible to support some employees more specifically through an individual plan to improve their skills. In 2022, 95% of employees were eligible to follow the annual review, with a completion of 99%, a strong performance in line with previous year in which the % of completion was 97%.

During 2022, Talent Management CoE launched a global Job Architecture project, which refers to the infrastructure or hierarchy of jobs within the organization. Working closely with managers, the group identify the variety of ESI Job positions, harmonizing the job levels and the job titles worldwide, to allow the career development and the creation of global pay structures. This project provides a common language for organizational levels and career paths. This is the baseline for a robust compensation policy, reflects future talent needs and give a complete view on internal equity.

This project will continue during 2023 with the harmonization of job documentation, and evaluation of skills in a new digital platform that will allow to create succession plans that benchmark skills and competencies, identify skill gaps, and implement development plans to bridge those gaps. This tool will help ESI easily identify and develop a robust pipeline of high performers and leaders ready to take on new roles.

Training plan

At the same time, training programs are being rolled out in the Group's various teams. The training plans are aligned with ESI Group's strategy and market developments. They enable employees to develop their expertise in terms of knowledge of the solutions portfolio and to strengthen their professional (technical, sales) and managerial skills.

In order to facilitate exchanges between countries, a platform of language courses has been deployed in 19 countries. This platform suits to individual constraints and location, and helps to facilitate the sharing of knowledge and expertise across countries. In 2022, 217 employees took language courses, including 81% in English, 11% in French, 4% in German and 4% in Spanish.

In term of technical skills, the Group has set up a partnership with Pluralsight, an e-learning platform. 150 licenses have been given to employees to take part of several hundred online technical training courses. In 2022, 1,239 hours of online courses were taken globally., Most of them concerned Python programming language and C++ language.

In addition, in 2022, employees receive, via Metacompliance platform, online training in the areas of management, GDPR and information security, for a total of 226 hours, all countries combined.

Actions to promote trainee apprenticeship

Numerous partnership agreements with universities and engineering schools enable ESI Group to participate actively in the training of students.

Several partnerships are currently in place:

- In France: Arts et Métiers Institute of Technology (Bordeaux, Angers, Aix, Metz, Lille and Paris), Gustave Eiffel University, Saint-Étienne University, South Brittany University, UTT (Troyes), UTC (Compiègne);
- In Germany: Aachen University;
- In India: People's Education Society University, Anna University, Visvesvaraya Technological University;
- In Malaysia and in Thailand with universities of Suranaree University of Technology;
- In Spain: Cardenal Herrera University, Universidad Politécnica de Madrid, EHU, UJI, UJRC, University of Zaragoza;
- In Czech Republic: University of West Bohemia;
- In Tunisia: ENIT;
- In Korea: Hongik University;
- In UK: University College London, Swansea University.
- In USA: GeorgiaTech.

In 2022, the Group has welcomed a total of 29 trainees from different universities and business school (interns and apprentices).

Internal communication

2022 was a transformational year for ESI. The Group has globalized its operations, which requires to develop and formulate strategics for global communications considering dispersion of employees who are situated in different regions of the world. In concrete the Group is based in 19 countries. Culture, values, languages are some of the common challenges on the internal communication agenda in the organization.

The Group has promoted and invested in an internal social networking platform for maximizing employee engagement and promote inclusive culture. Giving a safe and open place to the employees to share and collaborate, boosting a global sense of belonging.

Also, multiple communication actions are proposed in order to strengthen information sharing and cohesion within the Group, communicating through multiple channels such as speaking, writing, video, training, focus groups. The Group communicates consistently and frequently with web conferences worldwide, monthly newsletters, webinars and Internal and external social networks.

In addition, several internal communication initiatives have been pursued or launched during last years:

- Listening Campaigns are an important tool for internal communication. it enables employees to give their opinions on multiple dimensions. In 2022, 3 campaigns has been driven. The survey makes it possible to identify watch points and opportunities and required priority actions by analysing the results;
- "Break & Chat", enabling employees to talk to these people, beyond formal Meetings, to discover their personality and career, their motivations and their role at ESI;
- Corporate events are also organized to allow different departments to exchange and meet on strategic issues;
- Adopted since 2019, the use of "Teams", a Microsoft platform, enables employees to exchange and organize remote Meetings easily and more efficiently.

Change management

2021 was the launch year and and 2022 was the 1st full calendar year of the Group three-year plan called "OneESI 2024 – Focus to Grow". To accompany the change, the Group created several initiatives:

- Quarterly talks named Global Townhall Meetings led by the CEO and the leadership team. The objective of these talks are to accompany, cascade and inform all employees about the transformation and its progresses;
- During 2022 a Series of #2minTransform internal videos with the CEO and the leadership team members, have been launched to help in the transformation journey;
- To accompany the team more closely, PU (performance unit) Townhall have been created and hosted at least once a quarter or once a month. These PU Townhall are led by each Leadership team member. During these sessions they cascade the messages delivered by the top management while disseminating them to their perimeter: impact of decisions in their team, their team evolution, challenges, objectives, etc.;
- The change is a long process where all stakeholders need to receive the adequate level and type of communication, support and answers. As a global company, with dispersed teams, the Group created three types of groups aiming to play a specific role in the transformation to come:
  - The Leadership Team in charge of thinking, designing, implementing the transformation,
  - The extended transformation team initially composed by change agents with a key role to play in the transformation either because of their new function or because of their crucial contribution in transversal projects key for the transformation project and now composed by the direct report of the leadership team,
  - The "Change Ambassadors" with a role to share and brainstorm on internal initiatives, create local initiatives and share important information and guidelines locally, which helps strengthening our internal communication and global sense of cohesion, which further enhances the effectiveness of the Group's internal communication.

4.3.2. Promoting diversity, inclusion and multicultural exchanges

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

Through its "Global" value, diversity is one of the six values promoted by the Group as it enhances the organization of the Company.

As an international company, ESI Group is proud to be able to have a multicultural and diversified workforce. ESI strives to daily develop its know-how and expertise in recruiting the best talent from around the world. These challenges are in line with the following Sustainable Development Goals: "Ensure availability and sustainable management of water and sanitation for all" and "Reduce inequality within and among countries".

On 2022 ESI has decided to update its performance indicators by focusing on:

- Human Rights: Establishing human rights due diligence processes to identify, prevent and mitigate any adverse human rights impact;
- Women's Empowerment: Launching a diversity, equality, and inclusion initiatives within the organization to be focus on gender inequities and to reinforce the importance and value of diversity and inclusion.

/ Policies

In order to promote diversity and reduce inequalities within the Group, ESI is committed to:

- Promote diversity and multicultural exchanges;
- Increase the proportion of female employees with permanent contracts;
- Respect the laws in favour of the accession and retention of employees regardless of age;
- Comply with laws and regulations prohibiting any discrimination based on age, race, sex, ethnic origin, nationality, religion, health, disability, marital status, sexual orientation, political or philosophical opinions, union membership or other characteristics protected by locally applicable law;
- Not tolerate any form of sexual, physical or moral harassment, coercion or persecution;
- Conducting a Pay Equity analysis to identify potential gaps that may be the result of discrimination and correcting them.

/ Results

Talent are located on 19 different countries. The multiculturalism is part of the DNA of ESI.

List of Key Indicators

Distribution of staff by geographical area

The following data for 2022 represent the distribution of staff by geographical area and country based on total headcount of 985 people.

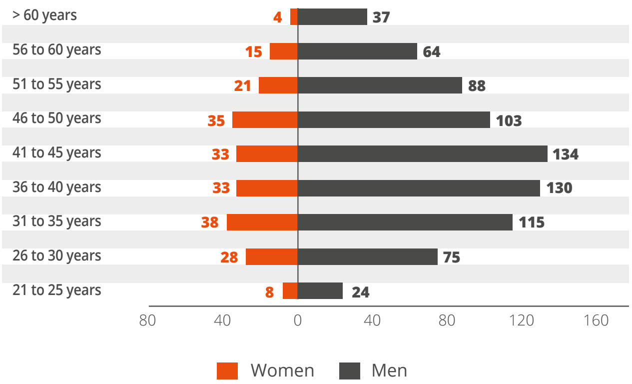
Geographical area	2022	2021	2020
Europe, Middle East and Africa	57.9%	56.9%	56.6%
Asia-Pacific	34.9%	34.7%	34.5%
Americas	7.2%	8.4%	8.9%

Distribution of staff in the main countries

Countries	2022	2021	2020
France	24.7%	25.8%	26.2%
India	19.4%	21.1%	20.5%
Germany	17.5%	16.7%	15.9%
Japan	9.1%	7.9%	7.2%
USA	6.5%	7.6%	8.1%
Others	22.8%	20.9%	22.1%

The group's talent mixes age groups and aims to integrate junior and senior profiles.

Age pyramid

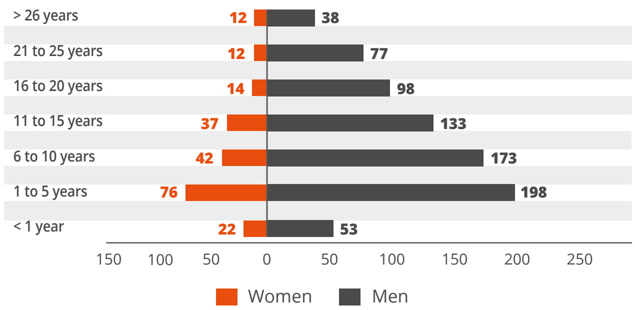


The average age of the Group's employees is 42.3 years (women: 41.0 years and men: 42.6 years).

ESI Group respects the laws in favour of the accession and retention of employees, regardless of their age. Thus, 25.8% of employees are over 50 years, i.e. 254 employees worldwide. 65% of the population aged over 50 is located in EMEA, compared to 12% in the Americas and 22% in Asia.

In addition, 60.5% of employees hired on permanent contracts are under 35 years old.

Breakdown of workforce by seniority



The average seniority in the Group is 10.4 years (8.8 years for women and 10.8 years for men).

Integration of disabled workers

Since the beginning of 2016, the Group has been collaborating with Elise for the Lyon and Rungis sites in France to ensure selective sorting. Elise is a company called "adapted" which create open-ended contracts for the persons with disabilities.

In 2022, the company launched four workshops about the integration of disable employees with 11 attendees in France.

ESI is committed in attracted talent with disable capabilities. With a current % of 0,71% of disable employees recognized. We improved our policy regarding the previous year where this % was at 0,09%.

List of Key Indicators for Women's Empowerment

Indicators	2022	2021	2020	2019
Gender Equality Index	90	78	77	88
% of female employees with permanent contracts	94.9%	94.8%	86.2%	86.1%
% Women at ELT	50.0%	30.0%	37.5%	37.5%
% Women (management role)	18.0%	18.5%	16.4%	17.7%
% Women (not management role)	23.0%	22.9%	23.9%	23.7%
% Women New Hires	30.0%	27.7%	26.5%	30.0%
TOTAL % WOMEN	**21.8%**	**21.9%**	**22.1%**	**22.2%**

The referred Gender Equality Index is calculated for the "Equal pay for equal work" following regulation in France.

The percentage of female with permanent contracts remained unchanged with respect the previous year, but shows a growing trend in comparison to prior years. The percentage of female with permanent contracts are very similar to the percentage for both, men and women, which is 96%, reflecting a harmonization in the gender balance.

During 2022, a transformational period the percentage of Women at ELT reached 50%, and it is over 40% at the Board of Directors. ESI has a strong commitment to increase the percentage of women in the rest of the areas, doing initiatives to attract female talent.

The proportion of female employees at 22%, is relatively low and stable compared to previous years.

Top management is sensitive to the feminization of local teams as well as considering female candidates when recruiting for the Group, additionally ESI has made a commitment in the form of a measurable target to increase the percentage of women in the ESI Group by 2024 to at least 25%. ESI has updated the recruitment process, to include always a female and a male applicant for any new job position offered in the company. In 2022, 26 women joined the Group, representing 30% of total newcomers, up from previous year in which the percentage was 28%.

23% of employees are holding a management role, including 18% of women.

The Ethics Committee (composed of two women and two men) also ensures that none of the above-mentioned discriminations is used within the Group (see 4.5.2).

Some countries have set regulatory obligations in order to serve the same purpose. France is one of them. "Equal pay for equal work" has been a principle of labour law enshrined in law for several decades. In this sense, the Avenir act aims to eliminate the pay gap between women and men.

In accordance with these regulations, ESI Group, in France, has calculated its Gender Equality Index, the results of which are as follows:

- The gender pay gap: 35/40;
- The gap in individual rates of pay increase: 20/20;
- The number of employees of the under-represented sex among the ten highest paid employees: 5/10;
- The rate of employees having benefited from a salary in the year following their return from maternity leave: 15/15;
- Gap in % of promotion between Women and Men: 15/15;
- **Total**: 90/100, 12 points of improvement vs FY22.

Women@ESI

ESI pays particularly attention to gender equality within its workforce. The group wishes to promote the presence of women in its activities and to make digital professions where women are under-represented more attractive.

A group of ten employees (Men and Women) has been created to work on gender equity and harassment topic. This group meet every two weeks to share ideas and define action plans. Here are few of these actions:

- A dedicated channel has been created on the Yammer group;
- 3 meetings has been proposed to all employees to discuss about gender equity with special guest coming from outside of the company;
- The French work council have a dedicated committee and planned meetings on the topic;
- Our salary review is managed with two KPI around gender equity;
- India, USA and South Korea already provide some trainings on harassment. Japan and Spain are planning to. The group plans to develop some trainings and a harassment policy for all employees in addition to the mention on Ethics Charter.

4.3.3. Fostering Employee well-being and job satisfaction

Ensuring decent employment and contributing to the well-being of employees

8 DECENT WORK AND ECONOMIC GROWTH

Every company is responsible for providing decent working conditions for all its employees. Promoting decent work with a decent wage and ensuring the well-being of employees are major global challenges, for which ESI is focused on.

This challenge contributes to the following Sustainable Development Goal: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

/ Policies

Employee well-being is critical to develop workplace. ESI is focus on building a well-being culture, including physical, emotional, social and career.

As an employer ESI strives to:

- Control its workforce in connection with the growth of the activity;
- "No-Meeting Day": one-day per week dedicated to restoring the importance of taking time, without meetings, enabling employees to work differently;
- Working from home policy to encourage a great work life balance;
- Improve working conditions (such as modern and well-equipped office), which has a direct impact on the well-being, efficiency and motivation of employees;
- Create a favourable social climate;
- Employee Listening Campaigns.

/ Results

List of Key Indicators

Indicators	2022	2021	2020	2019
% of workforce on permanent contract	96%	96%	91%	92%
Number of accidents at work	1	0	6	11
Absenteeism (all job categories)	1.29%	2.05%	1.56%	1.42%
Flexibility NWOW access home and coworking	100%	100%	100%	n/a

Headcount data is calculated on the basis of the number of employees present at December 31 of each fiscal year.

At December 31, 2022, ESI Group's workforce stood at 985 employees.

96% of the Group's workforce is on permanent contracts. Precarious contracts such as internships, apprenticeship contracts, etc., are not covered by the Group's employment contract. and fixed-term contracts represent 3.9% of the workforce. ESI continued to pursue its ambitions to control its workforce in line with business evolution.

During the previous years there were a reduction in the number of accidents, the absenteeism rate it was decreased thanks to more flexible ways of working.

In 2022, it was reported only one work accident with a severity rate low, with only one work day lost due to it.

Employee turnover

Recruitments	2022	2021	2020
Europe, Middle East and Africa	**50**	**60**	**67**
Apprenticeship/internship	7	12	15
Short-term contracts	3	1	13
Permanent contracts	40	38	39
Americas	**6**	**6**	**8**
Apprenticeship/internship	1	1	4
Permanent contracts	5	5	4
Asia-Pacific	**30**	**28**	**23**
Apprenticeship/internship	0	8	1
Short-term contracts	10	9	4
Permanent contracts	20	11	18
TOTAL	**86**	**94**	**98**

Leavers	2022	2021	2020
Europe, Middle East and Africa	**130**	**100**	**81**
Apprenticeship/internship	7	12	18
Short-term contracts	7	7	19
Permanent contracts	116	81	44
Americas	**32**	**20**	**20**
Apprenticeship/internship	1	1	9
Permanent contracts	31	19	11
Asia-Pacific	**87**	**53**	**17**
Apprenticeship/internship	0	2	1
Short-term contracts	7	18	4
Permanent contracts	80	33	12
TOTAL	**249**	**173**	**118**

In 2022, ESI Group recruited 65 employees on permanent contracts, i.e. 76% of total hirings.

The departure rate of employees on permanent contracts is 24% in 2022. (number of departures under open-ended contracts/total headcount under open-ended contracts at the beginning of the period) × 100] compared to 12% in 2021.

The turnover rate on permanent contracts is 13.2% in 2022 [(Number of open-ended contract departures during year N + number of open-ended contract arrivals in year N*100/2/staff at the beginning of the period] against 8.4% for the year 2021.

Higher Turnover rate can be explained by the reduction arising from the 3-year plan, the closure of two offices (Vietnam & Russia), the selling of activities such as Ace+ project and also some impact from the post-covid reactions experienced worldwide by lots of companies, accelerated by the deep transformation of ESI.

Working time

The duration of the working time shall be set in accordance with the local legislation in force.

Covid 19 has brought adoption of new ways of working. ESI sets up a working from home policy to offer flexibility in an “hybrid” mode. The greatest advantages of hybrid work are: improved work-life balance and more efficient use of time while keeping the contact and the culture. The global policy proposes a general recommendation of three days in a remote way and two days on-site.

In 2022, part-time work accounted for 7% of the total workforce; moreover, most part-time contracts are set up to meet the needs of employees who request them in order to arrange for parental leave, retirement or the resumption of their studies.

Social dialogue

The quality of the social climate is a determining factor for the quality of working life and the Company’s productivity. The social dialogue, over and above strict regulatory compliance, constitutes a source of progress in this area. The value of social dialogue is based on the many exchanges between the Group’s management and employees and their representatives.

Staff representative institutions shall be designated in accordance with the laws in force in the countries as for France, Brazil and Vietnam. They are regularly involved in matters relating to the employees’ career within ESI and its development.

French legal entity has signed several agreements with its social partners, as part-time agreement, profit sharing agreement, employee saving agreement.

As part of the pandemic crisis management in France, representatives of Health, Safety and Working Condition Commission met regularly with ESI’s management to consider the best strategy of a safe working environment.

Workplace Well-being

In the era of hybrid working, make employees feel connected is one of the primary focus of the Group. ESI is using Microsoft Teams bringing remote employees together as a fantastic tool for collaboration, and has launched Yammer to help employees start conversations, and building social workplace.

Another local initiatives to build the Community well-being are:

- Organization of drawing and photo contests;
- E-coffee breaks to meet new colleagues;
- Coffee Space in the offices and organization of lunch and picnics;
- Christmas Parties with team building activities;
- Pilates and Yoga sessions, and Mindfulness training encouraging healthy living in some countries, such as France, India, Sweden;
- Well-being Webinars and Wellness Newsletters with Health tips;
- Attention paid to personal life/life balance despite the presence of teams in time zones as far apart as the US or Japan (e.g. organisation of several information meeting sessions on the same theme to cover the constraints of the zone, or recording of the sessions to enable them to be listened to later).

Health and safety: a leitmotiv of the year 2022

The Group's approach is also in line with the implementation of social measures and benefits for our employees worldwide, especially, by ensuring the health of employees on their daily professional life.

This contributes to the following two Sustainable Development Goals: "Ensure healthy lives and promote well-being for all at all ages" and "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

/ Policies

As the health and safety of employees in the workplace and social benefits are necessary for the smooth running of activities, ESI has set itself the objective of:

- Providing a quality social security coverage for all its employees worldwide;
- Offering an attractive compensation and social benefits package.

About the coronavirus pandemic (Covid-19)

During 2022, we entered in a endemic stage of the Covid-19, we know that the virus is not going away but we have been adapted to the new normal.

- The adoption of new ways of working as home office, while ensuring the safety of the workplaces;
- The use of digital tools and the organization of "hybrid" conferences.

Health, Safety and Benefits

The Group is committed with the safety and health as a core value, taking care of the ergonomics as safety culture in the company. Locally the company is following regulation and ergonomics guidelines paying attention to any fatigue as a sign of any ergonomic problem. Additionally in some countries like in India, the company offers Wellness Newsletters with Health tips and, in some other countries Pilates and Yoga sessions, and Mindfulness training encouraging healthy living, are offered.

ESI Group has set itself the objective of providing coverage for to all of its employees worldwide, both in terms of with regard to health and old age but also the coverage of incapacity, disability and death.

The Group sets workplace health and safety best practices to protect the employees. For example, 13 out of 19 countries offer their employees the opportunity to finance a local health insurance in compliance with regulations and the well-being of employees. Some countries, such as India, Spain, Italy, offer a free medical check-up to employees, and Tunisia has set up a mutual insurance company that has been offered to its employees.

Wage policy

To attract and retain the best talents on the market, ESI Group has set up an attractive compensation package and various benefits for its employees. This policy is intended to recognize talent by rewarding both individual and collective performance on short and long term.

Employee compensation is made up of direct and indirect remuneration; the latter includes cash or in-kind supplements deferred from the monthly remuneration (bonuses, commissions, savings plan, fringe benefits, etc.). All the countries included in the scope of social reporting offer indirect compensation to their employees.

As part of its "OneESI 2024 – Focus to Grow" plan, the Group is gradually deploying an Long Term Incentive stock plan to catch up with best practices in software companies.

Within this framework, an employee shareholding mutual funds ("FCPE") was created in France in 2013 in order to collect future flows of participation and payments, housed in the Group Savings Plan. This "FCPE" makes it possible to acquire shares of the Company and to benefit from a 100% matching contribution, up to an annual ceiling of €400. Beyond that, ESI subscribes to up to 20% of the payments within a range of between €401 and €2,000 maximum.

4.4. BEING AN OUTSTANDING PARTNER

To respond effectively to the transformations of the industries it serves, ESI Group places its activities and the solutions it delivers within the framework of the broad ecosystem of players who also contribute to these responses through their products and services.

It is the combination of ESI's capacity for innovation and the development of relationships of trust with its partners that will ultimately ensure customer satisfaction by meeting their quality and safety requirements in particular.

Objective: By 2024, 75% of success stories mention positive impact on planet, human and industry performance

	2022	2021	2020	2019
Rate	80% (20 out of 25)	74% (17 out of 23)	21% (5 out of 19)	13% (2 out of 14)

The trend in the results achieved shows us the significant improvement in our communication as a sustainable partner.

4.4.1. Develop solutions aiming to having a positive impact on the planet, human and industry performance

By increasing pressure from governments, cities, and consumers to meet zero-emission goals, industries are placing sustainability at the top of their agenda.

ESI partners with industry leaders in leveraging advanced virtual prototyping technologies to achieve these bold goals: We empower engineers to design, engineer, manufacture, assemble and test a new product concept fully virtually – reducing travel, scrap and emissions while introducing more agile and safe operations with a strong focus on the well-being of humans.

The benefits are palpable: Virtual development, validation and testing secure a sustainable business with regards to both, resilience and financial success for new low-emission business models and responsible, eco-friendly business practices.

ESI provides a broad portfolio of offerings to address the 3Ps of Sustainability: People, Planet and Profit supporting our customers' journey towards Zero Fatalities, Zero Emission, Zero Waste.

In the dimension of People Sustainability ESI's history started and continues with a strong focus on Automotive crash and safety certification through the Virtual Performance Solution offering. With new challenges coming with the electrification and automation, of vehicles in combination of emerging policies for full virtual homologation of safety certification, ESI is in a very good position to further lead the development of digital solutions for virtual test and certification of safety and durability considerations.

Key focus also includes the validation of worker health and safety considerations, including ergonomics assessments, through the Human Centric business line and IC.IDO product offerings, providing efficient workflows for Assembly Line and Maintenance Process Exploration, Validation and Commissioning, enabling a VR enabled industrial metaverse for efficient collaboration and decision making within the global enterprises.

In terms of Planet Sustainability a number of ESI solutions together contributes to the reduction of CO_2 emission by supporting electrification, downsizing, light weighting, scrap reduction & recyclability challenges, This includes the Virtual Manufacturing offerings for managing lightweight and multimaterial part production, joining and assembly, system simulation and optimization through SimulationX, as well as the IC.IDO solution providing capabilities for managing increasingly complex challenges in production, maintenance and recyclability of electrified vehicles.

The VAOne solution provides powerful solutions to manage noise pollution (or noise generation) and comfort as another aspect of managing both environmental as well and people considerations.

Related to the Profitability Sustainability the ESI Virtual Prototyping offerings provide a solid base for making informed and efficient decisions on digital information throughout the product lifecycle while minimizing or removing the need for expensive and resource intensive creation of physical prototypes. With the new ESI AdMoRe and Hybrid Twin, technologies, the power of simulation capabilities can be even further democratized both for upstream applications in the design process, e.g. enabling design space exploration and robustness analysis, or for downstream processes e.g. to optimize the operational performance of product and production assets.

/ Policies

In its approach, ESI strives to:

- Meet its customers' demand for ever more innovative products;
- The methodical identification of partners to provide more value to customers;

/ Results

List of Key Indicators

Indicators	2022	2021	2020	2019
% of annual renewable licences	92,3	96%	91%	84%
% of licence revenue spent on R&D efforts	33	29,8	31,4	31,4
Number of Joint events organised with customers	14	17	11	16
Number of success stories published	25	23	19	14

/ Partnerships to bring more value to more customers

In addition to improving their intrinsic performance and qualities, and to fully contribute to all the issues discussed above, ESI's Virtual Prototyping and Simulation solutions must be integrated over time with other solutions that complement all the disciplines involved in the development, validation and certification of the products and services concerned. One of the expected benefits of this integration is to make the use of simulation more natural and accessible in the chain of activities related to the development and use of products in operation.

This direction has accelerated considerably in 2022 with the active development of collaborations with partners in the following three areas:

- Technology and platform providers;
- Software players offering solutions complementary to those of ESI; and
- Integrators and service providers ensuring the quality of deployment required to enable customers to achieve their objectives.

Of these three categories, it is the one relating to software players that has seen the most significant progress during 2022 with a particular focus on the major PLM (Product Lifecycle Management) players.

Indeed, since they are both suppliers of the 3D geometry to which ESI's simulation tools are applied, and of the infrastructure that enables the management of collaborative processes for managing the life cycle of products and manufacturing processes, they are ideally placed to contribute to the deployment of ESI's Digital Thread strategy.

4.4.2. Be a trusted partner to create value for customers

By developing a partnership ecosystem that respects the Group's values and commitments, ESI contributes to Sustainable Development Goal 12 and Goal 17.

Supporting customers' Objectives, involving the entire ecosystem

Achieving customer deliverables requires multiple forms of partnerships, of which the following are some examples that were developed in 2022:

- The project to integrate ESI's IC.IDO virtual reality solutions with the Windchill PLM platform developed by Parametric Technology Corporation (PTC), which was launched in 2021, developed considerably in 2022 with the delivery and testing of an industrial prototype of the software connector that materializes this collaboration. As a reminder, this integration allows both access to PLM data from the IC.IDO environment and the launch of review in VR directly from a PLM user's workstation, in both cases the time savings and efficiency that the customer benefits from are significant; One of the benefits and not the least of this integration consists in documenting the findings made during the immersive review directly in the PLM tool, the purpose of which is in particular the management of change requests;
- Other partnership projects were launched in 2022 with major PLM players aimed at accelerating the simulation process in the automotive crash and stamping fields. In both cases, the aim is to reduce or even eliminate digital discontinuities and offer "seamless" integration between editing 3D geometry and launching a simulation calculation;
- The development of ESI's relationships with certain cloud players allows its customers to scale up their use of simulation without committing to long and heavy investments in the required IT infrastructures;
- Finally, ESI's collaboration with certain services players accelerates the disclosure and uptake of its solutions by customers of all sizes who, for various reasons, do not have the time or resources to accelerate the adoption of advanced solutions.

Since its first ISO 9001 certification in 2000, ESI Group has extended its quality approach, first to all its subsidiaries and from 2022 onwards, in line with the transformation, to all global transversal processes with the aim of ensuring that ESI provides products and services that meet customers' expectations. This initiative is extended with the subsequent ISO 27001 (Information Security) certification in 2022 and also through the renewals of the TISAX (Trusted Information Security Assessment Exchange) certifications at our sites in Germany, the Czech Republic and Spain to continue to secure information exchanges between us and our customers. we are Committed to continue customer satisfaction while meeting quality and safety requirements.

Also, as a French company, ESI is complying with the European Union data protection regulations, which are supervised in France by the CNIL (*Commission Nationale Informatique et Libertés*). In 2020, no customer related GDPR (General Data Protection Regulation) incidents have been reported.

4.4.3. Set up initiatives to interact with civil society (give-back)

4 QUALITY EDUCATION
5 GENDER EQUALITY
17 PARTNERSHIPS FOR THE GOALS

By developing part nerships with the various digital players, ESI Group is once again contributing to the following Sustainable Development Goals (4, 5 and 17, respectively): "Ensure inclusive and equitable access to quality education and promote lifelong learning opportunities for all", "Achieve gender balance and empower all women and girls" as well as "Strengthening the means of implementation and revitalize the global partnership for sustainable development".

ESI believes that its by working with various players in the industrial, academic and associative digital community, that the Group will strengthen its position as a key player in digital transformation and as a leading player in Virtual Prototyping.

Academic Partnerships and R&D

In order to facilitate collaboration and encourage industrial innovation, the Group makes sure to create and maintain quality relationships with various players in the digital community, at the industrial, academic and associative levels.

ESI's Scientific Committee, led by Professor Francisco Chinesta and made up of in-house experts and leading international professors, acts in support of the Group's research policy and strategy. A strengthening of the Scientific Committee and its activity is underway and will reach its cruising speed in 2023.

In the field of research, the Group participates in several academic chairs with prestigious universities and distinguished professors. Each chair incorporates a number of sponsored PhDs who research state-of-the-art technologies in specific domains, for instance:

- With ENSAM (*École Nationale Supérieure des Arts et Métiers in France*), on the subject of reduction of models and Hybrid Twins combining physics-based and data-based models;
- With Zaragoza University in Spain, on the subject of artificial intelligence and immersive environments;
- With CEU-UCH University in Valencia in Spain, on the subject of real time process control.

ESI has also joined forces with CNRS partnered to build the "DesCartes" project supported by CNRS@CREATE, in Singapore, flagship project on the creation of hybrid twin models of the digitally connected city.

At the European level, as a founding member of EIT Manufacturing (European institute for Innovation and Technology), ESI actively contributes to the EDUCATION programme where its experts teach at Master level and develop with universities educational content for both future manufacturing engineers and working professionals.

This network includes universities also in Brazil, China, Estonia, Greece, Ireland, Japan, Mexico, Portugal, Sweden, Switzerland and the United States.

ESI also supports its academic partners through teaching activities provided by its experts such as:

- In Germany/Austria: HTW Berlin, RWTH Aachen, *Technikerschule München*, TU Dresden, TU Wein;
- In Spain: UPV (Valence), CEU (Valence), *Universidad de Zaragoza*, University of Barcelona, Madrid;
- In France: Valenciennes University, UBS (Bretagne Sud), Bordeaux University, *Université de Technologie* in Troyes, *Université de Technologie* in Compiègne, INSA Lyon, IPSA, the *École des Mines* in Albi and campuses ENSAM (Bordeaux, Metz, Aix, Angers, Lille and Chalons-en-Champagne);
- In the UK: Imperial College London, University of Nottingham, University College London, Swansea University, University of Leicester, University of Glasgow, University of Warwick, and University of Bristol;
- In Czech Republic: Czech Technical University Prague, University of West Bohemia, Brno University of Technology;
- In Italy: *Politecnico di Bari* and *Politecnico di Torino*;
- In India at the IIT in Bombay.

Industrial Innovation Programs

ESI participates in several innovative projects and industrial programs which contribute to accelerating technological and societal progress in the following fields:

- Performance and industrial optimization;
- Decarbonization, especially transport electrification;
- Reduction of CO_2 emissions and noise nuisance thanks to weight reduction of multi-material parts;
- Support green energy projects.

Some key examples of collaboration within industrial ecosystems:

- Automotive: ESI is also one of the founding members of the Excelcar association and has held the presidency since 1 January 2023. The objective of Excelcar is to revitalize and create jobs around a FabLab technical platform of R&D excellence in Bretagne (France) dedicated to the automotive industry under the impetus of PSA (Stellantis). ESI participates in the AM2 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; Along with Renault and Constellium, ESI is also involved in the ISA3 project, which aims to reduce the weight of all-aluminum doors by 15% and their cost by 20%;
- Aeronautics: ESI actively participates in CORAC (Civil Aeronautics Research Council) initiatives, which define and accompany major initiatives in the sector, notably the ambition for green and sustainable aviation. Through its involvement in several projects, ESI is helping to pave the way towards key technological leaps in the field of high-performance materials, safety-critical systems and operator and user comfort. In futuristic fields such as urban aviation (UAM, e-VTOL), ESI is helping to pave the way for societal acceptance of these new modes of transport, through its noise prediction tools, but also facilitating the integration of innovative solutions and architecture, in collaborative mode, thanks to its virtual reality or system modeling solutions (MBE, MBSE);
- Space: ESI has a long history of collaboration with space agencies (CNES, ESA, NASA, JAXA, CIRO, etc.) to develop physical modeling and virtual prototyping solutions for special systems (launcher, satellite, etc.), used by key players in the sector to design and secure the integrity of payloads and critical components onboard a launcher during the atmospheric phases of launch.

Competitiveness Clusters

ESI Group participates in several competitiveness clusters, principally in France, namely: Aerospace Valley (Toulouse), Astech Paris Région (Île-de-France), Nuclear Valley (Bourgogne), NextMove (Normandy and Île-de-France), Systematic (Île-de-France). A few more detailed examples:

- SMART 4D: ESI Group has worked with the Nouvelle-Aquitaine Regional Council to create the “SMART 4D” simulation community within the Digital Aquitaine cluster. This group brings together a number of industrial, academic and institutional players from the region. It has led to the creation of the first interdisciplinary digital community dedicated to HPC simulation, Virtual Prototyping and immersive experience to support tomorrow’s industries and applications;
- DesCartes: it is a 5-year collaborative program ESI will play several roles in this program. First, its Scientific Director, also a member of CNRS and ENSAM, Prof. Francisco Chinesta, will be the program director. In addition, the Group will make its performance simulation solutions (VPS, VA One, Simulation X, etc.) and its expertise in hybridization and model reduction methods available to the partners and the program. ESI will thus be able to predict material behavior in real time, anticipate incidents (associated with damage, cracks, corrosion, etc.), model the wind for better use of drones, and make city management more intelligent and human-friendly. Finally, ESI will bring all its engineering expertise to optimize the platform in which the data will be used to make the right decision at the right time.
- Nuclear Valley: ESI Group is also an active member of the Nuclear Valley cluster, which helps to restore the competitiveness of the nuclear industry on the international market by providing its expertise in virtual reality to facilitate the replacement of existing equipment or its maintenance;
- AerospaceValley. ESI is a facilitator within the Materials, Structures and Processes group of the Ecosystem of Excellence. ESI participates in the development of the roadmap and is regularly involved in the organization of thematic days around simulation and digital transformation.

Professional associations

In order to create favourable conditions for collaboration and industrial innovation, the Group strives to create and foster good relations with the digital ecosystem in France and Europe.

Notably in France:

- ESI is a member of the Board of Directors of the *Française de Mécanique* Association (AFM), and Prof. F. Chinesta (ESI Chief Scientist) is the Chair. The AMF a body for information exchange, dialogue and discussion for the mechanical engineering community with the mission of representing French mechanical engineering to its foreign counterparts;
- ESI is a member of the France Committee of NAFEMS which is a global organization whose mission is to provide knowledge, international collaboration and educational opportunities for the use and validation of simulations in engineering. ESI is a member of several Working Groups (Composites, Manufacturing, Additive) and Chairman of the Composites Manufacturing working group.

And also in Europe: The Group contributes to several European organisations and initiatives, namely:

- EIT Manufacturing, European Factories of the Future Research Association (now MADE IN EUROPE);
- European Technology Platform for Road Transport and ETP4HPC Association (European Technology Platform For High Performance Computing);
- Big Data Value Association;
- EARPA;
- European Material Modeling Council;
- European Welding Federation (European Sector Skills Strategy).

ESI also contributes to the Composites Materials Handbook (CMH-17), an American organization supported by the FAA and the world aeronautics industry, which has the vision of being the world’s focal point for technical information on composite materials and structures. ESI collaborates with the University of Bologna (I) on this subject.

Scientific societies

ESI is a member of societies such as AMAC, SAMPE, ESAFORM, etc.

ESI is a member of the ESAFORM jury for the yearly Best industrial research thesis award.

4.5. BEING AN ETHICAL AND COMMITTED COMPANY

The Group considers its main stakeholders to be its employees, customers, suppliers, and industry and academic partners, but also its investors and shareholders.

The main missions are:

- Guaranteeing solid and diversified governance;
- Acting ethically and responsibly.

Objective: By 2024, reach 1% average burn rate of Long-Term Incentives (LTI) plans over 3 years

	2022	2021	2020	2019
Rate	0.92%	0.62%	0.50%	0.54%

ESI objective is to align with best practices with companies that ESI competes with for talent, to attract and retain the needed talents to achieve the three-year strategic objectives.

During these past years we reviewed our policy of long term incentives in favour of selected employees and agreed to reach the grant a three year average of 1% of share capital.

4.5.1. Guaranteeing solid and diversified governance

Nowadays, as the world has become more complex and requiring companies to constantly adapt, a strong and effective governance has become a real necessity and ESI Group attaches particular importance to governance topics as it ensures the coherence and sustainability of the Company's strategy, guaranteeing the best framework to serve the interests of all its stakeholders: employees, customers, investors, etc. In February 2021, the Board of Directors appointed an independent non-executive Chairman.

As a priority, the Group strives to maintain a diversified and efficient governance. By separating, since February 1, 2020, the functions of Chief Executive Officer and that of Chairman of the Board of Directors, ESI has ensured a better balance of powers. In February 2021, the Board of Directors appointed an independent non-executive Chairman. Now composed of seven members, six of whom are independent and one observer, the Board is aligned with best practices in terms of governance.

On the other hand, ESI being a group with an international dimension, its governance takes care to integrate the different nationalities representative of the territories in which it carries out its activities. Thus, beyond fulfilling the conditions for gender balance as required by law, the composition of the Board of Directors reflects the diversity of nationalities, skills, and experience of which the Group avails itself (see section 2.3.1 of this document).

In addition, the Chief Executive Officer relies on an international team through global steering bodies. This organizational structure makes it possible to benefit from the diversity and complementarity of teams.

/ Results

List of Key Indicators

Indicators	2022	2021	2020	2019
% of Board of Director that are independent	85.7	85.7	62.5	62.5
Average age of Board of Directors members	60.6	60	65	64
% of women on the Board of Directors	42.86	42.86	37.5	37.5
% of Board members with foreign nationality	57.1	57.1	37.5	37.5

4.5.2. Act ethically and responsibly

5 GENDER EQUALITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The Ethics Charter applied across the Group is in line with the principles of Sustainable Development Goal 16: "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and open institutions at all levels".

In 2016, the Group has issued its Ethics Charter (which is regularly updated) to promote the observance of its values and confirm its commitment to the main rules of conduct that the Group wishes to see applied internally. This Ethics Charter reaffirms 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 and forced labour. It is based on the respect of the ethical provisions promoted by the conventions of the International Labour Organization. The Ethics Charter is disseminated to all employees and is available in six languages on the Group's internal and external websites.

The Charter strengthens the Group's position on corruption and frauds, and that in application of the French law "Sapin II".

The full document can be consulted here: https://www.esi-group.com/company/responsibility.

A four-member Ethics Committee (two women and two men) is responsible for creating a safe environment where employees can adhere to the Ethics Charter and ensure that its principles are upheld by everyone, on a daily basis. The Committee listens to and assists employees so that they can discuss any issue involving the implementation of and/or respect of the Ethics Charter. It also ensures that all Group's subsidiaries apply the principles set out in the Charter.

/ Results

List of Key indicators

Indicators	2022	2021	2020	2019
Number of cases opened due to suspected non compliance	0	0	0	0
% of employees who had a training regarding ethical issues (ethical charter, anti-corruption & prevention of harassment)	83	96.9	93	NA
% of key suppliers having signed the responsible purchase charter	20%	NA	NA	NA
% of suppliers assessed	20%	NA	NA	NA
New score on Ecovadis for responsible purchase	30/100	30/100	NA	NA
Number of customer related incidents (GDPR)	0	0	0	0

Anti-corruption and influence peddling

As ESI Group grows, the group is committed not only to strictly comply with the legislation and regulations in the countries in which it operates but also to apply ethical principles rooted in the Group's values to be a trusted partner to customers and other external and internal stakeholders. Based on this approach, in 2022, workshops took place to review the risk mapping and update the measures in order to ensure that the zero- tolerance policy is respected and applied on all levels. Note that the anti -corruption risk mapping is reviewed on a triennial basis and in the event of a major incident.

Indeed, no major risks have been identified. This is the result of effort that was carried out by everyone to follow the prevention and the control measures implemented, such as:

- The willingness of top management to provide an ethical environmental towards growth;
- Specific, formal procedures;
- A Group training programme;
- Strengthened control and audit procedures;
- A disciplinary regime.

Whistle-blowing policy

In accordance with the regulations in force (Law of 21 March 2022 aimed at improving the protection on whistleblowers and its application decree of 3/10/2022), ESI has updated its internal procedure to comply with it.

Any ESI employee (present, past, future), client, supplier, partner or third party who suspects or is informed of a possible breach of this charter or a violation of ethical charter or law by the Company, or one of its employees, has a duty to report it. While it is natural to be reluctant to report abuse, everyone is strongly encouraged to do so, as silence can have highly detrimental consequences for the Company. The use of the whistleblowing procedure described below is neither mandatory nor exclusive.

The new whistleblowing procedure gives the whistleblower the possibility of reporting internally:

a. By first contacting the local/regional HR correspondent if one exists or the direct manager;
b. In the event of a conflict of interest involving the HR correspondent or the direct manager, contact the group's Corporate HRD or the N+2 manager.

In these cases, in addition to being able to send an email containing the alert and any evidence to support the facts, it is possible to collect alerts by telephone or voice mail.

The whistleblower can contact the Ethics Committee directly at ethics@esi-group.com.

Using the same rules, it is also possible to escalate the alert externally by contacting:

a. One of the 45 "competent authorities" defined by the regulation;
b. The Human Rights Defender, who will direct the person to the competent authority or authorities;
c. The judicial authority.

This procedure is secure and guarantees the strict confidentiality of the whistle-blower, the facts that are the subject of the report and the persons concerned. On the other hand, any abusive denunciation may lead to disciplinary sanctions and/or legal proceedings.

General Data Protection Regulation (GDPR)

Regarding the European Union data protection regulations, which are supervised in France by the CNIL (*Commission Nationale Informatique et Libertés*). Within this framework, the Group has put in place:

a. A regularly updated register of processing operations;
b. A public privacy policy available on the Group's digital platforms (websites, applications, etc.);
c. Internal procedures to respect the rights of individuals and to manage incidents;
d. Standard contractual clauses to guarantee and control inter-group transfers;
e. Policies to ensure data security "Implementation of ISO 27001 certification" completed in 2022.

Sustainable purchasing

Purchase agreements are careful organised to guarantee the company's services quality and compliance our internal requirements. In 2022, we decided to integrate social, environmental and ethical requirements into its procurements. These requirements are formalised in Responsible purchasing charter (available on the following link: https://www.esi-group.com/sites/default/files/resource/brochures/3552/Responsible%20Purchasing%20Charter%20FY22.pdf).

The document was communicated to 20% of our suppliers was invited to commit on the charter and to answer on questionnaire that helped us to evaluated their commitments on several point regarding CSR and their internal practises. As a result of this action, 20% of them has replied positively to the call and has confirmed their CSR commitment.

Internally, procure procedures and responsible purchase charter are known and available on the company's internal network.

We are pursuing our responsible purchasing program to select and continue doing business with suppliers who meets requirements in terms of human rights and working conditions, ethical business conduct and governance, and environmental responsibility.

4.6. BEING AN ENVIRONMENTALLY FRIENDLY PLAYER

Considering the nature of its activity – distribution of software and sales of consulting services – the Group believes its impact on the environment to be very limited. All of its activities are carried out in offices. However, the Group has still pledged to work towards limiting its environmental footprint.

The main environmental challenges identified by the Group are:

- Moving forward to the carbon neutrality in the context of new ways of working;
- Inspire concrete actions to employees in favour of the planet.

Objective: By 2024, reduction of our footprint emissions by 25% due to the implementation of NWoW.

	2022	2021	2020	2019
% reduction compared to 2019	51.35% (293 T GHG)	57.22% (257 T GHG)	57.25% (257,5 T GHG)	n/a (601 T GES)

Based on the results of the pre-Covid era, i.e. 2019, we can deduce that the group's efforts to reduce its greenhouse gas emissions are beginning to bear fruits. Although the year marked a resumption of travel activity by train, vehicle and air, emissions are slightly decreasing vs 2020 and 2021.

4.6.1. Moving forward to the carbon neutrality in the context of new ways of working

Reducing greenhouse gas emissions

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

As ESI 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.

ESI's actions meet the Sustainable Development Goal 12 (presented above) and 13 "Take urgent action to combat climate change and its impacts".

/ Policies

In order to reduce its carbon footprint, ESI is committed to a process of:

- Limit emissions resulting from employees' business travel by train, plane and company car;
- Limit CO_2 emissions resulting from goods and documents transportation;
- Develop the use of web conferencing tools.

Considering the nature of its licensing activities and sales of consulting services, please note that the Group's CO_2 emissions are indirect ones, mainly part of Scope 3 of the greenhouse gas (GHG) emissions balance sheet, particularly those related to employee transportation.

/ Results

List of Key indicators

Indicators	2022	2021	2020	2019
GHG due to employee ravel by train and plane *(in tons)*	458.93	79.9	65.2	601.8
GHG due to employee travel in company cars *(in tons)*	216.705	252.725	218.33	0.147
Energy Consumption in MWH per geographical area		See table below		
Reduction in carbon emission cumulated since implementation of DocuSign TCO_2		4.12		
% of company cars electric of PHEV vehicles[(a)]	20.4			2

(a) In France.

Employees' business travel

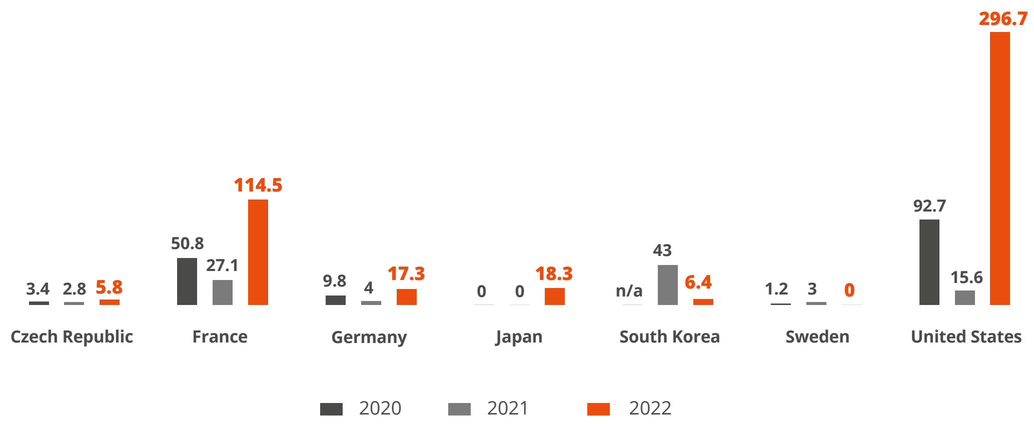
In order to limit its environmental footprint, the Group continues to promote a proactive policy aimed at restricting travel to what is strictly necessary. The use of the plane is reserved for journeys above three hours and the use of the railway must be the preferred option. In addition, the car use policy was updated to follow environmental requirements imposed by the tightening of the carbon tax protocol.

2022, in the wake of the easing of constraints linked to the SARS-COV2 pandemic, has seen a clear resumption of international travel motivated by a need to recreate links between teams spread across the world. The Group's aim remains to limit CO_2 emissions by promoting a hybrid working model, mixing face-to-face and teleworking and by encouraging the use of web conferencing tools.

CO_2 emissions due to employee travel by train and plane (for countries for which ESI has data):

CO_2 emissions due to employee travel by train and plane

(In tons)



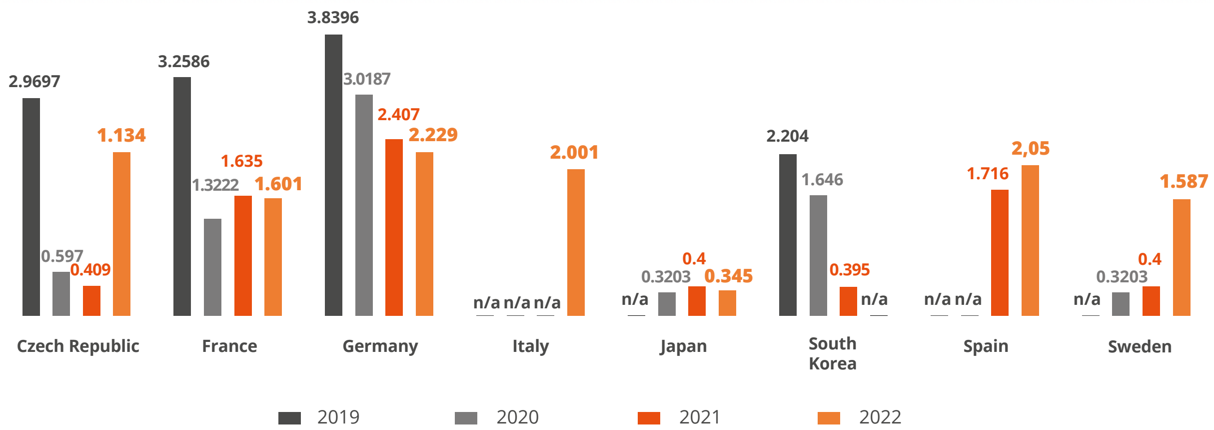
(a) Average of emissions calculated for countries with data available for the last three consecutive years.

For the countries for which data is available (USA, Sweden, Germany, Czech Republic, France, South Korea and Japan) these emissions amounted to 458.95 tones, an increase of 380% compared to 2021 or 190% compared to 2020. For all countries mentioned above, the data is supplied by the travel agencies responsible for booking the travel requests. Any reservations taken directly by employees are not counted because the information is not available.

CO_2 emissions due to employee travel by company car (for countries for which ESI has data):

CO_2 emissions due to employee travel in company cars

(In tons/car)



(a) Average of emissions calculated for countries with data available for the last three consecutive years.

In 2022, 49 employees had a company car in France, 37 in Germany, 29 in the Czech Republic, four in Spain, four in Italy and four in Sweden. In Japan only one person had a company car. There were no company cars in other countries in 2022. The higher allocation of company cars in Germany and France is due in particular to a higher proportion of sales staff and a culture that favours this form of compensation. For Germany, South Korea, Japan, France, the Czech Republic, Sweden, Italy and Spain, these emissions amounted to around 1.48 tonnes/car on average, up 41% on 2021, 23% on 2020 but down 52% on 2019. The increase compared to 2021 or 2020 is explained by a greater use of vehicles (more kilometres driven, therefore more carbon emitted) while the decrease compared to 2019 shows the effort to "green" the fleet (low emission vehicle).

To remind, ESI is engaged to have 100% of in 2024. we are. the work had been started on the vehicle fleet in France. the percentage has increased by more than 16% since 2019.

Managing resources in a more sustainable way

13 CLIMATE ACTION

ESI Group believes that environmental responsibility should be a priority for all companies and strives to reduce its environmental impact and to manage its resources in a more sustainable way and contributes to the same Sustainable Development Goal as the previous section (13): "Take urgent action to combat climate change and its impacts".

/ Policies

The main environmental issues in which ESI is involved are:

- Limiting energy consumption;
- Limiting paper consumption and transitioning to the use of recycled paper;
- Develop a waste recycling process all over the sites.

/ Outcomes

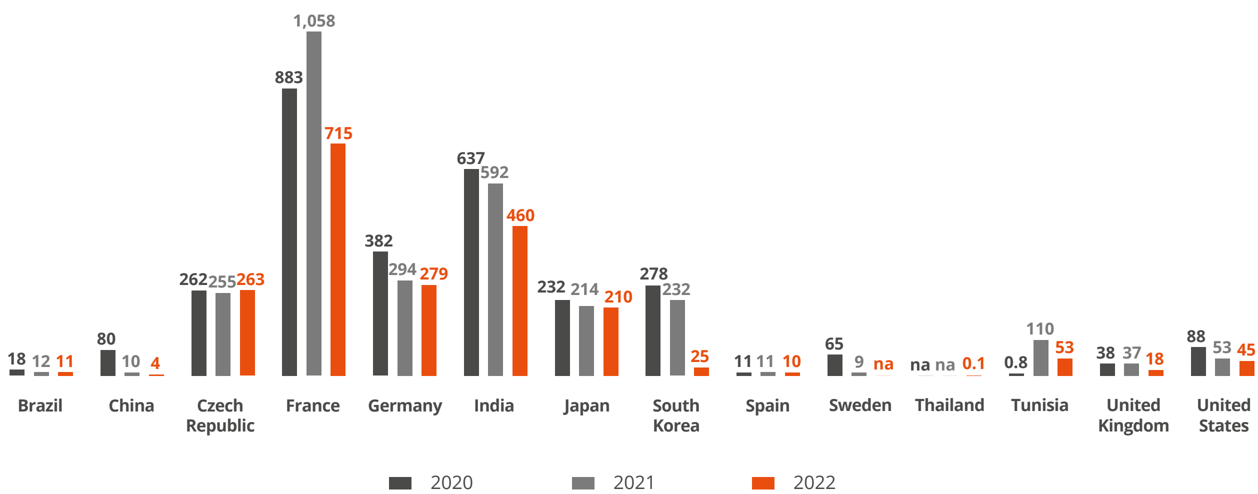
Energy consumption

Concerning our energy consumption, here is the scope of the countries/sites covered for the information below:

- **France:** Consumption available for the sites of Rungis, Compiègne, Aix en Provence (partial consumption until 8/7/2022, after changeover to a coworking site without the possibility of having the energy consumption), Colomiers and Voisin le Bretonneux. Energy consumption not available for Lyon, Bordeaux, Nantes and Rennes;
- **Spain:** Energy consumption available for the Madrid site. Consumption not available for the Barcelona and Vitoria sites;
- **Germany:** Consumption available for Neu Isenburg, Darmstadt, Stuttgart and Dresden. Consumption not available for the Volksburg site;
- **Czech Republic:** Consumption available for the sites in Pilsen. Consumption not available for the Brno and Mlada Boleslav sites;
- **Brazil:** Consumption available for the one site until November 2022. After the change to a coworking site without the possibility of having the energy consumption;
- India: Consumption available for the two sites (Bangalore and Pune);
- **Japan:** Consumption available for the Tokyo sites. Consumption not available for the Nagoya and Osaka sites (coworking spaces);
- **South Korea:** Consumption available for the one site;
- **Tunisia:** Consumption available for the Tunis site only;
- **Italy:** Energy consumption not available for all sites;
- **United States:** Consumption available for the San Diego & Columbia sites. Consumption not available for the Farmington Hills, San Mateo & Huntsville sites.

Energy consumption per country in 2022

(In MHw)



For France:

Thus, total consumption amounted to 715,33 MWh in 2022, down 32.42 % compared to 2021

For other countries:

- In Brazil, Czech Republic, Germany and India, average consumption per employee accounted to 2,302.71 kWh, an increase of 6.6% compared to 2021;
- In Japan, consumption per employee averagely accounted to 2 359.5 kWh stable compared to 2021 (2 331.16 kWh);
- In Tunisia, total consumption was 53.05 MWh in 2022, down 52% compared to 2021. This means that consumption will be 28% lower than in 2020, when the surface area of the offices was twice as large;
- Finally, energy consumption is not measurable in Italy, and other sites not mentioned above. For these sites, energy consumption is included in common bills, measured annually along several parameters other than electricity.

Finally, the Spanish office in Madrid has received a certification of compliance with the requirements of the LEED (Leadership in Energy and Environmental Design) standard, carried out by the building owner.

In 2021, the Group has begun to implement a workspace rationalization initiative (New Ways of Working) which will ultimately allow us to find economic and ecological gains in the way we manage our physical resources. The first effects of this initiative happened in 2021 with, for example, the move to co-working spaces and the relocation of the Data Center.

This rationalization exercise continue in 2022 and the appearance of the "Coworking spaces" concept offer us an additional tool to host our employees (in certain countries and regions) in a more flexible, secure, economical and ecological manner. At the end of the year, eight new coworking places were implemented.

Paper consumption

Everyday use by employees is the main source of paper consumption.

Even if access to the premises has been reduced due to COVID-19, Several initiatives has been implemented since 2020 that allows us to act in a sustainable way during our "on site" operational activities:

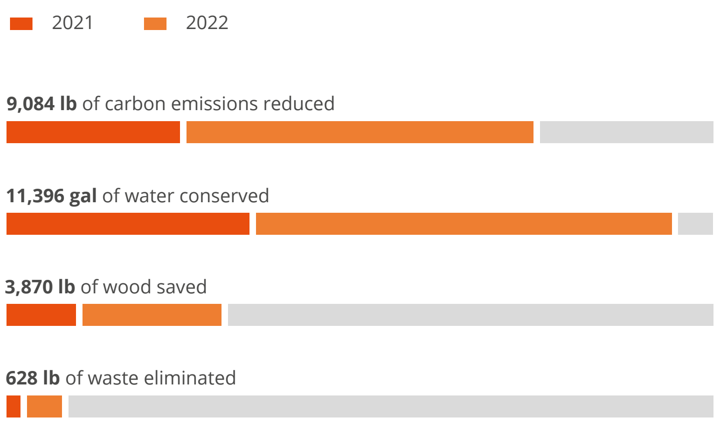
- Japan made 100% of its prints with recycled paper, followed by Spain on 50% of its prints and China on 35%;
- Many countries set up black and white and double-sided printing;
- Since 2019, the Group continued to stop printing its Universal Registration Document in paper format, reflecting ESI's desire to adapt to sustainable trends in communication. As indicated in chapter 9 of this document, the Universal Registration Document will be available in electronic version on the Company's website and will be available for consultation at headquarters upon request.

IT tools

- ESI continues 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. Employees are also strongly encouraged to use the cloud storage service under Microsoft 365, more specifically via the Sharepoint platform;
- 2022 saw the perpetuation and expansion of the use of DocuSign allowing authenticated and electronically traced signatures. This service has proven to be even more essential in this year 2022. The usage rate has continued to increase (885 envelopes in 2020, 2 565 envelopes in 2021 and 3523 in 2022); which enabled us to save 4783 ib of CO_2, 6000 gal of water, 2038 of wood and 331 lb of waste. Below are the elements of contribution to the reduction of our carbon footprint since the adoption of this tool.

ESI Group environmental savings

Source DocuSign.



This compares to:

- Removing **0 car** from the road
- Skipping **8 loads** of laundry
- Conserving **11 trees**
- Eliminating **10 cans** of trash
- Saving **61,582 pages** of paper

- ESI perpetuated in France the use of Digiposte to dematerialize HR documents such as pay slips and uses Metacompliance to digitally send each newcomer all the documents they need to know;
- In 2022, the level of use of Teams continued to be very strong, with an average over the year of 94,2% vs 92.4% in 2021, of users active on the platform. The Group has implemented, since March 2021, a more exhaustive reporting to have a clearer vision on the use of our online communication tools.

Water consumption

The Company's business is not very water intensive as it does not require water for production. ESI's water is therefore solely for sanitary use and is drawn from urban networks.

Waste disposal and recycling

Due to its tertiary activity, ESI mainly generates office waste. To the best of its knowledge, the Group does not generate any hazardous waste, except Waste Electrical and Electronic Equipment (WEEE).

In France, employees are made aware of selective sorting in their daily lives, thanks in particular to the implementation of dedicated waste bins. On the Rungis and Lyon sites, ESI works with Elise, a waste collection and recycling company that provides stable employment for people with integration difficulties, particularly with disability issues. In 2022, Elise Lyon recovered 398 kg of waste, including 293 kg of paper and 91 kg of WEEE. Recycling this waste saved 191 kg of CO_2 emissions, 2,385 kWh of energy and 7,663 litres of water.

All the German, American, Czech, Japanese, Spanish and Italian sites are also equipped with bins for sorting waste. It is planned to extend this measure to all European sites in the future.

When it comes to other specific waste, notably waste of 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 Group 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 the United States, end-of-life or obsolete hardware is collected by an authorized provider that manages the processing of electronic waste. In Germany, the Cleaning and Facilities Management Department, in coordination with the IT Departments, is tasked with collecting used electronic equipment. In Japan, end-of-life material is returned to the subcontractor. In India the collection of our obsolete equipment is managed jointly with the municipal waste management services. WEEE wastes are then passed on to the local authority of each city. In Spain, an instruction explains where obsolete electronic equipment must be taken in order to be recycled.

Furthermore, on request to our supplier in France, printer cartridges are collected and recycled via a completely ecological chain.

Lastly, in the entire environmental scope, 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.

4.6.2. Inspire concrete actions to employees in favour of the planet

ESI believes that a company's responsibility is not limited to acting on its clients' environmental footprint or its own, but also to raise awareness and engage its employees in implementing a proactive approach and in carrying out concrete actions.

This commitment contributes to the same objective mentioned above (13): "Measures to combat climate change".

/ Policies

The main environmental topics to which ESI is committed are:

- Raising the awareness of its employees on an ongoing basis of the measures taken to avoid wasting energy;
- Suggesting concrete actions to employees to engage them in favour of the Planet.

/ Results

In 2018, ESI produced a short video for all employees on simple eco-responsible gestures to adopt at work (link here). This video has been the subject of a training in 2022.

At the beginning of 2021, the Group communicated on its commitment to plant 10,000 trees by 2025, on the aim to contribute to the reforestation of the planet. By the end of 2021, several hundred trees will have been planted by ESI's customers and employees thanks to the Reforest'Action program, a social enterprise whose main mission is to preserve, restore and create forests in France and around the world through collective reforestation projects. Thus, each participant has the possibility to follow the evolution of this reforestation project and its benefits in real time (impact on climate, biodiversity, health and employment) at: https://www.reforestaction.com/en/esi-group.

In 2021, we planted 2000 trees in Portugal and in 2022 we planted 2000 additional trees in Washington State in the US.

The benefits of the 4,000 trees are:

a. 600 tonnes of CO_2 stored;
b. 12,000 animal shelters created;
c. 16,000 months of oxygen generated;
d. 4,000 hours of works created.

4.7. EUROPEAN TAXONOMY

4.7.1. Context

Framework and requirements of the European taxonomy

The European Regulation 2020/852 of June 18th, 2020, commonly known as the "European Taxonomy", establishes a reference framework to promote sustainable investments by requiring companies to publish the parts of their sales, capital expenditure and operating expenses that contribute substantially to one of the following six environmental objectives:

- Climate change mitigation ;
- Adaptation to climate change ;
- Protection and sustainable use of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control ;
- Protection and restoration of biodiversity and ecosystems.

Thus, the European Commission has defined a set of technical criteria in order to establish a common language on the notion of sustainability and, consequently, to direct the allocation of capital towards activities that contribute substantially to the achievement of one of these six objectives.

In this context, and since 2021 fiscal year, companies must communicate, the part of their revenues, their investment expenditures, and their operating expenses associated with so-called "eligible" economic activities, i.e. classified in the European Taxonomy. Since the 2022 financial year, this communication must also include the part of revenues, capital expenditures and operating expenses that are "aligned", i.e. respecting the sustainability criteria defined in the Taxonomy for the first two climate change mitigation and adaptation objectives.

To meet these reporting obligations, a detailed analysis of all the Group's activities within the various consolidated entities was carried out jointly by the Finance, CSR, R&D, Facilities, Legal and Tax departments, as well as with the operational teams. The identification of eligible activities and the qualification of their level of alignment with the Taxonomy were carried out according to the instructions and criteria of the delegated acts.

ESI Group and European taxonomy

ESI is convinced of the environmental benefits of virtual prototyping and its role in the overall reduction of greenhouse gas emissions through the benefits of its solutions such as:

a. Replacement of physical prototypes;
b. Optimization of product performance and durability;
c. Making products lighter to reduce the resources needed to use them;
d. Optimizing the manufacturing process to reduce errors and waste and the resources required.

In addition to these industrial benefits, individual Group measures related to real estate and vehicle leasing activities are included in the scope of the taxonomy.

At this stage, the Commission has classified the activities only for the first two environmental objectives of the text: climate change mitigation and climate change adaptation. These same classifications and criteria for the other four environmental objectives are being developed and expected for a first reporting exercise in 2024.

4.7.2. Evaluation and methodology

Approach to identifying of financial indicators

The solutions developed by ESI promote environmental performance throughout the production chain via optimized manufacturing and more responsibility finished products.
The Group decided to consider its activity eligible for taxonomy. The generated revenue essentially corresponds to the definition of activities "8.2. Data-driven solutions for GHG emission reductions." The Group's activity is considered as an "enabling activity" because it has the potential to enable manufacturers to improve their own sustainability approach in the design-production phase of their products. Therefore, the eligible revenues represent 100% to the climate objectives of the European Taxonomy.

Regarding eligible CAPEX, ESI has identified two categories of capital expenditure relevant to the Taxonomy:

- 6.5 Transport by motorcycles, passenger cars and light commercial vehicles;
- 7.7 Acquisition and ownership of buildings.

For OPEX, ESI has identified three categories of operating expenses relevant to the Taxonomy:

- 7.7 Acquisition and ownership of buildings;
- 8.1 Data processing, hosting and related activities;
- 8.2. Data-driven solutions for GHG emission reductions.

The computational work of the indicators was carried out in accordance with the provisions of European Commission Delegated Regulation 2021/2178 of July 6th, 2021, and its annexes supplementing Regulation (EU) 2020/852, based on its existing processes and reporting systems and assumptions made by the management.

The results cover all ESI's activities included in the scope of financial consolidation as of 31 December 2022. The financial information used was identified through the accounting report used for the preparation of the consolidated statements and was completed by discussions with the Group's management.

a. Eligible capital expenditures (CAPEX) for the year 2022 represent 34% with a numerator of €659,090, of which 100% is capital asset acquisitions corresponding to IFRS 16.
b. Eligible operating expenses (OPEX) for the year 2022 represent 30% with a numerator of 35,598,022 euros. The part of eligible operating expenses (OPEX) is determined by dividing the sum of the operating expenses of eligible activities by the operating expenses retained by the Group in accordance with the provisions of Annex 1 of Delegated Regulation 2021/2178 of July 6th, 2021.

Methodology for assessing activities against technical review criteria

Regarding the study on the alignment of its activities with the first objectives of the European Taxonomy, ESI will consider collaborations with its customers and consultancies for future exercises, as the data to be produced requires complex research and modeling rates.

Analysis of minimum guarantees

In accordance with the minimum safeguards guiding principles described in Article 4 of the Taxonomy Regulation, economic activities contributing substantially to one of the climate objectives and complying with the relevant generic and specific DNSH must also demonstrate compliance with the minimum safeguards. These safeguards consist of implementing procedures to align with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights (including the principles and rights set out in the eight core conventions cited in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights). These procedures are a prerequisite for eligible activities to be qualified as aligned.

The final report of the European Platform on Minimum Safeguards published in October 2022 was also analyzed by the Group to take into account details on the scope of the requirements to be met as part of this first alignment exercise. Four themes are highlighted by the report in conjunction with minimum safeguards: human rights (including employee and consumers' rights), corruption, taxation and competition law. For each of these themes, the report describes the criteria for non-alignment as (i) the existence and implementation of specific procedures for each area and (ii) the absence of recent legal convictions of the company, its managers and subsidiaries for any of the four issues.

ESI conducted the analysis centrally via workshops conducted with the departments concerned. In the light of these analyses, the Group concluded that the minimum safeguards were respected, despite some points remain to be improved.

/ Human rights

ESI is committed to respect human rights through its Ethics Charter. The Group respects and supports the protection of international human rights, ensuring that subsidiaries and employees are not complicit in human rights abuses, including child labor, forced labor, discrimination, etc. Employees are required to participate in internal training to raise awareness of various ethical issues via the "Metacompliance" platform.

ESI has put in place a due diligence system that follows United Nations' steps for alignment with minimum safeguards.

However, although ESI's business model has a low exposure to human rights risks, it is committed to improve the procedures in place. While no alerts have been issued, the Group plans to be more transparent, notably regarding the description of its system for monitoring actions taken in response to human rights risks.

/ Corruption

ESI has put in place the necessary elements to comply with applicable anti-corruption laws and has deployed the following means: Code of Ethics, Risk Mapping dedicated to the fight against corruption, responsible purchasing charter for suppliers (and its questionnaire), and the General Conditions of Purchase.

The Group did not identify any lack of corruption-related procedures or condemnations related to corruption that could raise any question about the alignment of minimum safeguards.

/ Taxation

ESI has a group tax policy, dedicated tax experts, and is committed to fighting tax evasion.

ESI strives to comply with local and international tax rules in the internal and external transactions of its subsidiaries.

The Group has not identified any lack of procedures or condemnations related to Taxation that could raise any question about the alignment of minimum safeguards.

/ Competition law

Regarding competition law, ESI has put in place training modules that include this topic.

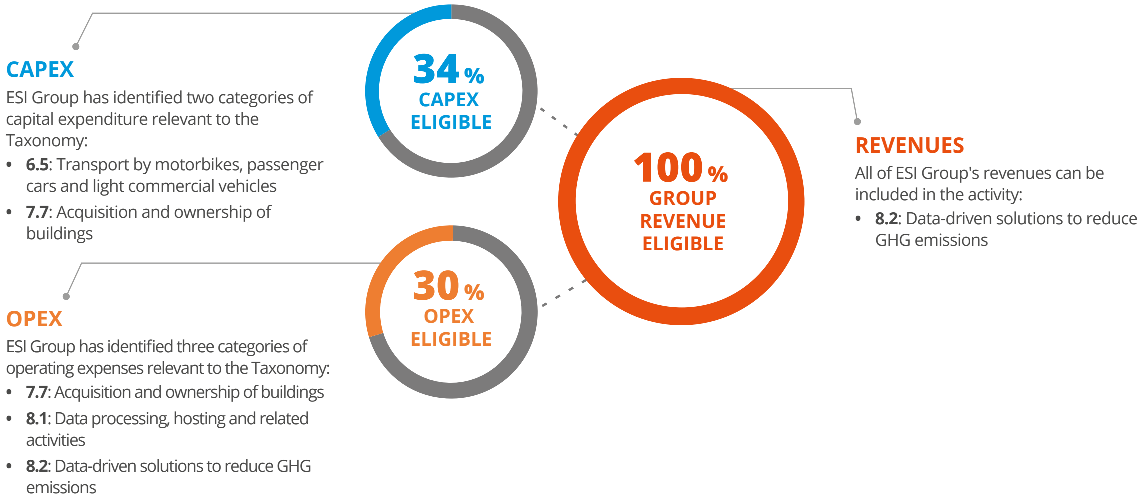
However, the Group has planned to put in place dedicated awareness to continue to be aligned in terms of minimum competition law safeguards over time.

ESI strives to comply with local and international tax rules in the internal and external transactions of its subsidiaries.

The Group has not identified any lack of procedures or condemnations that could raise any question about the alignment of minimum safeguards.

4.7.3. Results

Indicators of eligibility for the European Taxonomy (FY2022 – Objectives 1 & 2)



Eligibility results for fiscal year 2022

In 2022, eligible CAPEX amounts to €659,090, 34% of total CAPEX in the denominator. Aligned CAPEX is not determined for this exercise.

As a reminder, in 2021, the amount of eligible CAPEX amounted to €5.3 million, or 43.6% of total CAPEX.

The eligible investments for this year mainly concern leases accounted for in accordance with IFRS 16 (see technical criteria presented above and detailed table presented in Appendix from page 194.

In 2022, eligible OPEX amounts to €35,598,022, 30% of total OPEX in the denominator.

Over the 2021 financial year, the eligible amount carried forward amounted to €2,000,000, 5.6% of OPEX in the denominator.

Regulatory tables

The regulatory tables are detailed in appendix from page194.

Change over the previous year

/ Evolution of eligibility results

The main change is related to the eligibility of 100% of the revenues where last year we had disclosed 0% waiting for some clarifications on criteria and market practices.

/ Methodological changes

ESI has decided to opt for a more ambitious scenario than that of 2021 by choosing to consider 100% of the turnover as eligible for the Taxonomy (compare to 0% in 2021).

/ Perspectives

Given the evolving nature of the European regulatory framework and the information available to date, ESI Group will revise the methodology for calculating indicators in line with regulatory developments, including the publication of delegated acts that will extend the list of eligible activities to the other four environmental objectives.

4.8. REPORTING

4.8.1. Reporting methodology

Data collection and consolidation

The Company has implemented a differentiated data collection and consolidation process according to the themes. Social reporting is covered by an HR officer who works with local HR representatives. The corporate communication team is responsible for environmental and societal reporting through local professional representatives. The Group plans to gradually broaden the scope until it covers every subsidiary in a reliable manner.

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

- Americas = Brazil and United States;
- Asia-Pacific = China, India, Japan, Malaysia, South Korea, Thailand and Vietnam;
- Europe, Middle East and Africa = Czech Republic, England, France, Germany, Italy, Netherlands, Spain, Sweden, and Tunisia.

Scope

The Group's ambition is to gradually expand the scope of coverage until it achieves full and reliable coverage of its subsidiaries. In line with its commitments, in 2022, ESI Group continued its actions to increase the collection and analysis of indicators internationally.

- Scope of social reporting:

  Since 2012, ESI's Human Resources Information System has been upgraded to Sales Force for all countries, with local management of all payroll systems in order to take into account local specificities. Social data thus represents 100% of the workforce;
- Scope of environmental reporting, representing 99,04% of total workforce in 2022:

  It includes France, Germany, the Czech Republic, Japan, the United States, Tunisia, India, Switzerland, Sweden, China, Spain, the United Kingdom, South Korea, Italy, Brazil and Vietnam.
- Scope of societal reporting:

  Societal information is provided at a global level. Hence, the reporting scope represents 100% of ESI's headcount since 2016.

4.8.2. Report of the inspecting organization

This is a free translation into English of the Statutory Auditor's report issued in French 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 standards applicable in France.

Year ending December 31, 2022

To the Shareholders,

In our capacity as Statutory Auditor of ESI (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (Cofrac Inspection Accreditation no. 3-2013, whose scope is available at www.cofrac.fr), we conducted our work in order to provide a report expressing a limited assurance conclusion on the historical information (observed and extrapolated) of the consolidated non-financial information statement (hereinafter respectively the "Information" and the "Statement"), prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), for year ended on December 31, 2022, included in the management report pursuant to the legal and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Conclusion

Based on the procedures performed, as described in the "Nature and scope of our work" section, and the elements that we have collected, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not compliant with the applicable regulatory provisions and that the Information, taken as a whole, are not presented fairly in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used framework or established practices on which to evaluate and measure the Information permits the use of different, but acceptable, measurement techniques that may affect comparability between entities and through time.

Consequently, the Information needs to be read and understood with reference to the Guidelines, significant elements of which are available upon request from the entity's headquarters.

The entity's responsibility

The Board of Directors is responsible for:

- Selecting or establishing suitable criteria for preparing the Information;
- The preparation of the Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of those policies, including key performance indicators and if applicable the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- Designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error. The Statement has been prepared in accordance with the entity's Guidelines as mentioned above.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- The compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- The fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions (in particular the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the French duty of care law and anti-corruption and tax evasion legislation);
- The fairness of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- The compliance of products and services with the applicable regulations.

Regulatory provisions and professional standards applicable

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 (Revised).

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of statutory auditors. In addition, we have implemented a system of quality control including documented policies and procedures to ensure the compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Means and resources

Our work was carried out by a team of 2 people between November 16 2022 and March 16 2023 and took a total of 8 days.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted 8 interviews with people responsible for preparing the Statement, representing among general management, administration and finance, risk management, compliance, human resources, health and safety, environment and purchasing.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We consider that the procedures we performed were based on our professional judgment and allowed us to provide a limited level of assurance conclusion:

- We obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities;
- We assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- We have verified that the Statement presents the information required by II of Article R. 225-105 when relevant to the principal risks and includes, where appropriate, an explanation of the reasons for the absence of the information required by the second paragraph of III of Article L. 225-102-1;
- We verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes, including key performance indicators related to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - Assessed the process used to identify and confirm the principal risks and the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented, and
  - Corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the appendix. Our work was performed at the consolidation entity level. Our work was carried out at the level of the consolidating entity and in a selection of entities[(1)];
- We asked what internal control and risk management procedures the entity has put in place and assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important presented in the appendix1, we implemented:
  - Analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - Tests of details based on sampling or other selection methods, consisting of verifying the correct application of definitions and procedures and reconciling the data with supporting documents. This work was carried out on a selection of contributing entities and covered between 36% and 100% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional guidance of the French Institute of Statutory Auditors ("CNCC"); a higher level of assurance would have required us to carry out more extensive procedures.

Lyon, on March 17, 2022

FINEXFI

Isabelle Lhoste

Partner

(1) Social indicators : group scope
Societal indicators : group scope
Environmental indicators :
GHG emissions due to employee travel by train and plane (in tons) : France and USA
GHG emissions due to employee travel by company car (in tons) : France
Energy consumption (electricity) : France
Share of electric or PHEV company vehicles : (France)

Appendix 1

/ Qualitative indicators

- Gaïa-Index
- Ecovadis rating
- Flexibility nwow access home office and coworking

/ Social indicators

- Share of women in the Group
- Percentage of new employees on permanent contracts
- Number of hours of online courses
- Number of hours of training/employee
- Number of employees in Europe, Middle East and Africa
- Number of employees in Asia-Pacific
- Number of employees in the Americas
- Age pyramid
- Breakdown of employees by seniority
- Average length of service of employees
- Average seniority of men and women
- Gender equality index
- Share of women employed on permanent contracts
- Share of women in the ELT
- Share of women managers
- Share of women non-managers
- Share of women among newcomers
- Number of employees in ESI
- Number of total hires
- Number of total departures

/ Societal indicators

- Share of annual renewable licenses
- Number of joint events organized with clients
- Number of published success stories
- Share of the Board of Directors are independent
- Average age of directors
- Share of women on the Board of Directors
- Percentage of Board members with foreign nationality
- Percentage of key suppliers who have signed the responsible purchasing charter
- Percentage of suppliers evaluated

/ Environmental indicators

- GHG emissions due to employee travel by train and plane (in tons)
- GHG emissions due to employee travel by company car (in tons)
- Energy consumption (electricity)
- Share of electric or PHEV company vehicles

5 MANAGEMENT REPORT

Financial year ended December 31, 2022

In accordance with Article L. 451-1-2 of the French Monetary and Financial Code, this chapter includes the management report to the General Meeting of June 29, 2023 validated by the Board of Directors on February 27, 2023. This report accounts for the Company's activities during the 2022 financial year, including the result of these activities and the Company's outlook, and presents the Company's accounts for the financial year.Information on various risk factors is included in chapter 3 "Risks and risks management."

The Extra-Financial Performance Statement is reproduced in full in chapter 4 of this document.

Information on the Company's share capital, stock options and free shares grant plans, and the transactions on the Company's shares are included in chapter 8 of this document.

5.1. BUSINESS ACTIVITIES DURING THE 2022 FINANCIAL YEAR

5.1.1. Highlights of 2022 financial year

Three-year business plan: OneESI 2024 – Focus to Grow

In October 2021, ESI Group unveiled for the first time publicly a three-year strategic plan "OneESI 2024 – Focus to Grow" including mid-term forward-looking statement both for its revenue and its profitability. To find more details about the plan, see part 1.1 of the document.

2022 has been a significant step in this plan as shown in the improvement of results detailed below. ESI Group affirmed its strategic orientation, in particular by launching an overhaul of its commercial offer and by refocusing its activity which resulted in the conclusion of asset disposals. This dynamic has also made it possible to attract new talent in all fields. Further details on this first year of implementation are presented in section 1.1 of the present document.

Due to the Russian conflict with Ukraine, the Group initially decided to suspend all commercial development with its Russian and Belarusian customers, and then closed the representative office in Russia, attached to its Czech subsidiary Mecas. Revenue in this territory represented 1.5% of Group revenue for the full year of 2021 (0.4% in 2022).

5.1.2. Consolidated financial statements

Consolidated financial information presented below were prepared in accordance with the IFRS standards. Non-IFRS indicators are used by the Management to monitor Group's operational performance, as defined and presented in the strategic 3-year plan,. They are presented in paragraph 5.1.2.2. They do not represent a substitute for IFRS indicators.

5.1.2.1. Keys figures

The financial statements for the year ended December 31, 2021 have been retrospectively restated to reflect the implementation of the IFRS IC decision on the recognition of configuration or customization costs for software used in SaaS (IAS 38) mode and the reclassification of revenue relating to Co-funded Projects from revenues to research and development costs – the corresponding costs have been reclassified from cost of sales to research and development costs.

(In € millions)	2022	2021 restated	Variation at actual currency rate	Variation at constant currency rate
Total sales	**133.9**	**132.6**	**1.0%**	**0.1%**
Licenses	*114.0*	*111.4*		
Services and others	*19.9*	*21.2*		
Gross margin	**106.2**	**102.9**	**3.3%**	**2.2%**
% of sales	*79.3%*	*77.6%*		
EBIT (Adjusted [(a)])	**17.8**	**12.7**	**40.7%**	**45.8%**
% of sales	*13.3%*	*9.6%*		
Operating result (EBIT)	**25.4**	**(16.4)**	**n.a.**	**n.a.**
Financial result	**(1.3)**	**(0.9)**		
Income taxes	**(8.8)**	**(1.2)**		
Net result	**15.4**	**(18.5)**		
% of sales	*11.5%*	*(13.9%)*		
Gross Cash	**41.6**	**30.3**		
Net Financial Debt [(b)]	**(7.3)**	**12.5**		
Gearing *(in %)* [(c)]	*(8.0%)*	*17.2%*		

(a) See paragraph 5.1.2.2.
(b) Net Financial debt: Gross financial debt minus Cash and Cash equivalents.
(c) Gearing: Net financial debt/Equity.

5.1.2.2. Financial information definitions

The financial statements for the year ended December 31, 2021 have been retrospectively restated to reflect the implementation of the IFRS IC decision on the recognition of configuration or customization costs for software used in SaaS mode (IAS 38) and the reclassification of revenue relating to Co-funded Projects from revenues to research and development costs – the corresponding costs have been reclassified from cost of sales to research and development costs.

In order to factor for end of Russian activity (discontinued in 2022) as well as sale of assets in the field of fluid simulation ('CFD'), in July 2022, corresponding revenue & costs have been excluded form "**constant perimeter**" indicators.

Along this document, the Group is referring to "**Constant Exchange Rate**" ("cer") indicators, in front of "Current Exchange Rate" information since pluri-annual strategic targets have been established at Constant Exchange Rate. Restatement of the currency effect consists of calculating aggregates for the current year at the exchange rate of the prior year.

Aligning with the industry best practices, the Group assesses its revenue evolution with the key performance indicator (KPI): **Annual Recurring Revenue (ARR)**. The definition of this indicator is: all revenues from license sales (including maintenance services) excluding revenues from perpetual licenses and before changes in deferred revenues (see Note 1.4.1 of the present document).

Adjusted EBIT and **Adjusted EBIT Margin** are non-IFRS indicators used by the management to monitor performance, as presented in the strategic 3-year plan, excluding items that, because of their nature, cannot be considered as inherent to the recurring performance of the Group. They do not represent a substitute for IFRS indicators.

Adjusted EBIT means operational income (EBIT) adjusted for:

- Stock-based compensation expenses;
- Restructuring charges;
- Impairment of intangible assets;
- Amortization of intangible assets related to acquisitions;
- Application of IFRS 16 (leases);
- And other non-recurring and special items (including net gain and losses from disposals).

Adjusted EBIT has been presented for the 1st time during the Strategic plan presentation on October 5, 2021.

The table below is detailing the content of non-IFRS indicators at current and constant perimeters.

€m	2022 Current perimeter	2022 Constant perimeter	2021 Current perimeter	2021 Constant perimeter
Revenue	133.9	129.7	132.6	126.0
Operating Result (EBIT)	**25.4**	**22.9**	**(16.4)**	**(20.5)**
EBIT Margin (IFRS) In % of revenue	*19.0%*	*17.7%*	*(12.4%)*	*(16.7%)*
■ Impact of application of IFRS 16	0.5	0.5	0.5	0.5
EBIT before IFRS 16	**25.0**	**22.5**	**(16.9)**	**(21.0)**
■ Restructuring	2.7	2.5	27.6	27.6
■ Other non-recurring items	(15.5)	(15.5)	(0.2)	(0.2)
■ Stock-based compensation expenses	3.5	3.5	0.9	0.9
■ Impairement & amortization of intangible assets related to acquisitions	1.4	1.4	1.3	1.3
■ Exceptional Profit Sharing linked with CFD sale	0.7	0.7		
Adjusted EBIT	**17.8**	**15.0**	**12.7**	**8.6**
Adjusted EBIT Margin In % of revenue	*13.3%*	*11.6%*	*9.6%*	*6.8%*

5.1.2.3. Comments on results

Changes in revenue and adjusted EBIT are presented in section 1.4 of this document.

The change in operating profit is explained by the change in adjusted EBIT and by the recognition of gains due to asset sales (notably CFD sale) for a global amount of €15.9 million, minored by restructuring costs. In 2021, other operating expenses supported the costs of departures (-€6.7 million) incurred under the "OneESI 2024" plan, as well as write-off of assets for -€20.7 million due to this strategic plan (total amount of -€27.4 million).

Financial result is a -€1.3 million expense in 2022 (-€0.9 million the year before). Foreign exchange rate went from +€1.0 million in 2021 to +€0.3 million in 2022 while cost of debt decreased slightly. After taking into account income tax expense of -€8.8 million (compared to a -€1.2 million expense in 2021), net income amounted to €15.4 million.

5.1.2.4. Financial situation

In 2022, ESI Group demonstrated its capacity to improve its financial situation and presents a +€7.3 million cash positive balance (cash and cash equivalents greater than financial debt). In 2021, net financial debt amounted €12.5 million. Gearing (Net debt/Equity) stands at -8% (17.2% end of 2021).

Gross financial debt is down by -€8.5 million, to €34.3 million (compared to €42.8 million at end 2021) and includes €13.6 million of State guaranteed loans. ESI Group did not use its €10 million short term RCF (Revolving Credit Facility) in 2022.

The Group gross cash position end of year stood at €41.6 million (€30.3 million end of 2021). The +€11.3 million improvement is explained by:

- A substantial free cash flow of €11.1 million (€15.4 million in 2021). Operating profits improved while the Group paid -€7 million of restructuring cost with One-ESI strategic plan;
- An adverse change in WCR -€3.8 million (against +€2.7 million 2021) mostly related to perimeter effects (change in *"deferred revenue"* position);
- Current capital expenditures paid of -€1.9 million (compared to -€1.4 million in 2021, restated);
- Other investment and financing cash flow include;
  - +€21 million positive impact of asset sales (CFD and SCILAB),
  - -€8.5 million reimbursement of the bank loans, and notably, syndicated loan yearly instalment of -€5 million, -€2.5 million commercial paper and -€0.9 million of other bank loans.

At December 31, 2022, ESI Group held 5.9% of its share capital in treasury shares.

5.1.3. Research and development

5.1.3.1. Research and development costs

Details of costs are given in note 6.1.2 of the consolidated financial statements.

The Group's R&D workforce is spread over three continents around specific high-level skill centers in Europe (mainly France, Germany and the Czech Republic), Asia (India), America (United States). This distribution reflect the long-standing ESI culture of relying on talents wherever they are and enabling easy interactions that are becoming the norm after COVID pandamy and the acceleration of working from home.

5.1.3.2. Intellectual property

Most of the Company's intellectual property consists of software products that are protected by copyright, and of databases protected by specific laws concerning database producers within the European Union and by competition law outside the EU.

The ownership of all development work ordered and performed by ESI Group's subsidiaries is transferred to the Company. ESI Group products are either owned directly by the Company or published by the Company under publishing contracts (notably with affiliates which first developed some products and still own them).

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 different from affiliates. These products represent either software integrated within the Company's offering (for which replacement solutions could be obtained if the third-party software is discontinued) or complementary solutions. These latter solutions are not, however, critical to the operation of the Company's software.

Furthermore, the Company owns few patents directly or through its subsidiaries.

ESI also owns a portfolio of brands, of which Hybrid Twin brand.

Hybrid Twin

5.1.4. ESI Group annual financial statements

5.1.4.1. Presentation of annual financial statements

ESI Group is the parent company of the Group; therefore, it owns and/or controls all of its subsidiaries. It oversees all of its subsidiaries and centralizes most of software publishing activities.

We remind that information presented here below is prepared in accordance with French accounting standards.

ESI Group's revenues for the year ending December 31, 2022 increases by €2.7 million to €88.5 million, compared with €85.8 million for the year ending December 31, 2021.

It is composed of revenue realized with other Group entities for €75.9 million, mainly royalties received from ESI distribution subsidiaries as compensation for the right to grant licenses to end customers, of Licensing revenue realized directly with end customers for €11.6 million and of consulting revenue for €1.0 million.

The evolution of ESI Group's revenue follows the trend of consolidated sales of the Group's licenses and takes into account the reclassification of co-financed projects now excluded from revenue (€1.9 million in 2021).

Operating result for 2022 is a profit of €14.2 million, compared with a profit of €2.4 million in 2021. Increase of €12 million mainly results from a decrease of operating expenses in connection with the implementation of the strategic plan.

Financial result of ESI Group is a net gain of €16.5 million, compared with -€3.2 million loss in 2021. It is mostly composed of €10.4 million of reversal of investments impairments, and of forex result of 1.3 million (probable losses on reevaluation of receivables and payables for -€2.1 million and a €6 million reversal for 2021 accrual, booked in French accounting standards, whereas probable gains are not booked).

Consequently, current result before tax amounts to €30.7 million.

ESI Group also recorded exceptional gain of €12.4 million, corresponding mainly to the gain on disposal of intangible assets (CFD/SCILAB) and restructuring cost (-€1.3 million).

Income tax amounts to -€0.7 million and consists of corporate tax plus the additional contribution, for -€3.3 million, and the R&D tax credit income for the year for €2.6 million. Employee profit sharing amounts is a -€0.7 million expense.

Net result is a +€41.7 million profit.

Taking into account this gain, the Company's equity stands at €73.3 million due to 2022 net result, compared to €31.3 million end 2021.

Financial debt decreases at €32.6 million (compared with €41.3 million end 2021), mainly due to repayment of syndicated loan yearly instalment of -€5 million and other bank loans (-€0.9 million) as well as the promissory note used at the end of 2021 (€2.5 million). The Company's cash and cash investments (excluding treasury shares) amounted to €20.6 million at the balance sheet date (€8.5 million at December 31, 2021).

Breakdown of invoices issued and received at December 31, 2022 (Article D. 441-4 of the French Commercial Code)

Reference terms of payment used are contractual terms.

Terms greater than 91 days are mostly debts to Group subsidiaries.

Invoices issued (Customers) (In € thousands) Instalment payment	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
Number of related invoices	119	44	36	25	827	932
Total amount of the invoices (all taxes included)	6,596	1,382	1,001	923	36,466	39,772
Percentage based on total of revenue of the year (all taxes included)	8.20 %	1.70 %	1.20 %	1.20 %	45.40 %	49.60 %
Total amount of invoices excluded related to doubtful receivables or not yet issued					3,601	3,601

Invoices received (Suppliers) (In € thousands) Instalment payment	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
Number of related invoices	30	20	2	6	28	56
Total amount of the invoices (all taxes includes)	4,750	871	2,147	(112)	33,000	35,905
Percentage based on total of expenses of the year (all taxes included)	9.00%	1.60%	4.00%	(0.20%)	62.20%	67.70%
Total amount of invoices excluded that are related to bad debts or debts not invoiced or recorded						

One branch is integrated within ESI Group's financial statements; details are shown in note F.3 to the financial statements.

5.1.4.2. Allocation of net result

Situation at December 31, 2022:

- Net loss for the year: €41,737,071.95;
- Loss carried forward: -€29,734,952.48;
- Total to be allocated: €12,002,119.47.

Allocation:

- €17,317.20 in the legal reserve account;
- €11,984,802.27 to carried forward result.

Following this allocation, the legal reserve stands at €1,822,684.80. Gain carried forward stands at €11,984,802.27.

5.2. OUTLOOK

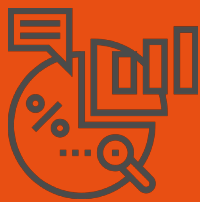
2022 was an important milestone for the ESI Group in the implementation of the "OneESI 2024 – Focus to Grow" plan and the first benefits of this strategic repositioning are already visible in its results. The Group intends to pursue this repositioning in 2023 and remains confident in its ability to achieve the multi-year objectives communicated and create long-term value for shareholders.

5.3. TABLE SUMMARIZING THE RESULTS OF PAST FINANCIAL YEARS

Closing date	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/01/2019
Duration of financial year (number of months)	12	12	12	11	12
Capital at balance sheet date					
Share capital (in €)	18,226,848	18,192,423	18,109,776	18,055,476	18,053,676
Number of shares					
▪ ordinary shares	6,075,616	6,064,141	6,036,592	6,018,492	6,017,892
▪ preference shares					
Maximum number of shares to be created					
▪ via convertible bonds					
▪ via subscription rights	180,000	180,861	120,210	205,334	151,448
Operations and results (in €)					
Revenue (excl. tax)	88,496,088	85,820,626	82,935,829	55,295,671	86,022,988
Earnings before tax, employee profit-sharing, allowances for amortization and provisions	51,966,712	6,806,831	28,948,002	(2,973,365)	27,025,120
Income tax	(693,298)	3,026,196	3,122,046	(3,024,257)	(2,698,695)
Employee profit-sharing	(698,053)				
Allowances for amortization and provisions	8,838,289	37,826,054	47,244,034	33,849,027	26,903,999
Net income	41,737,072	(27,993,027)	(15,173,986)	(27,851,406)	2,819,816
Distributed earnings					
Earnings per share (in €)					
Earnings after tax and employee profit-sharing, before allowances for amortization and provisions	8.32	1.44	5.31	(0.21)	4.94
Earnings after tax, employee profit-sharing, allowances for amortization and provisions	6.87	(4.62)	(2.51)	(4.63)	0.47
Dividend					
Personnel					
Average headcount (a)	217	234	259	258	264
Payroll (in €)	14,502,061	17,877,629	16,903,205	15,027,428	15,880,764
Amounts paid in benefits (social security, social welfare, etc.) (in €)	8,256,547	8,500,368	7,689,415	6,969,914	7,466,508

(a) Average headcount in France and in branches outside France.

6 FINANCIAL STATEMENTS



6.1. CONSOLIDATED FINANCIAL STATEMENTS

In 2022, the Group closed the sale of its non-strategic fluid simulation software (CFD) and discontinued its activities in Russia. As the impact of these transactions was not considered significant (-€6.6 million on revenues in 2021 and -€4.2 million in 2022), *proforma* accounts have not been established.

6.1.1. Consolidated income statement

(In € thousands)	Note	December 31, 2022	December 31, 2021 restated [(a)]
Licenses and maintenance		113,957	111,356
Consulting		18,648	20,773
Other		1,313	449
Revenue	**4.1.**	**133,918**	**132,578**
Cost of sales	4.8.	(27,685)	(29,700)
Research and development costs	6.1.2.	(36,112)	(31,302)
Selling and marketing expenses		(33,526)	(38,990)
General and administrative expenses		(23,942)	(21,723)
Current operating result		**12,651**	**10,863**
Other operating income and expenses	4.9.	12,791	(27,401)
Operating result		**25,442**	**(16,538)**
Financial result	**7.2.**	**(1,312)**	**(883)**
Share of profit of associates		99	80
Income before income tax expense and minority interests		**24,229**	**(17,341)**
Provision for income tax	8.1.	(8,835)	(1,244)
Net income before minority interests		**15,395**	**(18,585)**
Non-Controlling interests		(26)	(10)
NET INCOME (GROUP SHARE)		**15,421**	**(18,575)**
Earnings per share *(in €)*	9.3.	2.69	(3.26)
Diluted earnings per share *(in €)*	9.3.	2.63	(3.26)

(a) The financial statements for the year ended December 31, 2021 have been retrospectively restated to reflect the implementation of the IFRIC decision on the recognition of configuration or customization costs of software used in SaaS mode and the reclassification of revenue related to Co-funded projects from cost of sales to research and development expenses. The comparative information has therefore been restated. See note 1.3 and note 4.1.

Consolidated statement of comprehensive income

(In € thousands)	December 31, 2022	December 31, 2021 restated [(a)]
Net income before minority interests	**15,395**	**(18,585)**
Other comprehensive income recycled to income		
Change in the fair value of hedging instruments	139	7
Translation differences	(433)	1,170
Other comprehensive income (loss) not recycled to income		
Actuarial gains and losses [(b)]	1,825	876
Income and expenses recorded directly in equity	**1,532**	**2,053**
COMPREHENSIVE INCOME	**16,927**	**(16,532)**
Attributable to Group equity holders	16,950	(16,524)
Attributable to non-controlling interests	(24)	(8)

(a) See note 1.3.
(b) The change in actuarial gains and losses in 2022 mainly reflects the increase in the discount rate for pension obligations in France for €1,3 million net of tax.

The notes are an integral part of the consolidated financial statements.

6.1.2. Consolidated balance sheet

(In € thousands)	Note	December 31, 2022	December 31, 2021 restated [(a)]
Assets			
Non-current assets		**109,701**	**125,420**
Goodwill	3.2	39,236	41,381
Intangible assets	6.1	33,154	40,487
Property, plant and equipment	6.2	4,100	4,094
Rights-of-use assets	4.7	12,483	16,706
Equity in net earnings of affiliated companies		961	883
Deferred tax assets	8.2	13,438	18,538
Other non-current assets	10.1.1	6,123	3,102
Cash-flow hedging instruments	7.1.4	205	229
Current assets		**90,089**	**75,186**
Trade receivables	4.2	37,142	35,548
Other current receivables	10.1.2	7,585	6,371
Prepaid expenses	10.1.3	3,763	2,948
Cash and cash equivalents	7.1.3	41,599	30,319
TOTAL ASSETS		**199,789**	**200,606**
Liabilities			
Equity		**90,004**	**72,215**
Equity (Group share)	9.1	90,002	72,129
Capital		18,227	18,192
Additional paid-in capital		27,318	26,986
Reserves and retained earnings [(b)]		28,831	44,949
Net income (loss)		15,421	(18,575)
Translation differences		205	577
Non-controlling interests		2	86
Non-current liabilities		**38,739**	**55,586**
Non-current share of financial debt	7.1.2	22,846	33,832
Non-current lease obligation	4.7	8,240	11,818
Provision for employee benefits	5.3	6,713	9,124
Deferred tax liabilities	8.2	—	—
Cash-flow hedging instruments	7.1.4	34	4
Other long term debt and provisions	10.2.2	905	808
Current liabilities		**71,046**	**72,805**
Current share of financial debt	7.1.2	11,439	8,954
Current lease obligation	4.7	3,896	4,552
Trade payables		6,859	5,288
Accrued compensation; taxes and others current liabilities	10.2.1	30,274	26,609
Current provisions	10.2.2	2,528	7,129
Contract liabilities	4.3	16,050	20,273
TOTAL LIABILITIES		**199,789**	**200,606**

(a) See note 1.3.
(b) Other comprehensive income (excluding translation reserves) is classified as "Reserves".

The notes are an integral part of the consolidated financial statements.

6.1.3. Consolidated statement of changes in equity

(In € thousands except number of shares)	Number of shares	Capital	Additional paid-in capital	Net income, reserves and retained earnings	Translation differences	Equity attributable to parent company owners	Minority interests	Total Equity
At December 31, 2020 published	**6,036,592**	**18,110**	**26,280**	**43,894**	**(502)**	**87,779**	**82**	**87,861**
Change in accounting method [(a)]				(307)		(307)		(307)
At December 31, 2020 restated	**6,036,592**	**18,110**	**26,280**	**43,587**	**(502)**	**87,472**	**82**	**87,554**
Change in fair value of hedging instruments				7		7		7
Translation differences					1,167	1,167	3	1,170
Actuarial gains and losses				877		877	(1)	876
Income and expenses recognized directly in equity				884	1,167	2,051	2	2,053
Net income restated [(a)]				(18,575)		(18,575)	(10)	(18,585)
Comprehensive income				**(17,691)**	**1,167**	**(16,524)**	**(8)**	**(16,532)**
Proceeds from issue of shares	27,549	83	705			788		788
Treasury shares				(84)		(84)		(84)
Share-based payments				681		681		681
Transactions with non-controlling interests				(150)	(51)	(201)	12	(189)
Other movements				34	(37)	(3)		(3)
At December 31, 2021 restated	**6,064,141**	**18,192**	**26,986**	**26,377**	**577**	**72,129**	**86**	**72,215**
Change in fair value of hedging Instruments				139	—	139	—	139
Translation differences				—	(435)	(435)	2	(433)
Actuarial gains and losses				1,825	—	1,825	—	1,825
Income and expenses recognized directly in equity				1,964	(435)	1,529	2	1,532
Net income				15,421	—	15,421	(26)	15,395
Comprehensive income				**17,385**	**(435)**	**16,950**	**(24)**	**16,927**
Proceeds from issue of shares	11,475	34	333	—		367	—	367
Treasury shares				(2,192)		(2,192)	—	(2,192)
Share-based payments				3,031		3,031	—	3,031
Transactions with non-controlling interests [(b)]				(290)	3	(287)	(60)	(347)
Other movements				(56)	60	3	—	3
AT DECEMBER 31, 2022	**6,075,616**	**18,227**	**27,318**	**44,255**	**205**	**90,002**	**2**	**90,004**

(a) See note 1.3.
(b) Transactions with non-controlling interests: this is buyout of minority shares (ESI Mecas 5%).

The notes are an integral part of the consolidated financial statements.

6.1.4. Consolidated statement of cash flows

(In € thousands)	December 31, 2022	December 31, 2021 restated [(a)]
Net income before minority interests	**15,395**	**(18,585)**
Share of profit of associates	(99)	(80)
Amortization and provisions [(b)]	3,799	14,085
Net impact of capitalization of research & development costs	(124)	223
Income taxes (current and deferred)	8,835	1,244
Income taxes paid	(2,943)	(2,624)
Unrealized financial gains and losses	(899)	(559)
Share-based payment transactions	3,031	681
Gains (losses) on sales and disposal of assets	(15,911)	20,983
Operating cash flow [(b)]	**11,084**	**15,368**
Trade receivables	(345)	(1,010)
Trade payables	1,063	(1,477)
Other receivables and other liabilities [(c)]	(4,550)	5,222
Change in working capital requirement	**(3,832)**	**2,735**
Net cash from operating activities	**7,251**	**18,103**
Purchase of intangible assets	(300)	(158)
Purchase of property, plant and equipment	(1,614)	(1,285)
Proceeds from the sale of assets [(d)]	20,993	—
Other investment operations	277	(33)
Net cash used for investing activities	**19,356**	**(1,476)**
Proceeds from loans	365	716
Repayment of borrowings and lease debt [(b)]	(13,896)	(11,176)
Proceeds from issue of shares	367	788
Purchase and proceeds from disposal of treasury shares	(2,192)	(84)
Purchase of non-controlling interests	—	(380)
Net cash used for financing activities	**(15,356)**	**(10,136)**
Effect of exchange rate changes on cash and cash equivalents	28	1,362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,279**	**7,853**
Opening cash position	30,319	22,466
Closing cash position	41,599	30,319
NET CHANGE IN CASH AND CASH EQUIVALENTS	**11,279**	**7,853**

(a) See note 1.3.
(b) IFRS 16 application results in an increase of amortization cost and reimbursement of lease debt, it thus implies an improvement of Operating cash flow by +4.9 million in 2022 (vs. +€5.6 million in previous year), and increase of repayments in the financing part of the Cash Flow Statement for -€4.9 million (vs. -€5.7 million in 2021).
(c) In 2022, mainly corresponds to the change in deferred revenue on activities sold or discontinued (-€4.3 million).
(d) See note 2.

Additional information: Interested paid amounted to -€666 thousand in 2022 (compared to -€714 thousand in 2021).

The notes are an integral part of the consolidated financial statements.

6.1.5. Notes to the consolidated financial statements

Table of contents of notes to the consolidated financial statements

NOTE 1. Accounting principles

NOTE 1.1. GENERAL INFORMATION

ESI Group is a listed French limited company (*société anonyme*), registered in France and governed by French law. ESI Group has its head office at 3 *bis* rue Saarinen, Rungis (94150), France. The Company was incorporated on January 28, 1991 for a period of 99 years from the date of its registration, unless dissolved earlier or extended. ESI Group SA is the parent company of 19 subsidiaries operating throughout the world (see note 3 of ESI Group' Scope of Consolidation).

Founded in 1973, ESI Group envisions a world where Industry commits to bold outcomes, addressing high stakes concerns – environmental impact, safety & comfort for consumers and workers, adaptable and sustainable business models. ESI provides reliable and customized solutions anchored on predictive physics modeling and Virtual Prototyping expertise to allow industries to make the right decisions at the right time, while managing their complexity. ESI is acting principally in automotive & land transportation, aerospace, defense & naval and heavy industry.

The Group's financial year runs from January 1 to December 31, 2022.

Financial statements are presented in thousands of euros. The 2022 financial statements were approved by the Board of Directors on February 27, 2023 and will be submitted for approval to the General Meeting of June 29, 2023.

NOTE 1.2. ACCOUNTING STANDARDS APPLIED

The consolidated financial statements at December 31, 2022 were prepared in accordance with the IFRS standards, as approved by the European Union at this date. These standards are available on the European Union website.

Moreover, consolidated financial statements have been prepared in accordance with the historical cost method, with some exceptions such as financial assets and liabilities booked at fair value.

NOTE 1.3. NEW IFRS STANDARDS AND INTERPRETATIONS

/ New standards, amendments and interpretations effective in the European Union and mandatory for financial years beginning on or after January 1, 2022

The new standards, interpretations and amendments whose application is mandatory as of January 1, 2022 (in particular amendments to IFRS 3, IAS 37 and IAS 16) have not had any impact on the Group's consolidation financial statements, with the exception of the application of the IFRS IC decision (IAS 38) on the recognition of configuration or customization costs for software used in SaaS mode (Software as a Service, see below).

The Group has not early adopted any new standards that are mandatory after December 31, 2022, in particular the amendments to IAS 1, 8 and 12, which the IASB has decided will apply to fiscal years beginning on or after January 1, 2023.

Change in accounting policies

In April 2021, the IFRS IC issued a decision on the accounting treatment of configuration or customization costs for software used in SaaS mode (Software as a Service).

In 2022, the Group analysed the various types of costs incurred historically in order to identify those affected by this decision. These analyses have led the Group to change the method of accounting for these customization and configuration costs when the Group does not control the specific developments of the SaaS solution and when they do not correspond to the development of an interface with this SaaS solution. These costs are now expensed in most cases when they are incurred, and in particular if the work is performed internally or by a third-party integrator (unrelated to the SaaS solution provider). The impacts of the retrospective application of this decision at ESI Group are as follows:

Balance sheet restated

(In € thousands)	Dec. 31, 2021 Published	Restatement	Dec. 31, 2021 Restated
Assets			
Non-current assets	**125,829**	**(408)**	**125,420**
Intangible assets	41,042	(555)	40,487
Deferred tax assets	18,392	147	18,538
Current assets	**75,185**		**75,186**
TOTAL ASSETS	**201,014**	**(408)**	**200,606**
Liabilities			
Equity	**72,623**	**(408)**	**72,215**
Equity (Group share)	72,537	(408)	72,129
Capital	18,192		18,192
Additional paid in capital	26,986		26,986
Reserves and retained earnings	45,256	(307)	44,949
Net income (loss)	(18,474)	(101)	(18,575)
Translation differences	577		577
Minority interests	86		86
Non-current liabilities	**55,586**	**0**	**55,586**
Current liabilities	**72,805**	**0**	**72,805**
TOTAL LIABILITIES	**201,014**	**(408)**	**200,606**

Cash flow statement restated

(In € thousands)	Dec. 31, 2021 Published	Restatement	Dec. 31, 2021 Restated [(a)]
Net income before minority interests	**(18,484)**	**(101)**	**(18,585)**
Share of profit of associates	(80)		(80)
Amortization and provisions	14,222	(137)	14,085
Net impact of capitalization of development costs	223		223
Income taxes (current and deferred)	1,280	(36)	1,243
Income taxes paid	(2,624)		(2,624)
Unrealized financial gains and losses	(559)		(559)
Share-based payment transactions	682		682
Gains and losses on assets disposals and other components	20,983		20,983
Operating cash flow	**15,642**	**(274)**	**15,368**
Changes in working capital requirements	**2,736**		**2,736**
Net cash from operating activities	**18,378**	**(274)**	**18,104**
Purchase of intangible assets	(432)	274	(158)
Purchase of property, plant and equipment	(1,285)		(1,285)
Income/expenses on disposal of assets	0		0
Other investment operations	(33)		(33)
Net cash used for investing activities	**(1,750)**	**274**	**(1,476)**
Net cash used for financing activities	**(10,136)**	**0**	**(10,136)**
Effect of exchange rate changes on cash and cash equivalents	1,362		1,362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,853**	**0**	**7,853**
Opening cash position	22,466		22,466
Closing cash position	30,319		30,319
NET CHANGE IN CASH AND CASH EQUIVALENTS	**7,853**		**7,853**

Income statement restated

(In € thousands)	Dec. 31, 2021 Published	Restatement	Dec. 31, 2021 Restated [(a)]
Revenue	**136,595**		**136,595**
Cost of sales	(33,717)		(33,717)
Research and development costs	(31,302)		(31,302)
Selling and marketing expenses	(38,990)		(38,990)
General and administrative costs	(21,586)	(137)	(21,723)
Current operating result	**11,000**	**(137)**	**10,863**
Other operating income and expenses	(27,401)		(27,401)
Operating result	**(16,401)**	**(137)**	**(16,538)**
Financial result	**(883)**		**(883)**
Share of profit of associates	80		80
Income before income tax expense and minority interests	**(17,204)**	**(137)**	**(17,341)**
Provision for income tax	(1,280)	36	(1,243)
Net income before minority interests	**(18,484)**	**(101)**	**(18,585)**
Minority interests	(10)		(10)
NET INCOME (GROUP SHARE)	**(18,474)**	**(101)**	**(18,575)**
Earnings per share *(in €)*	(3.24)	(0.02)	(3.26)
Diluted earnings per share *(in €)*	(3.24)	(0.02)	(3.26)

(a) Before reclassification of Co-funded projects (note 4.1).

NOTE 1.4. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the consideration of estimates and assumptions established by Group management that have an impact on the valuation of assets and liabilities, as well as on the amounts recorded as income and expenses during the year.

The estimates relate in particular, but not exclusively, to the assumptions used in determining the impact of stock options and free shares allocated to certain employees, business combinations, revenue recognition, depreciation of fixed assets (including capitalized development costs), the estimated life of fixed assets, the useful life of intangible assets acquired in business combinations, the valuation of deferred tax assets, provisions for depreciation of trades receivables, income tax expense, provisions for risks and litigation and provisions for post-employment commitments.

NOTE 2. Significant events of the year

/ Continuation of the "OneESI 2024 – Focus to Grow" strategic plan

In 2022, the Group continued to deploy the growth and profitability plan "OneESI 2024 – Focus to Grow" launched in 2021.

The refocusing of innovation on ESI's core sectors resulted in the disposal, on July 13, 2022, of a non-strategic fluid simulation ("CFD") software suite for US$24 million, of which US$20.4 million was received at closing. The balance is payable within 18 months from that date, provided that the buyer does not claim any indemnification under the contractual warranties. On July 27, 2022, the SCILAB assets were sold for €0.8 million.

Following Russia's invasion of Ukraine, ESI decided first to suspend all commercial activity and then to take permanent and strict measures to definitively stop commercial activity in Russia and Belarus. These measures have impacted the activity of MECAS, a wholly-owned subsidiary of ESI Group.

The consolidated revenues of the divested CFD and Russian activities amounted to €4.2 million in 2022 (compared to €6.6 million in 2021).

The transformation has also resulted in a reduction in the workforce, in particular in the context of the Employment Protection Plan launched at the end of 2021.

/ Change in scope of consolidation

During the year ended December 31, 2022:

- In January, ITI Southern Europe was dissolved and ESI Holding (USA) was absorbed by ESI North America (USA);
- In July, the German companies ESI ITI GmbH and Engineering System International GmbH were absorbed by ESI Software Germany GmbH (subsequently renamed ESI Germany GmbH). This operation was carried out retroactively to January 1, 2022;
- In September, closing the dissolutions of the two Hong Kong companies : ESI HKE and ESI ATE;
- In December, ESI Group purchased minority interests (5% shares) of ESI Mecas and now holds 100% of the shares of this subsidiary (Czech Republic).

NOTE 3. Scope of consolidation

NOTE 3.1. ACCOUNTING POLICIES RELATED TO THE SCOPE OF CONSOLIDATION

/ Business combinations

Business combinations are recognized by the acquisition method:

- 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 ("full goodwill method") or at the non-controlling interest's proportion of the acquiree's identifiable net asset ("partial goodwill method"). This option applies on an individual transaction basis.

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 are recognized in income. Changes in fair value within 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.

Where put options have been granted to minority shareholders of subsidiaries, the amount recognized in liabilities is measured at the present value of the option exercise price and recorded in "Other non-current debt" or "Other current liabilities" according to its maturity date. The balance is allocated either to Goodwill ("full goodwill method") or to Equity ("partial goodwill method"). Discounting adjustments are recorded in the Financial Result. Subsequent gains and losses (or changes) in fair value of the liability are recognized directly in equity.

At the acquisition date, goodwill represents the difference between:

- The fair value of the consideration transferred, plus the total minority interests in the acquiree and, for step acquisitions, the fair value of the stake previously held at the corresponding acquisition date, revaluated in 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 identified assets, liabilities and contingent liabilities, the difference is immediately recorded in the income statement.

In accordance with IFRS standards, goodwill is not amortized but is instead subject to an impairment test. This test is performed at least once a year and when an impairment indicator is identified. Goodwill is allocated to cash-generating units ("CGU") for the purposes of impairment test.

Costs directly related to acquisitions are recorded as expenses when incurred, and presented on a separate line of the income statement, in "other operating income and expenses".

For intangible assets acquired in the context of a business combination, amortization is recorded in Current Operating Income, split between "research and development costs" and "selling and marketing expenses", depending on the type of asset, Customer relationships are amortized, the depreciation charge is recorded in "selling and marketing expenses" in the income statement over a period which vary according to each newly acquired activity.

/ Impairment test 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 centrally managed R&D efforts and the integration of acquired technologies (source codes, algorithms, etc.) and the support of distribution subsidiaries managed by the Group.

As the Group has pursued its development, it has become clear that certain technologies acquired to resolve a specific issue could be used to resolve other issues as well. Incorporating this technology portfolio in the Group's software packages makes it 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 revenue to a specific technology and to thus create a CGU for each technology or software program.

In addition, the revenue earned by a distribution subsidiary is dependent not only on its own commercial performance but also, even more so, on the software offering.

The impairment test is based on discounted value of forecast future cash flows according to business projections, technology penetration and the competitive situation. Future cash flows are estimated as follows:

- The last financial year for the reference year (Y);
- Annual budget for the following year, Y+1;
- For the years Y+2 to Y+5 multi-annual business plan.

The cash flows derive from the business plan drawn up by the Group's Management.

The discount rate applied as of December 31, 2022 is the Group's weighted average cost of capital (WACC) adjusted with a risk premium. It stands at 12.75% compared to 10.46% at December 31, 2021.

The present value of the CGU is determined by adding:

- The present value of forecasted future cash flows over the explicit period of five years, as described above;
- The terminal value calculated by capitalizing to perpetuity the last cash-flow of the explicit period. The long-term growth rate applied is 5%.

This present value of the CGU either confirms the fair value of the assets of the CGU (including developments costs capitalized), or serves as a basis for calculating potential impairment.

The impairment test performed on the CGU at December 31, 2022 did not identify any loss in value for these assets. The test was analysed for sensitivity to reasonably plausible changes in key assumptions, based on a 1% increase in the discount rate or a 1% decrease in the long-term growth rate. No impairment has been identified. The Group's Management believe no reasonable change in key assumptions mentioned above that would have caused the CGU's recoverable to be significantly below its carrying amount.

NOTE 3.2. CHANGE IN GOODWILL

/ For the year ended December 31, 2022

(In € thousands)	December 31, 2021	Increase	Decrease	Foreign exchange gain/loss	December 31, 2022
Gross values	41,381	—	(2,450)	305	39,236
TOTAL NET VALUES	**41,381**	**—**	**(2,450)**	**305**	**39,236**

/ For the year ended December 31, 2021

(In € thousands)	December 31, 2020	Increase	Decrease	Foreign exchange gain/loss	December 31, 2021
Gross values	41,002			379	41,381
TOTAL NET VALUES	**41,002**			**379**	**41,381**

No acquisition took place during financial years 2021 and 2022 and the decrease in goodwill recognized in 2022 results from asset disposal concluded during the period.

NOTE 3.3. AMORTIZATION OF INTANGIBLES ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The amortization of intangibles assets acquired in business combinations is presented in the Current operating result, allocated between research and development costs and selling and marketing expenses depending on their type (respectively for codes and customer relationships).

At December 31, 2022, the amortization of codes amounts to €903 thousand (€1,129 thousand as of December 31, 2021), and the amortization of the customer relationships stands at €463 thousand (€398 thousand as of December 31, 2021).

NOTE 3.4. LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION

The table below presents the dates of creation of head offices of Group subsidiaries and the percentage of capital directly or indirectly held:

Subsidiaries	Date of creation or acquisition	Subsidiary head office	% of capital held December 31, 2022	% of capital held December 31, 2021
Fully consolidated entities				
Engineering System International	April 1973	Rungis, France	100%	100%
Engineering System International GmbH	July 1979	Neu-Isenburg, Allemagne	—%	100%
ESI Japan, Ltd.	July 1991	Tokyo, Japon	100%	100%
ESI North America, Inc.	March 1992	Farmington, Michigan, Etats-Unis	100%	100%
Hankook ESI Co., Ltd.	September 1995	Séoul, Corée du Sud	100%	100%
ESI Group Hispania s.l.	February 2001	Madrid, Espagne	100%	100%
Mecas ESI s.r.o.	May 2001	Plzen, République tchèque	100%	95%
ESI UK Ltd.	January 2002	Londres, Angleterre	100%	100%
ESI US Holding, Inc.	August 2002	Dover, Delaware, États-Unis	—%	100%
ESI US R&D, Inc.	August 2002	San Diego, Californie, États-Unis	100%	100%
Calcom ESI SA	December 2002	Lausanne, Suisse	99%	99%
ESI Software (India) Private Ltd.	February 2004	Bangalore, Inde	100%	100%
Hong Kong ESI Co., Ltd.	February 2004	Hong Kong, Chine	—%	100%
ESI-ATE Holdings Ltd.	July 2006	Hong Kong, Chine	—%	100%
ESI South America Comércio e Serviços de Informatica, Ltda	June 2008	São Paulo, Brésil	100%	100%
ESI Italia s.r.l.	September 2008	Bologne, Italie	100%	100%
ESI Services Tunisie SARL	April 2009	Tunis, Tunisie	100%	100%
ESI Group Beijing Co., Ltd.	October 2010	Pékin, Chine	100%	100%
ESI Germany GmbH	August 2011	Stuttgart, Allemagne	100%	100%
ESI Nordics AB	December 2011	Gôteborg, Suède	100%	100%
OpenCFD Ltd.	September 2012	Berkshire, Angleterre	100%	100%
ESI Services Vietnam Co., Ltd.	December 2013	Ho Chi Minh City, Vietnam	100%	100%
ITI GmbH	January 2016	Dresde, Allemagne	—%	100%
ITI Southern Europe SARL	January 2016	Rungis, France	—%	100%
Entities accounted for using the equity method				
JV AECC-ESI (Beijing) Technology Co., Ltd.	February 2014	Pékin, Chine	35%	35%

NOTE 4. Operating data

NOTE 4.1. REVENUE

ESI Group revenue derives from two activities: software licensing and related maintenance, and services.

The Company accounts for a contract with a client when there is a written agreement that creates legally enforceable rights and obligations, including payment terms, when the contract has commercial substance and when collection consideration is probable.

A performance obligation is a promise in a contract with a client to transfer products or services that are distinct from the other promises of the contract.

Revenue is recognized when, or as, control of a promised product or service is transferred to a client, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services.

/ Software licensing and maintenance

Licensing revenue is generated from royalties paid under licensing agreements granted to end customers and related maintenance services. Maintenance services include updates and technical support.

Revenue is split between three types of contracts:

- Lease of annual renewable licenses that include the right to use the software plus maintenance services for one year;
- Lease of “paid up licenses” conferring to end clients the right to use the software for unlimited duration, with one year of maintenance services – with the possibility of renewal through a maintenance contract;
- Maintenance services alone – this contract completes “paid up licenses” contracts.

In compliance with IFRS 15, ESI’ customer contracts have been analyzed in five stages in order to identify the component of the performance obligations and the price of each. Two performance obligations have been identified: access to the software (the licensing itself) and the maintenance service – please note that this distinction has been applied by the Group prior the entry into force of the standard. For the annual licensing contracts and the “paid up licenses”, the allocation of the price has been realized according to the residual approach.

As a result, 15% of the price of annual licensing contracts and 5% of the price of “paid up licenses” contracts have been allocated to maintenance service. Revenue for the access to the license is recognized at a point in time at the moment when control is transferred to the client, and the revenue from maintenance service is recognized on a straight-line basis over the one-year term of the support agreement.

/ Services

Service revenue consists mainly of consulting and training fees.

The consulting revenue is recognized according to the percentage of completion method. Corresponding costs are recorded as soon as they are incurred. Contracts with a probable final loss are covered by a provision for loss on completion, recorded as a liability on the balance sheet. The loss is fully provisioned as soon as it is known and reliably estimated, regardless the stage of completion.

Revenue for training is recognized upon completion.

/ Backlog (IFRS 15)

The Group’s backlog for licensing activity is composed of all signed orders received from customers at the closing date, with execution starting from the first day of next fiscal year.

Despite most of licensing contracts are renewable from a fiscal year to the next one, only signed orders for next year are included in the backlog. As purchase order are often signed by customers just before start of the execution period, this explain the level of backlog vs. high recurring part of licensing contracts.

For services activity, backlog is composed of work to be done on contracts being executed, and of contracts signed at closing date which execution has not started yet.

(In € thousands)	December 31, 2022	December 31, 2021 after reclassification
Total licenses and maintenance	**113,957**	**111,356**
Consulting	18,648	20,773
Other revenue	1,313	449
Total services	**19,961**	**21,222**
CONSOLIDATED REVENUE	**133,918**	**132,578**

Backlog as of December 31, 2022 amounts to €15 million for Licensing (compared with €40 million in 2021) and €1 million for Services (compared with €2 million in 2021).

Revenue realized with Group twenty top customers amounts to €67 million (compared with €66 million in 2021), representing 50% of total revenue, out of which €55 million for Licensing activity (compared to €53 million in 2021) and €12 million for Services activity (versus €13 million in 2021). These are mainly customers from the automotive sector.

As part of the implementation of its new OneESI 2024 strategy, the Group has reassessed the nature of the services provided under the Co-funded Projects: this work, corresponding to research projects eligible to grants from public organizations, does not constitute services from the entity's ordinary activities, The corresponding revenue has therefore been reclassified from the the "Co-financed projects" line within revenues as a reduction in research and development expenses. Correspondingly, costs incurred in connection with "Co-financed projects" have been reclassified from cost of sales to research and development expenses.

The impact of the retrospective application of this reclassification is as follows:

Income statement after reclassification

(In € thousands)	Dec. 31, 2021 Published	Reclassification - the co-financed projects	Dec. 31, 2021 After reclassification
REVENUE	**136,595**	**(4,017)**	**132,578**
Cost of sales	(33,717)	4,017	(29,701)
Research and development costs	(31,302)	0	(31,302)
CURRENT OPERATING RESULT	**71,576**	**0**	**71,576**

The revenue of the Group is subject to seasonality, with a concentration of licensing contracts starting at the start of the year. Consequently first half revenue is significantly higher than the one in second half.

NOTE 4.2. TRADE RECEIVABLES

Trade receivables are initially recorded at their nominal value, as the potential impact of discounting is immaterial. They are then recorded at amortized cost, reduced when applicable by impairment resulting from non recoverable amounts and estimate of future losses.
Receivables are depreciated when their net realizable value, estimated by reference to the risk of non-recovery as determined by type of receivable, is less than their carrying amount. Depending on the nature of receivables, the risk associated with bad debts is appreciated individually or based on statistical methods. Impairment of trade receivables represents best estimate of the risk related to the asset.

/ Contract assets and liabilities

After having delivered its services, the Group records the customers counterparty either as trade receivables or as contract assets. A trade receivable is an unconditionnal right to be paid, while a contract asset is a right to be paid which is conditionned to factors other than time.

Contract assets are related to amounts to be invoiced on contracts with milestones or subject to customer's acceptance.

When invoiced amounts exceed recognised revenue, difference is recorded as contract liabilities.

Details of trade receivables

(In € thousands)	December 31, 2022	December 31, 2021
Trade receivables	41,544	40,204
Depreciation of trade receivables	(4,401)	(4,656)
TOTAL TRADE RECEIVABLES, NET OF IMPAIRMENT	**37,142**	**35,548**

(In € thousands)	December 31, 2021	Consolidation scope change	Provisions	Reversals	Foreign exchange gain/ loss	Other movements	December 31, 2022
Depreciation	(4,656)	—	(940)	1,196	(1)	—	(4,401)
TOTAL	**(4,656)**	**—**	**(940)**	**1,196**	**(1)**	**—**	**(4,401)**

The Group's clientele mainly comprises:

- Major industrial corporations, especially companies in the automotive, aerospace and steel industries;
- Government agencies for governmental and defense projects;
- Academic bodies.

(In € thousands)	December 31, 2022	December 31, 2021
Not due	20,474	28,096
0 to 30 days	8,567	1,199
30 to 90 days	1,924	1,000
Higher than 90 days	6,177	5,253
TOTAL	**37,142**	**35,548**

The amount of trade receivables due for more than 90 days includes receivables from Chinese public sector customers, for which collection time is more important.

/ Contract assets

Contracts relating to the Licensing activity are generally invoiced at the beginning of the software access period, so this activity does not generate invoices to be issued or assets on contracts.

The Services activity, corresponding mainly to consulting services, is subject to various invoicing schedules, defined in the customer contracts. In the case of invoicing schedules that are misaligned with completion rate of services, invoices to be issued (in the vast majority of cases) or contract assets (in rare cases, when completion milestones require client acceptance) are booked.

NOTE 4.3. CONTRACT LIABILITIES

Contracts related to the Licensing activity integrating 12-month maintenance services are invoiced at the beginning of the software access period, so all the revenue relating to maintenance services remaining to be performed over the following year therefore represents contract liabilities, corresponding to deferred revenue.

This principle is also generally applicable to the Services activity, where invoicing may be subject to a schedule, but where the due dates generally precede the completion of the services.

For most contracts the usual term of contract liabilities is maximum one year.

NOTE 4.4. CURRENT OPERATING EXPENSES

(In € thousands)	December 31, 2022	December 31, 2021 restated (a)
Other purchases and external expenses	(10,292)	(10,805)
Short-term and low-value assets leases	(1,539)	(1,344)
Fees	(5,472)	(3,333)
Taxes and duties	(372)	(309)
Amortization and provisions	(7,296)	(10,552)
Personnel costs (b)	(88,686)	(91,343)
Other external expenses and income	(7,609)	(4,030)
TOTAL CURRENT OPERATING EXPENSES	**(121,265)**	**(121,716)**

(a) See note 1.3.
(b) Details on personnel costs are presented in note 5.2.

NOTE 4.5. INFORMATION BY GEOGRAPHIC AREA

Operating segments are the Group's components which have isolated financial information available and whose operating results are regularly reviewed by the Company's management in order to evaluate their performance and to decide how resources are allocated. The Group works in a unique segment, with close ties between its two-identified business, Licenses and Services.

In accordance with paragraphs 31-34 of IFRS 8, ESI Group presents revenue from ordinary activities and non-current assets by region (the three main regions being EMEA (Europe, Middle East, Africa), Asia-Pacific and the Americas).

The Group develops sells and provides technical support for its software which allow engineers to predict and improve, by virtual tests, the performance and the expected quality of a product. Revenue is split between regions where it is actually produced.

(In € thousands)	Europe, Middle East and Africa	Asia-Pacific	Americas	Eliminations	Consolidated
Year ended December 31, 2022					
External clients	62,148	49,653	22,116	—	133,918
Affiliate companies	78,081	293	1,213	(79,587)	—
Net sales	**140,229**	**49,946**	**23,329**	**(79,587)**	**133,918**
ASSETS ALLOCATED	**236,311**	**52,155**	**15,658**	**(104,336)**	**199,789**
Year ended December 31, 2021 restated					
External clients	61,860	49,716	21,003	—	132,578
Affiliate companies	69,871	1,957	2,524	(74,352)	—
Net sales	**131,731**	**51,673**	**23,527**	**(74,352)**	**132,578**
ASSETS ALLOCATED	**236,863**	**52,268**	**22,173**	**(110,697)**	**200,606**

Intra-Group transactions consist mainly of royalties paid by the Group's subsidiaries. These royalties are proportional to Licensing revenue and based on a common practice observed between software publishers and distributors within the industry covered by ESI Group.

NOTE 4.6. OFF-BALANCE SHEET COMMITMENTS RELATED TO OPERATIONAL ACTIVITIES

The rent security deposit with Crédit du Nord established in November 2012 for an amount of €82 thousand expired in fiscal year 2022 and has been released..

NOTE 4.7. LEASES

IFRS 16 is a major revision in the accounting of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. Based on this model, the amortization of assets is accounted for in operating expense, and the cost of the debt towards the lessor is accounted for in financial expense. Under the standard applied on the financial year ended on January 31, 2019, the rent expense was recorded within the operating expense.

In accordance with IFRS 16, leases are recognized as property, plant and equipment under a right-of-use. These contracts are recognized at the commencement date of the contract for the discounted value of the minimum lease payments for a liability corresponding to the lease liabilities due to the lessor. The assets are amortized on a straight-line basis over the lease term, which corresponds to the non-cancellable period of each contract,unless the Group is reasonably certain to exercise the contractual renewal options.

The Group has chosen to use the two exemptions allowed by IFRS 16 and to keep recognition as operating expense for leases with a lease term no more than 12 months (except for contracts renewable by tacit agreement) or leases with underlying asset of low value.

The Group has applied, with retroactive effect from January 1, 2019, the interpretation of IFRS IC relating to assessment of lease terms for contracts renewable by tacit agreement or without a contractual expiry date. IFRS IC confirms the need to determine the enforceable period, taking an economic view, beyond the legal characteristics. The contracts concerned are essentially real estate leases and vehicule rentals.

To determine the lease liabilities, the Group has discounted future lease payments using weighted average marginal borrowing rate of 2.5%.

In the assets of the balance sheet, the rights of use of leased assets represent a net value of €12.483 million, of which a gross value of €25.662 million and the amortization of -€13.179 million.

(In € thousands)	December 31, 2021	Increase	Decrease	Others	December 31, 2022
Right-of-use – Gross value	**29,402**	**1,516**	**(5,252)**	**(4)**	**25,662**
For offices	26,941	919	(4,340)	(4)	23,516
For cars	2,461	597	(912)	—	2,146
Right-of-use – Amortization	**(12,696)**	**(5,055)**	**4,569**	**3**	**(13,179)**
For offices	(11,221)	(4,461)	3,724	3	(11,955)
For cars	(1,475)	(594)	845	—	(1,224)
Right-of-use – Net value	**16,706**	**(3,539)**	**(683)**	**(1)**	**12,483**
For offices	15,720	(3,542)	(616)	(1)	11,561
For cars	986	3	(67)	—	922

(In € thousands)	December 31, 2020	Increase	Decrease	Others	December 31, 2021
Right-of-use – Gross value	**28,263**	**5,224**	**(4,093)**	**8**	**29,402**
For offices	25,486	4,890	(3,443)	8	26,941
For cars	2,777	334	(650)	—	2,461
Right-of-use – Amortization	**(10,522)**	**(5,736)**	**3,566**	**(4)**	**(12,696)**
For offices	(9,189)	(4,943)	2,915	(4)	(11,221)
For cars	(1,333)	(793)	651	—	(1,475)
Right-of-use – Net value	**17,741**	**(512)**	**(527)**	**4**	**16,706**
For offices	16,297	(53)	(528)	4	15,720
For cars	1,444	(459)	1	—	986

In the liabilities of the balance sheet, the lease debts are split between €8.240 million of non-current debts (compared with €11.818 million in 2021) and €3.896 million of current debts (compared with €4.552 million in 2021). The significant decrease in rights of use and lease liabilities observed in 2022 results from the implementation of the OneESI transformation plan, with a reduction in the number of cars and shorter periods leases.

Maturity of lease debts as at December 31, 2022:

(In € thousands)	< 1 year	Between 1 and 2 years	Between 2 and 4 years	More than 5 years	December 31, 2022
Debts – leased offices	3,476	4,073	1,432	2,248	11,229
Debts – leased cars	420	316	170	—	906
LEASE DEBTS	**3,896**	**4,389**	**1,602**	**2,248**	**12,135**

In the income statement, the restatement of rental expenses amounted to €5.416 million (compared with €6.214 million in 2021), almost entirely offset by the right-of-use amortization: the impact on the operational result is +€466 thousand (compared with €477 thousand in 2021). The impact of IFRS 16 restatement on financial result is an additional expense of -€467 thousand (compared with -€374 thousand in 2021). The impact on the result net is a thousand euro (compared with +€103 thousand in 2021).

In the cash flow statement, IFRS 16's impact is an increase of amortization and an improvement of cash flow amounted to +€4.949 million (compared with +€5.639 million in 2021), against a reimbursement of lease debts in the financial part of the cash flow statement for -€4.949 million (compared with -€5.743 million in 2021).

NOTE 4.8. COST OF SALES

The cost of sales correspond to costs included in gross margin, relating to the Licensing and Services activities. It consists mainly of costs related to teams providing first-level support for Licensing activity and performing consulting services for Services activity (direct and indirect costs – salary costs and environmental costs).

Cost of sales also includes external royalties and operational subcontracting costs.

Cost of sales evolution is not directly proportional to revenue evolution.

NOTE 4.9. OTHER OPERATING INCOME AND EXPENSES

/ Other operating income and expenses

The Other operating income and expenses item includes capital gains and losses on disposals of tangible and intangible assets, impairment of assets, restructuring costs, and clearly identified non-recurring income and expense items that are material to the consolidated financial statements.

/ Current operating result

Current operating result is calculated from Operating result ("EBIT") less Other operating income plus Other operating expenses.

(In € thousands)	December 31, 2022
Gain on disposal of intangibles assets	15,940
Restructuring costs related to "OneESI 2024 – Focus to Grow"	(2,214)
Restructuring in discontinued Russian's activities	(210)
Other income and expenses	(725)
OTHER OPERATIONAL INCOME AND EXPENSES	**12,791**

In fiscal year 2022, the Group realized capital gains on the disposal of non-strategic assets (CFD, SCILAB) for a total amount of EUR 15.9 million, from which disposal costs were deducted (included in other income and expenses). The continuation of the "OneESI 2024 – Focus to Grow" transformation plan initiated in 2021 resulted in additional restructuring costs (-€2.2 million). The discontinuation of Russian activities also weighed on other operating expenses.

It is reminded that other operating income and expenses amounted -€27.4 million in 2021, due to the implementation of transformation plan « OneESI 2024 – Focus to Grow ». They included -€20.7 million of assets write-off and -€6.7 million of departure costs.

NOTE 5. Personnel costs and employee benefits

NOTE 5.1. HEADCOUNT

Headcount is distributed as follows:

	December 31, 2022	December 31, 2021
France	243	302
Rest of the world	742	843
TOTAL	**985**	**1,145**

NOTE 5.2. PERSONNEL COSTS

Personnel costs are presented by destination in the income statement. Their break down by nature is as follows:

(In € thousands)	December 31, 2022	December 31, 2021
Salaries	(66,313)	(71,528)
Payroll taxes	(18,915)	(18,623)
Share-based payments	(3,031)	(681)
Post-employment benefits	(427)	(510)
TOTAL PERSONNEL COSTS	**(88,686)**	**(91,343)**

NOTE 5.3. PROVISION FOR EMPLOYEE BENEFITS

In certain countries, the Group's employees benefit from different pension plans, retirement compensation, length-of-service awards 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 financial 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.

An IFRS IC decision was validated by the IASB in May 2021 concerning IAS 19 "Employee Benefits" relating to the allocation of employee benefits to periods of service. Thus, the vesting period is determined from the date of retirement and no longer from the date of hire for collective agreements for which rights are defined by seniority. Where rights are capped, the vesting period is limited to the length of service required at the time of capping. The methodology used by the Group to measure its obligations at December 31, 2021 remains unchanged.

For defined-benefit plans, in accordance with IAS 19 R "Employee Benefits", obligations are determined using the projected unit credit method. This actuarial method stipulates that each period of service entitles the employee to one unit of benefit rights and evaluates each of these units separately to arrive at a final commitment. These calculations use assumptions in terms of mortality, staff turnover and future salary increases.

Defined-benefit pension schemes and long-term benefits recognized in accordance with IAS 19 R are as follows:

- For France: retirement benefits, supplementary pension plan provided by an insurance company;
- For South Korea, India and Japan: severance pay owed to employees upon departure from the Company regardless of reason for departure, calculated on the basis of length of service within the Company;
- For Germany: defined-contribution benefits owed to selected managers.

/ 5.3.1. Actuarial assumptions

Discount rates	December 31, 2022	December 31, 2021
France	3.75%	0.90%
Germany	3.75%	1.05%
Japan	1.02%	0.48%
South Korea	3.70%	2.40%
India	7.30%	7.09%

Discount rates correspond to:

- For France: AA-rate corporate bond rates in the Eurozone, adjusted according to the duration of the Group's commitments;
- For other counties: rates reported by the central banks.

Rate of salary increase	December 31, 2022	December 31, 2021
France	3.00%	2.50%
Germany	2.00%	2.00%
Japan	3.00%	3.00%
South Korea	4.50%	4.00%
India	7.50%	7.00%

Turnover rates are calculated per subsidiary and per age group according to the past experience of each subsidiary.

/ 5.3.2. Change in commitment and provisions

Analysis of the variation in the provision recorded in the balance sheet

(In € thousands)	**December 31, 2022**	December 31, 2021
Change in commitments		
Commitments at opening	**(11,585)**	**(13,802)**
Acquired companies		
Costs of services rendered in the period	(901)	(984)
Interest expenses	(194)	(187)
Benefits paid	749	679
Actuarial gains and losses	2,474	1,154
Staff reduction	66	1,539
Foreign exchange gain/loss	291	15
COMMITMENTS AT CLOSING	**(9,099)**	**(11,585)**
Change in fair value of assets		
Fair value of assets at opening	**2,461**	**2,414**
Acquired companies		
Yield on assets	107	91
Employer contributions	198	208
Benefits paid	(258)	(297)
Actuarial gains and losses booked in equity	(76)	(11)
Foreign exchange gains and other	**(47)**	**56**
FAIR VALUE OF ASSETS AT CLOSING	**2,386**	**2,461**
Net expense for the year		
Costs of services rendered	(901)	(984)
Finance charges	(86)	(96)
Interest expenses	*(194)*	*(187)*
Yield on assets	*107*	*91*
Others	27	1,625
NET EXPENSE FOR THE YEAR	**(960)**	**545**
Provision recorded in the balance sheet		
Commitments financed	(3,068)	(3,874)
Fair value of assets	2,386	2,461
Net commitments financed	**(682)**	**(1,412)**
Commitments not financed	(6,032)	(7,711)
PROVISION AT CLOSING	**(6,713)**	**(9,124)**
Change in provision		
Provision at opening	**(9,124)**	**(11,474)**
Net expense for the year	(960)	545
Actuarial gains and losses	2,398	1,143
Employer contributions paid	198	208
Employer Benefits paid	491	382
Foreign exchange gain/loss	244	73
Others	39	
PROVISION AT CLOSING	**(6,713)**	**(9,124)**

The commitments financed break down as follow by country: 11% in France, 41% in South Korea, 42% in India and 6% in Germany. Employer contributions correspond to payments made to pension funds.

/ 5.3.3. Sensitivity of commitments to fluctuations in the discount rate

(In € thousands)	December 31, 2022
Commitment -0.5%	(9,484)
Commitment	(8,786)
Commitment +0.5%	(8,176)

(In € thousands)	December 31, 2022
Experience adjustment	922
Change in financial assumptions	1,441
Change in demographic assumptions	110
Yield on assets	(76)
TOTAL ACTUARIAL GAINS/LOSSES	**2,398**

NOTE 5.4. SHARE-BASED PAYMENTS

Stock options may be granted to selected Group employees. They entitle employees to subscribe to new shares or to existing shares of ESI Group four or five years after stock options are awarded at a fixed exercise price set on the award date. Criteria for the granting of stock options may include performance requirements, additionally to continued employment requirement.

In accordance with IFRS 2, options are measured at the fair value of the benefit granted to the employee, estimated at grant date. They are recorded as personnel costs 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 per destination according to the allocation of each concerned person.

The fair value of the option is determined using the "Black-Scholes" model, the main parameters of which include: the exercise price of the options, their expected life period, share price at grant date, the inherent volatility of the share price and the risk-free interest rate.

Free shares may also be awarded to Group employees. The fair value of the benefit granted is determined based on the share price on the day of the award multiplied by the number of shares awarded. This cost is recorded on a straight-line basis over the vesting period.

/ Terms and conditions of stock options and free shares plans

Stock options and free share plans have been authorized by various General Meetings and could potentially dilute ESI Group's capital. The tables below describe ongoing plans.

Stock options

Plan number (date of General Meeting)	Date of Board of Directors	Number of attributable options granted	Number of options granted	O/w performance shares	Exercise price	Number of options exercisable at December 31, 2022	Limit year for exercising options
Plan 10 (GM 2012)	12/19/2012		150,850	62,300	27,820.00		2021
Plan 10 *bis* (GM 2012)	02/07/2014		11,000		24,420.00	—	2022
Plan 10 *ter* (GM 2012)	03/26/2015		15,000		21,660.00		2025
Plan 10 *quater* (GM 2012)	07/22/2015		3,150		27,170.00	—	2025
	Total GM 2012	**180,000**	**180,000**	**62,300**		**—**	
Plan 17 (GM 2014)	07/22/2015		7,350		27,170.00		2023
Plan 17 *bis* (GM 2014)	03/11/2016		10,000		23,350.00		2026
Plan 17 *ter* (GM 2014)	05/05/2017		18,175		50,920.00	8,500	2025
Plan 17 *quater* (GM 2014)	05/05/2017		1,875	1,875	50,920.00		2025
	Total GM 2014	**180,000**	**37,400**	**1,875**		**8,500**	
Plan 19 (GM 2017)	07/18/2018		43,950	32,963	42,970.00	5,315	2026
Plan 19 *bis* (GM 2017)	02/01/2019		20,000	15,000	27,040.00	5,000	2027
Plan 19 *ter* (GM 2017)	12/18/2019		25,785		29,120.00	16,810	2027
	Total GM 2017	**180,000**	**89,735**	**47,963**		**27,125**	
Plan 21 (GM 2021)	09/10/2021		24,000	14,400	60.47	—	2029
Plan 21 *bis* (GM 2022)	28/06/2022		36,000	21,600	64.78		2030
Plan 21 *ter* (GM 2022)	28/06/2022		9,150	4,575	64.78		2030
	Total GM 2020	**300,000**	**69,150**	**40,575**		**—**	
TOTAL STOCK-OPTIONS		**840,000**	**376,285**	**152,713**		**35,625**	

Free shares

Plan number (date of General Meeting)	Date of Board of Directors	Authorized number of shares	Number of shares granted	O/w performance shares	Number of shares in progress at December 31, 2022	End of vesting period
Plan No. 9 (GM 2018)	07/18/2018		10,617	7,964	—	2021
Plan No. 9 *bis* (GM 2018)	07/18/2018		2,441			2020
Plan No. 9 *ter* (GM 2018)	07/18/2018		15,500		—	2022
Plan No. 9 *quater* (GM 2018)	07/18/2018	60,000	16,250		1,166	2023
Plan No. 9 *quinquies* (GM 2018)	12/18/2019		6,337		—	2022
Plan No. 9 *sexies* (GM 2018)	12/18/2019		2,521		—	2021
Plan No. 9 *septies* (GM 2018)	03/19/2020		5,000		5,000	2023
Plan No. 10 (GM 2020)	06/25/2020		3,000			2023
Plan No. 10 *bis* (GM 2020)	06/10/2021		7,000		2,000	2023
Plan No. 10 *ter* (GM 2020)	10/04/2021		8,122	4,061	8,122	2025
Plan No. 10 *quater* (GM 2020)	10/04/2021		3,255		2,820	2024
Plan No. 10 *quinquies* (GM 2020)	10/04/2021	60,000	15,250		15,250	2025
Plan No. 10 *sexies* (GM 2020)	10/04/2021		716		555	2025
Plan No. 10 *septies* (GM 2020)	10/04/2021		8,331		7,215	2024
Plan No. 10 *octies* (GM 2020)	11/19/2021		4,000	2,000	—	2025
Plan No. 10 *novies* (GM 2020)	11/19/2021		10,000		—	2025
Plan No. 11 (GM 2022)	06/28/2022		10,035	5017	10,035	2024
Plan No. 11 *bis* (GM 2022)	06/28/2022		25,349		25,349	2024
Plan No. 11 *ter* (GM 2022)	06/28/2022		660		531	2024
Plan No. 11 *quater* (GM 2022)	06/28/2022		7,620		7,620	2024
Plan No. 11 *quinquies* (GM 2022)	06/28/2022	120,000	4,800	2400	4,800	2024
Plan No. 11 *sexies* (GM 2022)	06/28/2022		11,874		11,874	2024
Plan No. 11 *septies* (GM 2022)	06/28/2022		5,233		5,233	2024
Plan No. 11 *octies* (GM 2022)	06/28/2022		13,750		13,750	2026
Plan No. 11 *nonies* (GM 2022)	11/17/2022		2,500		2,500	2026
TOTAL FREE SHARES		**240,000**	**200,161**	**21,442**	**123,820**	

The total expense related to stock-options plans for the financial year ended December 31, 2022 stands at €429 thousand, vs. €115 thousand for the previous year. That related to free shares plans stands at €2,603 thousand, vs. €566 thousand in 2021.

All stock options and free shares plans include a continued employment requirement.

/ Movements in stock options

	2022		2021	
	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price
Stock options existing at the opening	**108,861**	**42.01**	**120,810**	**34.36**
Stock options granted	45,150	64.78	24,000	60.47
Stock options expired or canceled	(37,761)	35.18	(8,400)	30.80
Stock options exercised	(11,475)	37.53	(27,549)	27.52
Stock options existing at the closing	**104,775**	**54.10**	**108,861**	**42.01**
OPTIONS THAT MAY BE EXERCISED AT THE CLOSING	**35,625**	**36.26**	**22,164**	**38.54**

/ Fair-value of stock options and free shares

The main data and assumptions underlying the valuation of stock options at fair value were as follows:

	Stock options price at grant date	Expected term of stock options *(in years)*	Volatility	Dividend rate	Interest rate
Plan 10 (02/01/2013)	26,990.00	5	24.80%	0%	1.30%
Plan 10 *bis* (02/07/2014)	24,500.00	5	23.73%	0%	0.30%
Plan 10 *ter* (02/01/2015)	24,940.00	6	22.13%	0%	0.36%
Plan 10 *quater* (07/22/2015)	28,310.00	6	23.36%	0%	0.65%
Plan 15 (02/01/2015)	24,940.00	6	23.36%	0%	0.65%
Plan 17 (07/22/2015)	28,310.00	6	22.13%	0%	0.36%
Plan 17 *bis* (03/11/2016)	24,390.00	7,5	22.79%	0%	0.65%
Plan 17 *ter* (05/05/2017)	55,560.00	5,5	28.16%	0%	0.86%
Plan 17 *quater* (05/05/2017)	55,560.00	5,5	28.16%	0%	0.86%
Plan 19 (07/18/2018)	42,970.00	5,5	37.33%	0%	0.66%
Plan 19 *bis* (02/01/2019)	27,040.00	5,5	34.56%	0%	0.61%
Plan 19 *ter* (12/12/2019)	29,120.00	5,5	26.76%	0%	0.65%
Plan 21 (09/10/2021)	60.47	5.2	22.71%	0%	(0.02%)
Plan 21 *bis/ter* (06/28/2022)	64.78	4.2	28.18 %	0 %	2.13 %

The main data and assumptions underlying the valuation of free shares at fair value were as follows:

	Stock options price at grant date	Period of non-transferability after acquisition *(in years)*	Interest rate
Plan 9/9 *bis*/9 *ter* (Board of 07/18/2018)	42.97	1 à 3	0.95%
Plan 9 *quater*	31.40	1 à 2	0.70%
Plan 9 *quinquies*/9 *sexies*	31.00	2	0.65%
Plan 9 *septies*	33.50	0	0.65%
Plan 10	35.40	0 à 2	0.80%
Plan 10 *bis*	59.00	0	0.65%
Plan 10 *ter*/10 *quater*/10 *quinquies*/10 *sexies*/10 *septies*	68.40	0 à 4	1.00%
Plan 10 octies/10 novies	71.00	0	0.60%
Plan 11/11 bis/ 11 ter/11 quater/11 quinquies/11 sexies/11 septies/11 octies	65.00	0 à 4	1.20%
Plan 11 *nonies*	73.00	0	2.00%

NOTE 6. Intangible and tangible assets

NOTE 6.1. INTANGIBLE ASSETS

Development costs

Research costs borne to gain new scientific or technical knowledge are recorded as expenses when incurred.

Development costs are capitalized in situations where the six requirements set forth under IAS 38, "Intangible Assets", are met:

- Technical feasibility of completing the development project has been established;
- The Group intends to complete the project;
- The Group will be able to use or sell the product arising from the research and development project;
- The product is likely to generate future economic benefits, and a market exists for this product;
- There are appropriate technical, financial and other resources available to complete the research and development project and to sell the resulting product;
- Ability to reliably estimate expenditures attributable to the development project.

The expenses thus converted into assets principally include the cost of direct labor as well as sub-contracting related to the creation of new offerings or major improvements to existing solutions.

Capitalized expenses are amortized on a straight-line basis over a period of 12 months for development work that leads to the yearly release of new annual versions of software packages sold by the Group, and on a straight-line basis over 24 or 36 months for development work that leads to major improvements to existing products, depending on the degree of innovation. The amortization period is estimated on a project-by-project basis according to the period during which ESI Group expects to generate revenue from the corresponding solution. An impairment of the net book value of capitalized development costs is recognized when, at the balance sheet date, the probable future economic benefits are no longer sufficient to cover the assets residual value.

Research and development costs that do not meet IAS 38 criteria are recorded as expenses when incurred.

In certain cases, research and development costs entitle the Group to a tax credit, recorded during the financial year when expenses were incurred. These tax credits are deducted from research and development costs.

Acquired codes and other intangible assets

Intangible assets with a finite useful life consist mainly of acquired software. In accordance with IAS 38, they are valued at cost.

An amortization is recorded 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	1 to 3 years
Other operational software	Straight-line	3 to 5 years
Codes – third-party software integrated into products	Straight-line	5 to 8 years

The period and method of amortization for acquired codes and other intangible assets with a finite useful life are re-measured at the end of each period or more frequently. 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. The impact of such change is accounted for prospectively as a change in estimate.

Amortization costs of acquired codes and other intangible assets with finite useful lives are recorded in the income statement under the category of expense related to the function of the intangible asset.

/ 6.1.1. Change in the gross value, amortization and net value of intangible assets

(In € thousands)	December 31, 2021 restated (a)	Increase	Decrease	Foreign exchange gain/ loss	Other movements	**December 31, 2022**
Gross values						
Development costs	62,310	24,807	(31,371)	—	—	55,746
Acquired codes	14,082	—	(4,985)	—	(1,535)	7,563
Other intangible assets	13,586	300	(143)	219	1,552	15,513
TOTAL	**89,979**	**25,107**	**(36,499)**	**219**	**17**	**78,823**
Amortization	—					
Development costs	(30,232)	(23,958)	29,079	—	—	(25,112)
Acquired codes	(6,274)	(745)	623	—	113	(6,282)
Other intangible assets	(12,988)	(1,054)	98	(219)	(113)	(14,275)
TOTAL	**(49,494)**	**(25,757)**	**29,800**	**(219)**	**—**	**(45,669)**
Net carrying amounts						
Development costs	32,080	849	(2,292)	—	—	30,636
Acquired codes	7,808	(745)	(4,362)	—	(1,422)	1,280
Other intangible assets	598	(754)	(45)	—	1,439	1,237
TOTAL	**40,487**	**(650)**	**(6,698)**	**—**	**17**	**33,154**

(a) See note 1.3.

(In € thousands)	December 31, 2020 restated (a)	Increase	Decrease	Foreign exchange gain/ loss	Other movements	December 31, 2021 restated (a)
Gross values						
Development costs	75,783	28,134	(41,608)			62,310
Acquired codes	12,044		(5,129)		7,167	14,082
Other intangible assets	22,362	158	(1,633)	(137)	(7,163)	13,586
TOTAL	**110,189**	**28,293**	**(48,370)**	**(137)**	**4**	**89,979**
Amortization	—					—
Development costs	(28,492)	(28,357)	26,617			(30,232)
Acquired codes	(73)	(641)	73		(5,633)	(6,274)
Other intangible assets	(18,621)	(1,152)	1,019	138	5,629	(12,988)
TOTAL	**(47,185)**	**(30,151)**	**27,708**	**138**	**(4)**	**(49,494)**
Net carrying amounts						
Development costs	47,293	(223)	(14,991)			32,080
Acquired codes	11,971	(641)	(5,056)	—	1,535	7,808
Other intangible assets	3,740	(994)	(615)	1	(1,535)	598
TOTAL	**63,005**	**(1,858)**	**(20,662)**	**1**	**—**	**40,487**

(a) See note 1.3.

The main changes in intangible assets result from the capitalization of development costs (see 6.1.2) and the disposal of non-strategic intangible assets concluded by the Group in the second half of 2022 (CFD, SCILAB). These transactions mainly impacted the following items:

- Development costs: decrease in developments in progress costs ,or a net amount of -€1,747 thousand;
- Acquired codes for a net amount of -€4,226 thousand;
- The Group has also maintained source codes that enable the continued development of products in these strategic areas, which are amortized over a period of eight years.

/ 6.1.2. Capitalized development costs

Net impact of the capitalization of development costs

(In € thousands)	December 31, 2022	December 31, 2021
Development costs capitalized during the period	24,082	28,134
Development costs amortized during the period	(23,958)	(28,357)
NET IMPACT OF THE CAPITALIZATION OF DEVELOPMENT COSTS	**124**	**(223)**

Releases, which correspond to the commercial launch of new versions or upgrades to our software, are the result of commercial and strategic decisions. In some cases, management may decide to wait until several upgrades have been made before marketing a new version rather than to release several different versions with minor upgrades during the year; in other cases, a new version featuring a major innovation may be marketed even if other improvements are planned in the near future.

While project releases are generally planned on a yearly basis, the actual release timeline may vary from one year to the next. These changes have an impact on amortization start dates and, consequently, on amortization amounts recorded.

Net value of capitalized developments costs represents 9.7 months of research and development costs (€30.6 million) incurred at December 31, 2022, compared to 11.7 months (€32.1 million) at December 31, 2021.

Reconciliation of R&D costs incurred and accounted for in the income statement

(In € thousands)	December 31, 2022	December 31, 2021
R&D costs incurred during the period [(a)]	**(37,915)**	**(32,976)**
Development costs capitalized during the period	24,082	28,134
Development costs amortized during the period	(23,958)	(28,357)
French R&D tax credit	2,582	3,026
Amortization of codes acquired in business combinations	(903)	(1,129)
TOTAL R&D COSTS RECOGNIZED AS EXPENSES DURING THE FINANCIAL YEAR	**(36,112)**	**(31,302)**

(a) Including €13.8 million in expenses accounted for as direct costs in 2022 compared to €4.8 million in 2021, reflecting the increased of R&D effort combined with a decrease in capitalized amounts.

NOTE 6.2. PROPERTY, PLANT AND EQUIPMENT

/ 6.2.1. Accounting principles

In accordance with IAS 16 "Property, Plant and Equipment", these assets are valued at 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	5 to 10 years
Computer hardware	Straight-line	3 to 5 years
Office furnishings	Straight-line	5 to 10 years

/ 6.2.2. Change in the gross value, amortization and net value of property, plant and equipment

(In € thousands)	December 31, 2021	Increase	Decrease	Other movements	Foreign exchange gain/loss	**December 31, 2022**
Gross values						
Fixtures and fittings	3,676	18	(179)	(6)	(47)	3,462
Computer hardware	14,897	1,543	(573)	33	(63)	15,836
Office furnishings and other tangible assets	3,268	52	(182)	(44)	2	3,096
TOTAL	**21,841**	**1,613**	**(934)**	**(17)**	**(108)**	**22,394**
Amortization						
Fixtures and fittings	(2,097)	(266)	168	20	16	(2,161)
Computer hardware	(12,945)	(1,050)	530	(40)	47	(13,459)
Office furnishings and other tangible assets	(2,703)	(156)	169	19	(3)	(2,675)
TOTAL	**(17,746)**	**(1,472)**	**866**	**(1)**	**61**	**(18,294)**
Net carrying amounts						
Fixtures and fittings	1,579	(248)	(11)	14	(31)	1,302
Computer hardware	1,949	494	(44)	(7)	(15)	2,377
Office furnishings and other tangible assets	565	(105)	(13)	(26)	(1)	421
TOTAL	**4,094**	**141**	**(68)**	**(18)**	**(48)**	**4,100**

(In € thousands)	December 31, 2020	Increase	Decrease	Other movements	Foreign exchange gain/loss	December 31, 2021
Gross values						
Fixtures and fittings	4,589	212	(1,163)	25	13	3,676
Computer hardware	15,443	947	(1,739)	(7)	253	14,897
Office furnishings and other tangible assets	3,811	43	(427)	(221)	62	3,268
TOTAL	**23,843**	**1,202**	**(3,329)**	**(202)**	**328**	**21,842**
Amortization						
Fixtures and fittings	(2,687)	(302)	931	(23)	(16)	(2,097)
Computer hardware	(13,334)	(1,140)	1,743	(7)	(207)	(12,945)
Office furnishings and other tangible assets	(3,125)	(205)	461	220	(54)	(2,703)
TOTAL	**(19,147)**	**(1,647)**	**3,135**	**190**	**(277)**	**(17,746)**
Net carrying amounts						
Fixtures and fittings	1,902	(90)	(232)	2	(3)	1,579
Computer hardware	2,108	(194)	3	(14)	46	1,949
Office furnishings and other tangible assets	686	(162)	34	(1)	8	565
TOTAL	**4,696**	**(446)**	**(195)**	**(13)**	**51**	**4,094**

NOTE 7. Financing and financial instruments

NOTE 7.1. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities mainly comprise:

- Non-current financial debts, short-term borrowings and overdrafts, together comprising gross debt – see details in note 7.1.2;
- Loans and other current financial assets, and cash and cash equivalents – see details in note 7.1.3 – which added to gross debt represent net financial debt;
- Derivative financial instruments – see details in note 7.1.4;
- Short-term trade receivables – see details in note 4.2, and short-term trade payables.

/ 7.1.1. Fair value of financial assets and liabilities

	Carrying amount			December 31, 2022
(In € thousands)	Fair value of financial instruments measured at amortized cost	Fair value through equity	Fair value through profit and loss	Total
Assets				
Deposits and guarantees	5,823			5,823
Derivative assets		181	23	205
Trade receivables	37,142			37,142
Cash and cash equivalents			41,599	41,599
Liabilities				
Bank borrowings	34,285			34,285
Derivative liabilities			34	34
Payables	6,859			6,859

	Carrying amount			December 31, 2021
(In € thousands)	Fair value of financial instruments measured at amortized cost	Fair value through equity	Fair value through profit and loss	Total
Assets				
Deposits and guarantees	2,793		0	2,793
Derivative assets	0		229	229
Trade receivables	35,548			35,548
Cash and cash equivalents			30,319	30,319
Liabilities				
Bank borrowings	42,785			42,785
Derivative liabilities		4		4
Payables	5,288			5,288

In accordance with IFRS 13, the various valuation techniques for each financial instrument must be ranked. The different categories are as follows:

- Level 1: direct reference to quoted (unadjusted) prices accessible on active markets for identical assets or liabilities;
- Level 2: valuation method based on directly or indirectly observable data associated with the asset or liability other than the quoted prices included in level 1 data;
- Level 3: valuation method based on unobservable data.

The fair value of cash and cash equivalents is calculated using level 1.

Derivative instruments (see notes 7.1.4 and 7.3) are valued using level 2.

/ 7.1.2. Gross financial debt

ESI Group's main source of financing is the syndicated loan, which consists of a part reimbursable over several years of €15 million at end 2022, and of a €10 million revolving credit, not used at end 2022. Yearly instalments of the long-term part are paid on April 30 each year, until April 30, 2025. The syndicated loan remuneration is based on the Euribor rate and a margin of 2%, 2.25% or 2.5% depending on the level of the Net financial debt/EBITDA ratio related to previous year financial statements. The margin applied, which was 2.25% at the beginning of fiscal 2022, was reduced to 2.00% effective in July 29, 2022.

ESI Board Meeting held on June 22, 2021 validated the extension of reimbursement of both State-guaranteed loan pursuant to options proposed by the contracts signed respectively with BPI France in August 2020 for €1.75 million and with ESI French banking pool in October 2020 for €12 million. The interest paid on these loans during the first year corresponds to the sole remuneration of the State guarantee for ETIs, *i.e.* 0.5%. Both State-guaranteed loans will be reimbursed over a five years period, with start of repayment differed by one year. The fixed interest rates of between 0.75% and 1.95% are specific to each bank and applied to their respective financing shares.

ESI Group has also taken out other loans, mainly a loan with BPI France for an initial amount of €4 million, the outstanding capital of which as at December 31, 2022 amounts to €2.4 million, with quarterly repayments for a period of five years.

ESI Group also had recourse to a promissory bill at the end of the year 2021 for an amount of €2.5 million with a variable interest rate and repaid it in February 2022.

Costs related to the set up of syndicated loan and State guaranteed loans are presented in the tables here below as a deduction of related financial debt.

All financial debts are denominated in euros.

Detail and maturity of financial debt

As of December 31, 2022

	Maturity at December 31					
(In € thousands)	2023	2024	2025	2026	2027 and beyond	**Total**
Syndicated loan	5,000	4,823	4,891		—	14,714
Short-term revolving loan	—	—	—	—	—	—
State-guaranteed loans	3,438	3,304	3,425	3,428		13,595
Other bank borrowings	2,470	800	800	—	—	4,070
Repayable advances	513	283	340	281	471	1,887
Other financial debts	19	—	—	—	—	19
TOTAL	**11,439**	**9,209**	**9,456**	**3,709**	**471**	**34,285**
	CURRENT: 11,439					**NON-CURRENT: 22,846**

As of December 31, 2021

	Maturity at December 31					
(In € thousands)	2022	2023	2024	2025	2026 and beyond	Total
Syndicated loan	5,000	4,823	4,911	4,973	—	19,707
Short-term revolving loan						—
Other bank borrowings	109	3,413	3,425	3,425	3,319	13,691
Factoring of French R&D 2016 tax credit	3,600	2,375	800	800	—	7,575
Repayable advances	205	283	340	281	664	1,773
Other financial debts	39					39
TOTAL	**8,954**	**10,894**	**9,476**	**9,479**	**3,983**	**42,785**
	CURRENT: 8,954					**NON-CURRENT: 33,832**

Financial debt by type of interest rate and maturity

As of December 31, 2022

	Maturity at December 31					
(In € thousands)	2023	2024	2025	2026	2027 and beyond	Total
Fixed-rate debt	5,812	4,104	4,225	3,428	—	17,570
Variable-rate debt	5,000	4,823	4,891	—	—	14,714
No-interest debt	627	283	340	281	471	2,002
TOTAL	**11,439**	**9,209**	**9,456**	**3,709**	**471**	**34,285**
	CURRENT: 11,439					**NON-CURRENT: 22,845**

The following table shows the changes in financial debt in 2022, with a split between flows with cash impact and flows without cash impact.

		Flows with cash impact			Flows without cash impact			
(In € thousands)	December 31, 2021	New borrowings	Repayment	Other cash flows from financing activities	Change in consolidation scope	Foreign exchange gain/loss	Other movement	December 31, 2022
Syndicated loan	19,705	—	(5,082)	— -	—	—	91	14,714
Short-term revolving loan	—	—	—	— -	—	—	—	—
State-guaranteed loans	13,693	—	(109)	— -	—	—	12	13,596
Other bank borrowings	7,565	—	(3,300)	— -	—	—	(196)	4,069
Profit-sharing funds	1,772	133	—	— -	—	—	(19)	1,887
Other financial debts	51	—	(11)	— -	—	(1)	(20)	19
TOTAL	**42,786**	**133**	**(8,502)**	**— -**	**—**	**(1)**	**(131)**	**34,285**

/ 7.1.3. Cash and cash equivalents

"Cash and cash equivalents" correspond to cash, bank deposits, interest-bearing accounts, mutual funds, money market funds and other liquid and easily convertible investments, subject to an insignificant risk of changes in value, in accordance with IAS 7.

Group cash position is spread over all entities, nevertheless internal cash management rules require centralizing cash surpluses at headquarters when possible. Cash position in countries with local regulatory constraints on cash transfer are carefully monitored.

In accordance with IFRS 9, marketable securities are recognized at market value at the closing date. Changes in market value are recognized in Financial Result.

The Group classifies as cash equivalents no-risk investments in interest-bearing accounts, commercial paper and certificates of deposit originally maturing in three months or less and not bearing any significant interest rate risk.

(In € thousands)	December 31, 2022	December 31, 2021
Cash	30,226	30,319
Marketable securities	11,373	—
TOTAL CASH AND CASH EQUIVALENTS	**41,599**	**30,319**

Cash and cash equivalents consist mainly of the euro, Japanese yen, US dollar, Czech crown and Chinese yuan. Cash items whose availability for the parent company is not immediate mainly concern cash in China (€9.5 million).

Marketable securities consist of short-term deposits, secured at maturity, denominated in euros and US dollars, contracted with Tier-one French banks institution.

/ 7.1.4. Financial derivative instruments

The Group uses derivative instruments to manage its exposure to fluctuations in exchange rates and interest rates. In accordance with IFRS 9, derivative instruments are recorded at fair value on the balance sheet.

Changes in fair value of derivative financial instruments are accounted for as follows:

- Hedges accounting: changes in value are recognized in equity and reclassified in profit or loss until the effective completion of the forecast transaction;
- Instruments not qualifying for hedge accounting: changes in fair value measurement of these derivative instruments are recognized in Financial Result.

Interest rate instruments

Interest rate swaps signed by ESI Group have always been set up to hedge the variable interest rate of the syndicated loan.

The syndicated loan signed in December 2018 requires set up of interest rates hedging instruments for 50% of the outstanding loan.

Two swaps have been setup in the 2022 first semester, with a nominal value of €3.5 million each, ESI Group receiving variable rate 3-month Euribor (with a 0% floor) and paying a fixed rate of 1.249% and 1.360% respectively. At the end of 2022, the underlying assets covered by each of these contracts amounted to €3.5 million. These financial instruments are accounted for as cash flow hedges.

Foreign exchange instruments

In order to manage foreign currency risk on cash flows between the Group's parent company and its subsidiaries, ESI Group may purchase foreign currency options at any time and enter into any other type of foreign exchange contract. Foreign exchange instruments in place as of December 31, 2022 concerned Japanese yen (FX forward with a nominal of JPY 1.7 billion), Korean won (non-deliverable FX forward with a nominal amount of KRW 1.8 billion) and Indian rupee (non-deliverable FX forward with a nominal amount of INR 500 million). These financial instruments are accounted for at fair value through profit or loss.

NOTE 7.2. FINANCIAL INCOME AND EXPENSES

(In € thousands)	December 31, 2022	December 31, 2021
Interest and related expenses on borrowings	(666)	(714)
Interest income	91	13
Foreign exchange gain/(loss)	298	1,041
Interest for provisions for employee benefits	(86)	(96)
Interest for rights-of-use assets	(467)	(374)
Other financial expenses	(482)	(753)
FINANCIAL RESULT	**(1,312)**	**(883)**

The positive foreign exchange result is mainly due to the revaluation at closing rate of the accounts payables and receivables.

NOTE 7.3. RISK MANAGEMENT POLICY

/ Country risk and foreign currency risk

During the financial year ended December 31, 2022, 46.4% of the Group's revenue was generated in Europe, 37.1% in Asia (mainly Japan, South Korea, China and India) and 16.5% in the Americas (mainly the United States). The Group is thus exposed to economic and political uncertainties in these areas.

The Group is also highly exposed to risks stemming from changes in foreign exchange rates: for the financial year ended December 31, 2022, 46.2% of revenue was generated in EUR, 19.4% in USD (US dollar), 19.4% in JPY (Japanese yen), 3.9% in KRW (Korean won) and 2.8% in CZK (Czech koruna).

Furthermore, 59.4% of costs are spent in EUR, 12.7% in USD, 8.3% in JPY, 6.6% in INR (Indian rupee), 2.2% in KRW, 3.7% in CZK and 2.5% in GBP (Great Britain Pound).

The following table shows the results of sensitivity analysis of EBIT to exchange rate fluctuations. The assumption 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 Current Operating Result (in € millions)
JPY	138.01	151.81	(1.5)
KRW	1,358.07	1,493.88	(0.2)
CZK	24.56	27.02	0.1
USD	1.05	1.16	(1.0)
INR	82.71	90.99	0.6
CHF	1.01	1.11	—

Forex hedging instruments are described in note 7.1.4.

/ Interest rate risk

Most of the Group's financial debts feature variable interest rates. To limit the negative impacts of rate fluctuation, the Group applies a non-speculative management policy, using derivatives described in note 7.1.4.

Sensitivity analysis to interest rate risk

The only debts included in the calculation of interest rate sensitivity are those with variable interest rates. These are mostly bank loans for which drawdown and repayment are left to the borrower's discretion. The calculations of foreign-exchange sensitivity presented below assume that financial debts remain stable at December 31, 2022 levels, meaning a fixed level of drawdown on bank loans as of that date.

The table below simulates the effects in terms of outflows of interest rates rising and falling by 1%:

(In € thousands)	<1 year	≥1 year, <5 years	≥5 years	Total
Variable rate financial liabilities*	(5,000)	(9,714)	—	(14,714)
Variable rate financial assets				
Off-balance sheet commitments		(7,932)		(7,932)
NET POSITION	**(5,000)**	**(17,645)**	**—**	**(22,645)**
Sensitivity to a 1-point decrease				154
Sensitivity to a 1-point increase				(154)

* *Excluding currency hedges.*

/ Equity risk

In accordance with IAS 32, treasury shares are accounted for as part of consolidated shareholder equity and variations in value are not recorded. When treasury shares are acquired or sold, shareholder equity is adjusted to reflect the value of the shares acquired or sold. note 9.1 contains a detailed description of changes in treasury stock, whether in the context of a liquidity agreement or intended to cover stock options and free share grants.

As part of its cash flow management strategy, the Group does not directly hold any other listed stock and does not invest in equity-dominated or equity-benchmark UCITS. Thus, the Group's net financial income is not directly or significantly affected by variation in any given stock or market index.

/ 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 ratio to be maintained with regard to the syndicated loan contract entered into in December 2018 is detailed in note 7.4.

NOTE 7.4. OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING

As part of the credit agreement dated December 20, 2018, ESI Group granted a pledge of 99.98% of the shares of the French subsidiary Engineering System International and 100% of the shares of the German subsidiaries ESI Software Germany GmbH and ESI ITI GmbH.

In 2022, ESI Group has obtained the agreement of the lenders to merge the German legal entities in order to simplify its legal organization. The pledge of shares granted to the lenders now covers only 100% of the shares of the merging company, ESI Software Germany GmbH (subsequently renamed ESI Germany GmbH). The pledge of 99.98% of the shares of the French subsidiary Engineering System international is unchanged.

As long as it owes an obligation under the agreement or the security documents, the borrower undertakes, under prepayment constraint, to comply with the ratio of consolidated net financial debt divided by consolidated EBITDA as defined in the agreement, the thresholds to be respected over the term of the syndicated loan agreement are gradually decreasing. As at December 31, 2022, the threshold to be respected is 3 : on the basis of the annual consolidated financial statements, the Group was in compliance with this ratio.

Off-balance sheet financial commitments also include factoring of French R&D tax credit receivables of 2019, 2020 and 2021 which have been respectively factored in 2020 for €2.742 million, in 2021 for €2.831 million and in 2022 for €2.360 million. The terms and conditions of those factorings justify the non-recognition of those commitments as financial liabilities on the balance sheet (deconsolidating contracts).

NOTE 8. Income tax

NOTE 8.1. 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 carryforwards. 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 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. The Group reviews the probability of future recovery of deferred tax assets on a periodic basis for each tax entity. In some cases, this review can lead the Group to derecognize deferred tax assets that it had recognized in prior years.

The Group has two tax groups:

- In France, with the parent company, ESI Group, as head company;
- In the United Kingdom, with ESI ESI UK as head company.

/ 8.1.1. Income tax expense

(In € thousands)	**December 31, 2022**	December 31, 2021 restated (a)
Current taxes	(4,651)	(5,540)
Deferred taxes	(4,184)	4,297
TOTAL	**(8,835)**	**(1,244)**

(a) See note 1.3.

/ 8.1.2. Tax proof

(In € thousands)	December 31, 2022	December 31, 2021 restated [(a)]
Net income before taxes	**24,229**	**(17,204)**
Including share of profit of associates	99	80
Theoretical tax rate	**25.0%**	**26.5%**
Theoretical tax (expense)/benefit	**(6,033)**	**4,580**
Permanent differences between net result and taxable income	(1,705)	(3,527)
Impact of liability method	(832)	(591)
Impact of standard tax rate differentials between parent company and subsidiaries	(208)	(67)
Unrecognized deferred tax assets and unused tax losses	(57)	(283)
Other items	—	(1,356)
GROUP INCOME TAX EXPENSE	**(8,835)**	**(1,244)**
Effective tax rate	**36.61%**	**7.23%**

(a) See note 1.3.

NOTE 8.2. DEFERRED TAXES

/ Breakdown of deferred taxes by tax base

(In € thousands)	December 31, 2022	December 31, 2021 restated [(a)]
Deferred tax assets		
Tax loss carryforwards	8,750	12,650
Temporary differences related to tax treatment of maintenance	988	1,035
Provisions for employee benefit commitments	1,593	2,085
Temporary differences related to personnel		
Provisions and other adjustments	2,134	3,622
Offset of deferred tax assets/liabilities*	(26)	(1,001)
Method variation [(a)]		147
Total deferred tax assets	**13,438**	**18,538**
Deferred tax liabilities		
Amortization of acquired intangible assets	(25)	(150)
Excess depreciation	(357)	(394)
Other adjustments	355	(457)
Offset of deferred tax assets/liabilities	26	1,001
Total deferred tax liabilities	**—**	**—**
NET DEFERRED TAX	**13,438**	**18,538**

* *For a better understanding of the offsetting of deferred tax assets/liabilities, the Group has added a line and therefore restated the comparative information.*
(a) See note 1.3.

Please note that as of December 31, 2022 deferred tax assets and liabilities are offset at the boundaries of the tax consolidation groups.

At the end of 2022, tax losses that resulted in the recognition of deferred tax assets amounted to €34.4 million (€47.7 million at the end of 2021). They mainly concern companies in the scope of tax consolidation in France. Tax losses carried forward for which recovery is not likely over a 5-year horizon amounted to €3.7 million, representing €0.6 million in deferred taxes not recognized at December 31, 2022.

1 2 3 4 5 6 7 8 9

/ Reconciliation of deferred income tax expense on the balance sheet and income statement

(In € thousands)	2022	2021 restated [(a)]
Net deferred tax assets at opening (January 1) published	**18,538**	**14,685**
Method variation [(a)]		111
Net deferred tax assets at opening (January 1) restated	**18,538**	**14,796**
Acquired companies	11	(1)
Deferred tax expenses recorded in the income statement	(4,184)	4,297
Deferred tax expenses recognized directly in equity (IAS 19 revised)	(620)	(270)
Foreign exchange gain/loss on deferred tax expenses	(309)	(284)
NET DEFERRED TAX ASSETS AT CLOSING (DECEMBER 31)	**13,438**	**18,538**

(a) See note 1.3.

NOTE 9. Equity and earnings per share

NOTE 9.1. SHARE CAPITAL RESERVES AND TREASURY STOCK

ESI Group's share capital is made up of ordinary shares.

The "Currency translation difference" line item in equity 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.

/ Share capital

At December 31, 2022, ESI Group's share capital was €18.227 million, comprising 6,075,616 common shares with a par value of €3 each.

/ Dividend payout

ESI Group did not pay out any dividend during the period.

/ Treasury shares

The number of treasury shared increased by 15,287 shares over the financial year.

The percentage of capital held as self-detention following these transactions stood at 5.9% at December 31, 2022, compared to 5.7% at December 31, 2021. The Group owns a total of 359,301 treasury shares, purchased at a historical cost of €5.8 million and with a market value of €26.5 million at the same date. Those shares are split between treasury shares and liquidity contract.

/ Transactions with non-controlling interests

Transactions with non-controlling interests are recognized directly in equity. See details in notes 3.1 and 3.2.

NOTE 9.2. MINORITY INTERESTS

If, in the event of losses, the part of equity corresponding to minority interests becomes negative, it will be retreated so as to be at least equal to zero.

NOTE 9.3. EARNING PER SHARE

The table below details the net income (Group share) per share:

(In € thousands)	December 31, 2022	December 31, 2021 restated (a)
NET INCOME (GROUP SHARE)	**15,421**	**(18,575)**
Net earnings per share *(in €)*	2.69	(3.26)
Average number of shares	5,724,205	5,704,319
Diluted earnings per share *(in €)*	2.63	(3.26)
Average number of diluted shares	5,856,772	5,704,319

(a) See note 1.3.

Only stock options and free shares may have a dilutive effect.

NOTE 10. Other balance sheet items

NOTE 10.1. OTHER ASSETS

/ 10.1.1. Other non-current assets

(In € thousands)	December 31, 2022	December 31, 2021
Security deposits & hold-back	5,823	2,793
Other long term assets	201	210
Investments in non-consolidated companies	99	99
TOTAL OTHER NON-CURRENT ASSETS	**6,123**	**3,102**

Security deposits mainly concern real estate rentals, the factored French R&D tax credit receivables and the remaining receivable balance of CFD' sale.

/ 10.1.2. Other current receivables

(In € thousands)	December 31, 2022	December 31, 2021
French R&D tax credit	2,831	3,579
Other tax credits	1,984	163
VAT and other receivables	2,770	2,628
TOTAL OTHER CURRENT ASSETS	**7,585**	**6,370**

French R&D tax credit receivable as of December 31, 2022 relates mostly to costs incurred in 2022.

ESI Group did not use its French R&D tax credit to pay income tax, thus there is a factoring done on receivables each year. At end 2022 three years of R&D tax credit receivables are factored with a deconsolidating contract. Consequently, related amounts are booked in Off-balance sheet financial commitments and not in financial debt in balance sheet. Amounts involved are French R&D tax credit receivables of 2019, 2020 and 2021 which have been respectively factored in 2020 for €2.742 million in 2021 for €2.831 million and in 2022 for €2.359 million.

/ 10.1.3. Prepaid expenses

Prepaid expenses consist primarily of yearly subscription of software in SaaS mode and insurance contract, which premiums are paid at the beginning of the year.

NOTE 10.2. OTHER LIABILITIES

/ 10.2.1. Tax payables, employee-related liabilities and other short-term liabilities

(In € thousands)	December 31, 2022	December 31, 2021
Employee-related liabilities	18,403	18,250
Tax payables	7,467	5,979
Other current liabilities	4,404	2,381
TAX PAYABLES, EMPLOYEE-RELATED LIABILITIES AND OTHER SHORT-TERM LIABILITIES	**30,274**	**26,609**

As of December 31, 2022 Tax payables consist primarily of VAT payables for €2.246 million (compared with €3.907 million at end 2021) and a provision of income tax payable of €4.262 million (compared to €1.277 million in 2021).

/ 10.2.2. Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded when the following three conditions are met: the Group has an obligation towards a third party resulting from past events, it is probable that future outflows of resources embodying economic benefits will be necessary to settle the obligation, the amount of the obligation can be estimated in a reliable way.

(In € thousands)	December 31, 2021	Allowance	Reversals	Reclassifications ST/LT	Foreign exchange gain/loss	Other movements	December 31, 2022
Refurbishment of rented premises	268	149			(22)	(10)	385
Others risks	541	—	—	(25)	(5)	10	520
PROVISIONS AND OTHER NON CURRENT LIABILITIES	**809**	**149**	**—**	**(25)**	**(27)**	**—**	905
Provisions for risks [(a)]	7,129	1,198	(5,858)	25	33		**2,527**
CURRENT PROVISIONS	**7,129**	**1,198**	**(5,858)**	**25**	**33**	**—**	**2,527**

(a) The provision mostly corresponds to severance costs related to "OneESI 2024 – Focus to Grow" plan.

NOTE 11. Related party transactions

EXECUTIVE CORPORATE OFFICERS' COMPENSATION

Compensation and benefits paid to the Group's four executive corporate officers during the financial years ended December 31, 2022 (1 corporate representative) and December 31, 2021 (3 corporate representatives) breaks down as follows:

(In € thousands)	December 31, 2022	December 31, 2021
Fixed compensation	365	793
Variable compensation	—	—
Travel bonus	—	—
Benefits in kind	11	13
Directors' fees	—	18
TOTAL	**376**	**825**

RELATED PARTY TRANSACTIONS

Nothing to report.

NOTE 12. Fees paid to Statutory Auditors

	2022						2021					
	KPMG		Ernst & Young		Total		KPMG		Ernst & Young		Total	
(In € thousands, excluding tax)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certification, review of annual and consolidated financial statements												
■ Parent company	206	75%	226	65%	432	70%	226	86%	198	62%	424	73%
■ Fully consolidated subsidiaries	49	18%	102	31%	152	25%	29	11%	110	34%	139	25%
Sub-total	**255**	**93%**	**329**	**96%**	**584**	**95%**	**255**	**97%**	**308**	**96%**	**563**	**98%**
Services other than certification of accounts												
■ Parent company	36	5%	10	4%	46	4%	7	3%	12	4%	19	2%
■ Fully consolidated subsidiaries	8	2%	—	—%	8	1%	—	—%			—	—%
Sub-total	**44**	**7%**	**10**	**4%**	**54**	**5%**	**7**	**3%**	**12**	**4%**	**19**	**2%**
TOTAL	**299**	**100%**	**339**	**100%**	**638**	**100%**	**262**	**100%**	**320**	**100%**	**582**	**100%**

The total budget for certification fees for the parent company and consolidated financial statements for the financial year ended December 31, 2022 came to €572 thousand. Services other than certification of accounts provided to parent company correspond primarily to certification of costs statements issued for co-financed projects and of bank covenant calculation.

NOTE 13. Subsequent events

On January 6, 2023, the opening of the liquidation proceedings of ESI Vietnam was pronounced.

6.1.6. Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the 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 December 31, 2022

To the Annual General Meeting of ESI Group,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of ESI Group for the year ended 31 December 2022.

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 December 31, 2022 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

/ Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

/ Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Emphasis of Matter

We draw your attention to Note 1.3 "New IFRS Standards and Interpretations" to the consolidated financial statements, which describes the impacts of the IFRS IC decision issued in April 2021 on the recognition of configuration or customization costs for software used in SaaS mode. Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

/ Valuation of development costs

Risk identified	Our response
In the consolidated balance sheet, intangible assets include capitalized development costs for a net carrying amount as at December 31, 2022 of K€ 30,636. Development costs capitalized during the financial period amounted to K€ 24,082. The development costs correspond mainly to direct labor and subcontracting costs relating to the development of new offers or major improvements to existing software solutions. As indicated in Note 6.1 to the consolidated financial statements, the capitalization of these development costs is subject to compliance with the criteria set out in IAS 38 "Intangible Assets". The amortization times, which are between 12 and 36 months, are estimated for each project depending on the period during which your Group expects the software concerned to generate revenue. Projects corresponding to the development of new software versions, which are delivered annually, are amortized over 12 months. Projects corresponding to the development of major new features are amortized over 24 or 36 months depending on the level of innovation associated. Impairment of the net carrying amount of the capitalized development costs is recognized when, at year-end, the probable future economic benefits are no longer sufficient to cover the residual value of the asset. The assessment of the compliance with the criteria for capitalization of development costs, the determination of the amortization period, and the identification of impairment indicators for capitalized projects no longer generating future economic benefits, are based on Management's judgment and the reliability of the procedures applied for the identification and allocation of the costs between the different projects. On this basis, we considered the capitalization of development costs to be a key audit matter.	For a sample of projects developed over the 2022 financial year, we assessed the compliance of the capitalization criteria on the balance sheet with the accounting standard in force. ■ We reconciled the accounting data with the management data giving detailed information on the capitalized projects, in order to assess the reliability of the information reported; ■ By sampling, we checked the individual hourly rates used by your Company to value the hours reported in the capitalized project calculation file and reconciled these hours with the timesheets entered by the engineers; ■ We verified the correct calculation of the amortization expense on the basis of the period established for each project by your Group's Management and we assessed the reliability the release date of the projects selected as samples; ■ We assessed the overall consistency of the amortization periods estimated by your Company, particularly in relation to market references; ■ In addition, we assessed that there were no indication of impairment of the projects capitalized at year-end.

/ Recognition of revenue from software licenses

Risk identified	Our response
A substantial amount of your Group's revenue results from software licensing and related maintenance services. In accordance with IFRS 15, your Group's contracts are analyzed in five stages to determine, in particular, the transaction price, the various service obligations and the allocation of the transaction price to each of them. Revenue from software licenses derives from two service obligations: access to the software (royalties for rights of use granted to end customers), and the related maintenance service. The share of revenue allocated to maintenance is determined according to the nature of the license sold, as described in Note 4.1 to the consolidated financial statements. The determination of service obligations, the allocation of the transaction price between the various components of a contract, and the methods of revenue recognition require in-depth analysis and a considerable degree of judgment on the part of Management. For all these reasons, we considered the recognition of revenue from software licensing to be a key audit matter.	As part of our audit, we conducted tests on a sample of contracts. These tests involved in particular analyzing the contractual terms, recalculating the amount allocated to each component and examining the amount and accounting period of revenue for each element in accordance with the accounting principles set out in Note 4.1 to the consolidated financial statements, whose compliance with IFRS we assessed previously.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

/ Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

/ Appointment of the Statutory Auditors

We were appointed as statutory auditors of ESI Group by your Annual General Meeting held on June 22, 2021 for KPMG S.A. and on December 16, 1997 for ERNST & YOUNG Audit.

As at 31 December 2022, KPMG S.A. was in its second year of total uninterrupted engagement and ERNST & YOUNG Audit in its twenty-sixth year (including twenty-three years since the securities of the Company were admitted to trading on a regulated market).

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

/ Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

/ Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 17 March 2023

The Statutory Auditors

French original signed by:

KPMG Audit	ERNST & YOUNG Audit
Département de KPMG S.A.	
Stéphanie Ortega	Pierre-Henri Pagnon

6.2. ESI GROUP ANNUAL FINANCIAL STATEMENTS

6.2.1. Income statement

(In € thousands)	Notes	December 31, 2022	December 31, 2021
Revenue	**E.1**	**88,496**	**85,821**
Production held as inventory		—	—
Capitalized production	E.2	26,729	30,151
Operating subsidies		—	—
Reversals of provisions and amortization, expense transfers	E.2	5,278	5,477
Other income	E.2	1,112	1,409
Operating income		**121,615**	**122,858**
Purchase and change in stock of goods		143	11
Other purchases and external expenses	E.3	52,589	56,888
Taxes and duties	E.4	922	1,287
Wages and salaries		14,502	17,878
Payroll taxes		8,257	8,500
Depreciation and amortization of non-current assets	E.5	27,815	31,686
Provisions	E.5	930	1,983
Other expenses	E.6	2,257	2,262
Operating expenses		**107,415**	**120,495**
OPERATING RESULT		**14,200**	**2,363**
FINANCIAL RESULT	**E.7**	**16,481**	**(3,184)**
CURRENT RESULT BEFORE TAX		**30,681**	**(821)**
EXCEPTIONAL RESULT	**E.8**	**12,447**	**(30,197)**
Employee profit-sharing		(698)	0
Income tax	F.5	(693)	3,026
NET PROFIT (LOSS)		**41,737**	**(27,992)**

6.2.2. Balance sheet

Assets

		December 31, 2022			December 31, 2021
(In € thousands)	Notes	Gross value	Amortization/ Provisions	Net value	Net value
Intangible assets	C.1	72,434	(33,756)	38,678	46,873
Property, plant and equipment	C.2	10,442	(8,280)	2,161	1,888
Financial assets	C.3	57,109	(9,615)	47,494	43,897
Non-current assets		**139,985**	**(51,651)**	**88,334**	**92,658**
Inventories		—		—	—
Down payments to suppliers	C.4	358		358	414
Trade receivables	C.4	57,435	(3,552)	53,882	51,848
Other receivables	C.4	10,803	(898)	9,905	6,461
Marketable securities	C.5	17,060		17,060	3,663
Cash		9,214		9,214	8,539
Current assets		**94,869**	**(4,450)**	**90,419**	**70,925**
Prepaid expenses	C.6	3,045		3,045	2,094
Expenses capitalized, to be amortized	C.6	250		250	350
Foreign exchange gains and losses	C.7	2,110		2,110	6,033
TOTAL ASSETS		**240,259**	**(56,101)**	**184,158**	**172,060**

Liabilities

(In € thousands)	Notes	December 31, 2022	December 31, 2021
Share capital	D.2	18,227	18,193
Additional paid-in capital		39,849	39,516
Legal reserve		1,805	1,809
Retained earnings		(29,735)	(1,746)
Net profit (loss)		41,737	(27,992)
Regulated provisions		1,454	1,513
Equity	**D.1**	**73,337**	**31,293**
Other equity	**D.4**	**1,887**	**1,772**
Provisions for contingencies and charges	**D.5**	**7,243**	**16,433**
Bank borrowings	D.7	32,628	38,825
Miscellaneous financial debt	D.8	—	2,500
Financial liabilities		**32,628**	**41,325**
Down payments from clients	D.10	171	72
Trade payables	D.6	44,290	48,775
Tax payables and employee-related liabilities	D.9	11,443	8,502
Other liabilities	D.10	10,719	12,924
Operating liabilities and miscellaneous debts		**66,623**	**70,273**
Deferred income		432	3,612
Foreign exchange gains and losses	D.11	2,007	7,352
TOTAL LIABILITIES		**184,158**	**172,060**

6.2.3. Notes to ESI Group annual financial statements

Table of contents of notes to the annual financial statements

Total balance sheet at December 31, 2022 amounts to €184.158 million and the income statement for the financial year shows net profit of €41.737 million.

The financial statements are presented according to the accounting principles and methods defined by the general accounting chart as presented by Regulation No. 2014-03 of the Accounting Standards Authority of June 5, 2014 and supplemented by subsequent regulations.

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 of the year

/ Strategic plan "OneESI 2024 – Focus to Grow" continued

In 2022, the Group continued to implement the new growth and profitability plan "OneESI 2024 – Focus to Grow" launched in 2021.

Innovation refocusing on ESI's main sectors resulted in the sale, on July 13, 2022, of the non-strategic fluid simulation software ("CFD") for an amount of US$24 million, of which US$20.4 million was received at closing. The balance is payable within 18 months from that date, subject of the absence of purchaser's enforcing the contractual warranties. On July 27, 2022, SCILAB assets were sold for €0.8 million.

This transformation has resulted in a reduction in headcount in particular within the framework of the "Employment Protection Plan" launched at the end of 2021.

Following Russia's invasion of Ukraine, ESI decided first to suspend all commercial activity and then to take permanent and strict measures to definitively stop commercial activity in Russia and Belarus. These measures have affected the activity of MECAS, a wholly-owned subsidiary of ESI Group but had no direct impact on ESI Group's statutory accounts.

/ Changes in scope occurred during the year

During the year ended December 31, 2022:

- In January 2022, ESI Holding (USA) has been merged into ESI North America (USA);
- In July 2022, ESI ITI GmbH has been absorbed into ESI Software Germany GmbH (renamed ESI Germany GmbH). This operation, between two companies fully owned by ESI Group, was carried out with retroactive effect from January 1, 2022;
- In September 2022, closure of the dissolution of the two Hong Kong companies: ESI HKE and ESI ATE;
- In December 2022, ESI Group acquired 5% minority share of ESI MECAS, and now holds 100% of the entity's shares (Czech Republic).

Refer to note C.3.

NOTE B. Accounting principles and methods

The rules and methods remain unchanged compared to last year.

The general accounting conventions have been applied prudently, in accordance with the following assumptions:

- Basic assumptions:
  - going concern,
  - consistency in accounting methods from one financial year to the next,
  - independence of financial years;
- General rules for preparing and presenting annual financial statements: the basic method used to measure accounting items is the historical cost method;
- In 2022, the Company reassessed the nature of the services provided under the Co-funded Projects and changed the accounting classification: this work, corresponding to research projects eligible to grants from public organizations, does not constitute services from the entity's ordinary activities. Income from these projects previously included in revenue is now presented under other income from operations. In 2021, Co-funded Projects represented revenues of €1.9 million (€ 1.1 million in 2022).
  Consequently, the receivables and payables arising from these Projects are presented in other receivables and payables as from fiscal year 2022 (previously presented in trade receivables).

NOTE B.1. USE OF ESTIMATES

Preparation of the financial statements requires the use of estimates and assumptions that may have an impact on the carrying amount of certain items in the balance sheet or income statement, as well as the information provided in selected notes. ESI Group carries out comprehensive reviews of these estimates and assessments to take account of past experience and other factors judged relevant with regard to economic conditions.

These estimates, assumptions and assessments are established on the basis of existing information or situations at the time the financial statements are drawn up, and which may not reflect future realities.

These estimates mainly concern provisions for contingencies and charges and assumptions used for the valuation of equity investments and accumulated amortization of selected intangible assets.

NOTE B.2. INTANGIBLE ASSETS

/ Research and development costs

Internal research and development costs are recorded in the appropriate expense category; expenses corresponding to research and development performed by service providers within the Group or third parties are recorded as subcontracting expenses.

Internal expenses related to development work incurred during the financial year (wages, payroll taxes and environment-related costs) are capitalized and recognized as capitalized production.

Capitalization is performed on a per-project basis. Only projects meeting the criteria for capitalization defined in the regulation on assets are capitalized as assets. Research projects or the portion of expenses not meeting all of the criteria continue to be recognized as expenses in the income statement. Projects that are unfinished at the closing date are capitalized as work in progress.

Projects involving development of new versions of ESI software delivered on a yearly basis are amortized over 12 months.

Projects involving the development of new, significant features are amortized over 24 or 36 months depending on the degree of innovation.

Amortization starts at release of the version.

If there is a risk that a project will not be marketed, a provision for depreciation is recorded on developments that will not generate future economic gains.

At the end of the amortization period, development costs are removed from the asset line.

/ Other intangible assets

Other intangible assets (patents, software) 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 operational software	3 years on a straight-line basis
Codes – third-party software integrated into products	5 to 8 years on a straight-line basis

These assets are subject to impairment tests if there are signs of impairment.

NOTE B.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at cost (purchase price plus related expenses), and amortized according to expected 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 - 5 years a straight-line basis
Used computer equipment	1 year on a straight-line basis
Furnishings	5 to 10 years on a straight-line basis

NOTE B.4. FINANCIAL ASSETS

/ Equity investments and related receivables, acquisition costs

Equity investments are recorded on the balance sheet at the historical cost of acquisition of shares.

At the closing date, if the value in use of the shares is less than their purchase price, a provision is established for the difference. The value in use is calculated using one of the methods presented here below according to the situation of the subsidiary:

- Equity investments in active subsidiaries are valued on the basis of a multiple of revenue adjusted for net cash position of the subsidiary, or alternatively on the basis of discounted forecasted cash flows for recently acquired entities;
- Equity investments in dormant subsidiaries or those with reduced activity are valued on the basis of the share of the net equity attributable to ESI Group.

Acquisition costs are recorded as part of the cost of the equity investments and deducted, for tax purposes, through accelerated capital allowances, over a period of five years.

Receivables related to equity investments are provisioned if there is a risk of non-recovery.

/ Other investments

Other investments mainly comprise deposits and factoring guarantee funds (factoring of receivables from the French R&D tax credit).

NOTE B.5. INVENTORIES

/ Supply inventories

Other supply inventories are valued, if any, at cost according to the first in, first out method.

/ Work in progress

Work in progress corresponds to consulting studies in progress and valued at production cost with a margin assessed according to the percentage of completion method.

NOTE B.6. RECEIVABLES AND DEBTS

Receivables and debts are measured at par value.

A provision for impairment is recognized where the inventory value of a receivable (excluding advances to subsidiaries), based on the likelihood of recovery, is lower than its net book value.

All impairment is determined on a case-by-case basis or following statistical analysis. Regarding advances granted to subsidiaries, the net book value of these receivables follows the same rules as equity investments in terms of impairment.

NOTE B.7. MARKETABLE SECURITIES

Marketable securities are recorded at their net purchase price. If, at the closing date, the net asset value is lower than the acquisition value, impairment is recorded for the difference.

At closing date, marketable securities were made up of the Company's treasury shares, valued according to "the first in, first out" method and of cash investments in secured short term deposits at maturity.

NOTE B.8. TREASURY SHARES

In the context of the authorizations, limits and objectives set by the Shareholders' General Meeting, ESI Group may purchase, exchange or transfer its own shares.

The recognition and impairment method for treasury shares depends on the objective underlying the acquisition.

Treasury shares related to the liquidity contract signed by the Company are recognized as financial assets. Treasury shares acquired in the context of other objectives set by the General Meeting (primarily external growth and grants to employees) are recognized as marketable securities.

Impairment is recorded when the share acquisition cost related to liquidity contract exceeds the actual value as determined by the share market price at the closing date.

NOTE B.9. FOREIGN CURRENCY TRANSACTIONS

Income and expenses in foreign currency are recorded at their converted value using the exchange rate of the transaction date. Liabilities, receivables and cash in foreign currency are recorded on the balance sheet converted at the exchange rate of the closing date.

The difference resulting from the conversion of the debts and receivables at the exchange rate of the closing date is recorded on the balance sheet as a "currency translation adjustment".

A provision for contingencies for foreign exchange losses is recorded only for the part of related flows that does not have hedging.
Foreign exchange realized gains and losses, as well as provision for unrealized losses, are booked in operating result if related to operating flows/receivables/payables, and in financial result if related to financial flows/receivables/payables.

NOTE B.10. FOREIGN EXCHANGE INSTRUMENTS

ESI Group uses financial instruments to manage its exposure to exchange rate fluctuations. The Group's policy is to trade in the financial markets only 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 assessed and recorded in line with the income and expenses recorded on underlined transactions. At maturity date, gains and losses from financial instruments are booked in operating result when they are related to operating receivables or debts and in financial result when they are related to financial receivables or debts. Signed financial instruments are presented as Off-balance-sheet commitments in the notes to the financial statements in the period between subscription and maturity.

NOTE B.11. REGULATED PROVISIONS

Regulated provisions consist of accelerated capital allowances of two types:

- Differences between tax-related amortization and amortization for depreciation;
- Amortization of equity investments acquisition costs.

These regulated provisions are recorded in the income statement as exceptional allowances and reversals.

NOTE B.12. PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions for contingency and charges are calculated on the basis of the assessment of related risks at the closing date.

/ Provision for retirement and post-employment benefits

Retirement commitments are valued and recognized using the projected unit credit method. This actuarial method stipulates that each period of service entitles the employee to one unit of benefit rights and evaluates each of these units separately to arrive at a final commitment.

These calculations use assumptions in terms of mortality, staff turnover, discount rate, inflation rate and future salary increases.

Differences observed between the valuation of obligations and forecasts of such obligations (on the basis of new projections or assumptions) are known as actuarial gains and losses.

The expense for the period is fully recognized:

- In operating result for the amount pertaining to cost of services and changes in actuarial gains and losses (excluding change in discount rate);
- In financial result for the amount pertaining to interest on discounting to present value and actuarial differences related to variations in discount rate.

The provision at year-end represents the actuarial commitment. The Company has no hedging asset.

NOTE B.13. REVENUE RECOGNITION

Licensing revenue is generated from royalties paid under licensing agreements granted to end customers and related maintenance services. Maintenance services include updates and technical support.

Revenue is split between three types of contracts:

- Lease of annual renewable licenses that include the right to use the software plus maintenance services for one year;
- Lease of "paid up licenses" conferring to end clients the right to use the software for unlimited duration, with one year of maintenance services – with the possibility of renewal through a maintenance contract;
- Maintenance services alone – this contract completes "paid up licenses" contracts.

Licensing revenue is generated from royalties paid under licensing agreements granted to end customers and related maintenance services.

This revenue is recognized when the following four criteria are met:

- The Group can demonstrate the existence of an agreement with the client;
- The software has been delivered;
- The amount of the user license for the software is determined or determinable;
- The recovery is likely.

Since the contracts do not distinguish between the license and maintenance portions, the entire contractual amount is recognized as soon as the software is delivered, whereas the maintenance services, which are considered incidental, will be performed over a period of one year.

Revenues from services consist mainly of consulting and training fees. They are recognized according to the percentage of completion method with regard to projects, such as the margin. Costs are recorded as soon as they are incurred. A provision for losses on completion is recorded if necessary.

Intragroup revenue mainly comprises royalty income received from the Group's distribution subsidiaries and income from subcontracted consulting services, re-invoicing of personnel expenses and invoicing of management fees.

/ Co-financed projects

As of fiscal year 2022, income from Co-funded Projects ("special projects") is recognized in the income statement under other income from operations and no longer as revenue. In 2021, Co-Financed Projects represented revenues of €1.9 million.

NOTE B.14. TAX CONSOLIDATION

On 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 cost 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.

Tax integration has no impact on income tax cost recorded in the Company income statement.

NOTE C. Asset details

NOTE C.1. INTANGIBLE ASSETS

(In € thousands)	December 31, 2021	Increase	Decrease	December 31, 2022
Development costs	44,517	27,633	(31,724)	40,426
Patents, licenses, brands	24,447	150	(6,414)	18,183
Goodwill	657			657
Intangible assets in progress, development costs	15,185	11,091	(13,351)	12,925
Other intangible assets in progress	90	303	(150)	243
Total gross value	**84,895**	**39,176**	**(51,639)**	**72,434**
Development costs	(24,927)	(25,615)	30,554	(19,988)
Patents, licenses, brands	(13,096)	(1,472)	882	(13,686)
Goodwill	—	(82)		(82)
Total amortization, provisions	**(38,024)**	**(27,169)**	**31,436**	**(33,756)**
Development costs	19,589	2,018	(1,169)	20,437
Patents, licenses, brands	11,350	(1,322)	(5,532)	4,496
Goodwill	657	(82)	—	575
Intangible assets in progress, development costs	15,185	11,091	(13,351)	12,925
Other intangible assets in progress	90	303	(150)	243
TOTAL NET VALUE	**46,871**	**12,007**	**(20,202)**	**38,678**

As part of the "OneESI 2024 – Focus to Grow" plan, the Group has announced the redeployment of a significant portion of its R&D investments to growth opportunities. This has resulted in the following identified intangible assets being disposed:

- Decrease in patents & licenses (€6,271 thousand) and capitalized R&D intangible assets in progress (€2,803 thousand and €150 thousand respectively) corresponding to the disposal of the CFD Code (fluid simulation software) in gross value (or €7,234 thousand as net book value);
- Decrease in brands (€45 thousand and patents & licenses (€22 thousand fully amortized) related to the sale of SCILAB;
- Impairment of R&D work in progress for €778 thousand (gross value not amortized);
- Scrapping of the OPTOPO software for €76 thousand as a gross value (fully amortized) following the termination of the software operating contract.

NOTE C.2. PROPERTY, PLANT AND EQUIPMENT

(In € thousands)	December 31, 2021	Increase	Decrease	Reclassification	December 31, 2022
Fixtures and fittings	2,049	7	(144)		1,912
Office furnishings and equipment	7,582	921			8,503
Other tangible non-current assets	27				27
Total gross value	**9,658**	**928**	**(144)**		**10,442**
Fixtures and fittings	(1,094)	(157)	135	27	(1,089)
Office furnishings and equipment	(6,647)	(489)		(27)	(7,164)
Other tangible non-current assets	(27)				(27)
Total amortization, provisions	**(7,767)**	**(646)**	**135**	**—**	**(8,280)**
Fixtures and fittings	955	(150)	(9)		823
Office furnishings and equipment	935	432	—		1,338
Other tangible non-current assets	—	—	—		—
TOTAL NET VALUE	**1,889**	**282**	**(9)**	**—**	**2,161**

NOTE C.3. FINANCIAL ASSET

(In € thousands)	December 31, 2021	Increase	Decrease	December 31, 2022
Equity investments	52,351	350	(1,915)	50,786
Receivables related to equity investments	10,084		(5,095)	4,989
Other financial assets [(a)]	1,526	313	(505)	1,334
Total gross value	**63,961**	**663**	**(7,515)**	**57,109**
Provisions for impairment of equity investments	(20,065)	(259)	12,229	(8,095)
Provisions for receivables related to equity investments	—	(1,520)		(1,520)
Provisions for depreciation of other financial assets	—			—
Total amortization, provisions	**(20,065)**	**(1,779)**	**12,229**	**(9,615)**
Equity investments	32,286	91	10,314	42,691
Receivables related to equity investments	10,084	(1,520)	(5,095)	3,469
Other investments	1,526	313	(505)	1,334
TOTAL NET VALUE	**43,896**	**n.s.**	**n.s.**	**47,494**

(a) This line primarily includes deposits and guarantees on rental properties and factoring guarantee.

/ Movements in equity investments (gross value)

(In € thousands)	December 31, 2021	Increase	Decrease	Other movements	December 31, 2022
Engineering System International	458				458
ESI Japan, Ltd.	171				171
ESI North America, Inc.	3,726			834	4,560
ESI UK Ltd.	164				164
Calcom ESI SA	2,678				2,678
Hankook ESI Co., Ltd.	970				970
ESI Group Hispania s.l.	100				100
Mecas ESI s.r.o.	912	350			1,262
ESI US Holdings, Inc.	834			(834)	—
Frais Zhong Guo ESI Co., Ltd.	2		(2)		—
ESI Software (India) Private Ltd.	2				2
ESI US R&D, Inc.	4,128				4,128
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 s.r.l.	1,050				1,050
ESI South America Comércio e Serviços de Informática Ltda	56				56
ESI Services Tunisie SARL	304				304
ESI Group Beijing Co., Ltd.	543				543
ESI Germany GmbH	10,708			18,710	29,418
ESI ITI GmbH	18,710			(18,710)	—
ESI Nordics AB	446				446
Open CFD Ltd.	2,351				2,351
ESI Services Vietnam Co., Ltd.	124				124
AECC-ESI (Beijing) Technology Co., Ltd.	448				448
Cademce SAS	100				100
Shares acquisition costs	1,453				1,453
TOTAL	**52,351**	**350**	**(1,915)**	**—**	**50,786**

Movements of the year are related to:

- In January 2022, ESI Holding (USA) has been absorbed by ESI North America (USA), through a simplified merger. The value of the ESI US Holdings, Inc shares was therefore added to the historical value of the ESI North America, Inc shares for €834 thousand;
- In July 2022, ESI ITI GmbH has been merged into ESI Software Germany GmbH, through a simplified merger. This operation, between two companies fully-owned by ESI Group was carried out with retroactive effect from January 1, 2022. The value of the ESI ITI GmbH shares was added to the historical value of the ESI Software Germany GmbH (then renamed ESI Germany GmbH) shares for €18,710 thousand;
- Purchase of remaining 5% minority share of ESI MECAS for €350 thousand in December 2022 (Czech Republic);
- During the fall 2022, closure of the dissolution of the two companies headquartered in Hong Kong: ESI HKE and ESI ATE. (€1,737 thousand for gross share value and €56 thousand as share acquisition costs) and ESI Hong Kong (€119 thousand and €4 thousand, respectively).

/ Movements in the provision for equity investments

(In € thousands)	December 31, 2021	Increase	Decrease	Other movements	December 31, 2022
ESI-ATE Holdings Limited	1,737		(1,737)	—	—
Hong Kong ESI CO., Limited	119		(119)	—	—
Open CFD Limited	2,235	116			2,351
ESI US R&D	3,479				3,479
Cademce	100				100
Calcom	2,022				2,022
ESI ITI GmbH	10,374			(10,374)	—
ESI Germany GmbH			(10,374)	10,374	—
ESI Vietnam	—	43			43
ESI Group Hispania s.l.		100			100
TOTAL	**20,066**	**259**	**(12,229)**	**—**	**8,095**

As of December 31, 2022, the net book value of investments in Open CFD Limited, ESI Group Hispania s.l. and ESI Vietnam has been aligned to the re-estimated value of each subsidiary (Note B.4).

Due to the closing of the liquidation of the Hong Kong companies ESI-ATE Holdings Limited and Hong Kong ESI CO.Limited, the equity interests were impaired and the corresponding provisions were reversed.

As at 31 December 2022, the value of the new entity resulting from the absorption of ESI ITI GmbH by ESI Software Germany GmbH (subsequently renamed ESI Germany GmbH) has been reassessed. The value of the securities of this new global entity no longer justifies the provision for equity investment that has therefore been released.

/ Receivables related to equity investments

	Gross value		
(In € thousands)	December 31, 2021	December 31, 2022	Remuneration rate
Loan ESI North America, Inc. ($9.7 million)	8,564	3,469	6-month Libor $ +1% margin
Loan ESI Group Hispania SL	1,520	1,520	Participative loan capped at 5%
TOTAL	**10,084**	**4,989**	

Movements during the year for ESI North America correspond to the partial repayment (US$6 million) of the loan granted as well as exchange rate revaluations. The balance of the loan stands at 3.7 million US dollars as of December 31, 2022.

The loan granted to ESI Group Hispania s.l. has been depreciated in the 2022 financial statements.

Financial interests are recorded in financial result.

NOTE C.4. RECEIVABLES - PROVISIONS FOR DEPRECIATION OF RECEIVABLES

(In € thousands)	December 31, 2022 Gross value	Due in 1 year or less	Due in between 1 and 5 years	December 31, 2021 Gross value
Loans granted to subsidiaries (C.3)	4,989		4,989	10,084
Treasury shares (C.3)	162		162	232
Deposits and guarantees (C.3)	1,172		1,172	1,295
Doubtful or disputed receivables	3,601	3,601		3,654
Trade receivables	10,774	10,774		13,063
Trade receivables with affiliate companies	43,060	43,060		38,919
Income tax receivables – advance payment	—	—		—
R&D tax credit receivable [a]	2,739	2,739		3,579
Competitiveness and employment tax credit receivable	156	156		332
Other tax credits	482	482		
Value added tax (VAT)	733	733		923
Co-financed projects	736	736		
Trade payables debtors	358	358		414
Group and associates	2,338	2,338		687
Other receivables	3,619	244	3,375	913
Prepaid expenses (C.6)	3,045	3,045		2,094
TOTAL	**77,963**	**68,265**	**9,698**	**76,189**

(a) The research tax credit receivable has been factored, the counterpart is recognized in research tax credit.

The item "Other receivables over one year" corresponds to the balance of the sale price of the fluid simulation software ("CFD").

/ Details of provisions for depreciation of receivables

(In € thousands)	December 31, 2021	Increase	Reversal used	December 31, 2022
Provisions for doubtful receivables	3,828	465	740	3,552
Provisions for other receivables	—	898		898
TOTAL	**3,828**	**1,362**	**740**	**4,450**

NOTE C.5. MARKETABLE SECURITIES

Marketable securities consist of treasury shares and cash investments.

/ Treasury shares

Treasury shares in the balance sheet are classified in Marketable securities for €5.687 million (historical book value) as of December 31, 2022. Market valued amounted €26.354 million.

/ Change in the number of treasury shares – Marketable securities

	December 31, 2021	Increase	Decrease	Other movements *	December 31, 2022
TREASURY SHARES	**340,907**	**30,000**	**14,389**	**588**	**357,106**

* *Adjustment on inventory prior to 2017.*

Under a liquidity contract, ESI Group also holds 2,195 treasury shares recorded as financial assets, valued at €162 thousand.

/ Cash investments

Cash investments amounted €11,373 thousand as of December 31, 2022 (0 as of December 31, 2021) and are mainly invested in short-term deposits, secured at maturity, in euros and US dollars. They are held by Tier-one French banking institutions.

NOTE C.6. PREPAID EXPENSES AND EXPENSES CAPITALIZED, TO BE AMORTIZED

(In € thousands)	December 31, 2022	December 31, 2021
Prepaid rent	385	368
Maintenance prepaid expenses	1,794	1,355
Other prepaid expenses	865	371
Expenses related to syndicated loan and State guaranteed loans set up [(a)]	250	350
TOTAL	**3,295**	**2,444**

(a) Amortization over the duration of the loans.

NOTE C.7. FOREIGN EXCHANGE UNREALIZED LOSSES

These gains and losses pertain to the following balance sheet items:

(In € thousands)	December 31, 2022	December 31, 2021
Trade receivables	523	4,707
Trade payables	1,310	1,308
Others	277	18
TOTAL	**2,110**	**6,033**

NOTE C.8. ACCRUED INCOME

(In € thousands)	December 31, 2022	December 31, 2021
Receivables to be invoiced	992	7,553
Receivables to be invoiced from affiliate companies	6,474	6,455
Vendor credit notes to be issued	5	18
Group vendors credit notes to be issued	353	396
Miscellaneous income	—	—
TOTAL	**7,824**	**14,422**

NOTE D. Liability details

NOTE D.1. EQUITY

The main movements during the financial year are summarized in the table below:

(In € thousands)	December 31, 2021	Allocation of 2021 profit	2022 net result	Other	December 31, 2022
Capital	18,193			34	18,227
Share premium	26,985			333	27,318
ESI Software merger premium	9,677				9,677
Systus merger premium	2,854				2,854
Legal reserve	1,809			(4)	1,805
Retained earnings	(1,746)	(27,992)		4	(29,735)
Net result for the year	(27,992)	27,992	41,737		41,737
Regulated provisions	1,513			(59)	1,454
TOTAL	**31,293**	**—**	**41,737**	**308**	**73,337**

Movements presented in the "Other" column refer to:

- The capital increase resulting from the exercise of 11,475 stock options subscription (issuance of new shares with a nominal value of €3) for €34 thousand;
- The corresponding increase in the share premium for an amount of €333 thousand;
- The reversal of exceptional amortization on acquisition costs for -€59 thousand of which -€56 thousand for ESI ATE Holdings and -€3 thousand for ESI Hongkong, following the dissolution of those entities.

NOTE D.2. SHARE CAPITAL

	Number of shares		
	At the end of the financial year	Created during the financial year	Repaid during the financial year
Common shares (par value of €3)	6,075,616	11,475	—
O/w preferred shares (double voting rights)	1,973,843		—

The capital increase is attributable to the exercise of 11,475 stock-options.

NOTE D.3. STOCK OPTIONS AND FREE SHARES PLANS

Stock options and free share grants have been authorized by various General Meetings and could potentially dilute ESI Group's capital. The tables below describe ongoing plans.

/ Stock options

Plan number (date of General Meeting)	Date of Board of Directors	Number of attributable options granted	Number of options granted	O/w performance shares	Exercise price	Number of options exercisable at December 31, 2022	Limit year for exercising options
Plan 10 (GM 2012)	12/19/2012		150,850	62,300	27,820.00		2021
Plan 10 *bis* (GM 2012)	02/07/2014		11,000		24,420.00	—	2022
Plan 10 *ter* (GM 2012)	03/26/2015		15,000		21,660.00		2025
Plan 10 *quater* (GM 2012)	07/22/2015		3,150		27,170.00	—	2025
	Total GM 2012	**180,000**	**180,000**	**62,300**		**—**	
Plan 17 (GM 2014)	07/22/2015		7,350		27,170.00		2023
Plan 17 *bis* (GM 2014)	03/11/2016		10,000		23,350.00		2026
Plan 17 *ter* (GM 2014)	05/05/2017		18,175		50,920.00	8,500	2025
Plan 17 *quater* (GM 2014)	05/05/2017		1,875	1,875	50,920.00		2025
	Total GM 2014	**180,000**	**37,400**	**1,875**		**8,500**	
Plan 19 (GM 2017)	07/18/2018		43,950	32,963	42,970.00	5,315	2026
Plan 19 *bis* (GM 2017)	02/01/2019		20,000	15,000	27,040.00	5,000	2027
Plan 19 *ter* (GM 2017)	12/18/2019		25,785		29,120.00	16,810	2027
	Total GM 2017	**180,000**	**89,735**	**47,963**		**27,125**	
Plan 21 (GM 2021)	09/10/2021		24,000	14,400	60.47	—	2029
Plan 21 *bis* (GM 2022)	28/06/2022		36,000	21,600	64.78		2030
Plan 21 *ter* (GM 2022)	28/06/2022		9,150	4,575	64.78		2030
	Total GM 2020	**300,000**	**69,150**	**40,575**		**—**	
TOTAL STOCK-OPTIONS		**840,000**	**376,285**	**152,713**		**35,625**	

/ Free shares

Plan number (date of General Meeting)	Date of Board of Directors	Authorized number of shares	Number of shares granted	O/w performance shares	Number of shares in progress at December 31, 2022	End of vesting period
Plan No. 9 (GM 2018)	07/18/2018		10,617	7,964	—	2021
Plan No. 9 *bis* (GM 2018)	07/18/2018		2,441			2020
Plan No. 9 *ter* (GM 2018)	07/18/2018		15,500		—	2022
Plan No. 9 *quater* (GM 2018)	07/18/2018	60,000	16,250		1,166	2023
Plan No. 9 *quinquies* (GM 2018)	12/18/2019		6,337		—	2022
Plan No. 9 *sexies* (GM 2018)	12/18/2019		2,521		—	2021
Plan No. 9 *septies* (GM 2018)	03/19/2020		5,000		5,000	2023
Plan No. 10 (GM 2020)	06/25/2020		3,000			2023
Plan No. 10 *bis* (GM 2020)	06/10/2021		7,000		2,000	2023
Plan No. 10 *ter* (GM 2020)	10/04/2021		8,122	4,061	8,122	2025
Plan No. 10 *quater* (GM 2020)	10/04/2021		3,255		2,820	2024
Plan No. 10 *quinquies* (GM 2020)	10/04/2021	60,000	15,250		15,250	2025
Plan No. 10 *sexies* (GM 2020)	10/04/2021		716		555	2025
Plan No. 10 *septies* (GM 2020)	10/04/2021		8,331		7,215	2024
Plan No. 10 *octies* (GM 2020)	11/19/2021		4,000	2,000	—	2025
Plan No. 10 *novies* (GM 2020)	11/19/2021		10,000		—	2025
Plan No. 11 (GM 2022)	06/28/2022		10,035	5017	10,035	2024
Plan No. 11 *bis* (GM 2022)	06/28/2022		25,349		25,349	2024
Plan No. 11 *ter* (GM 2022)	06/28/2022		660		531	2024
Plan No. 11 *quater* (GM 2022)	06/28/2022		7,620		7,620	2024
Plan No. 11 *quinquies* (GM 2022)	06/28/2022	120,000	4,800	2400	4,800	2024
Plan No. 11 *sexies* (GM 2022)	06/28/2022		11,874		11,874	2024
Plan No. 11 *septies* (GM 2022)	06/28/2022		5,233		5,233	2024
Plan No. 11 *octies* (GM 2022)	06/28/2022		13,750		13,750	2026
Plan No. 11 *nonies* (GM 2022)	11/17/2022		2,500		2,500	2026
TOTAL FREE SHARES		**240,000**	**200,161**	**21,442**	**123,820**	

All stock options and free shares plans include a continued employment requirement.

NOTE D.4. CONDITIONAL ADVANCES

(In € thousands)	December 31, 2022	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2021
Ademe advance	750	18	—	732	768
Bpifrance advance	1,137	496	642	—	1,004
TOTAL	**1,887**	**514**	**642**	**732**	**1,772**

NOTE D.5. PROVISIONS FOR CONTINGENCIES AND CHARGES

(In € thousands)	December 31, 2021	Increase	Reversal	December 31, 2022
Foreign exchange unrealized losses (note C.7)	6,033	2,110	(6,033)	2,110
Provisions for contingencies and charges	6,087	830	(4,880)	2,036
Provision for retirement obligations	4,314	408	(1,704)	3,018
Others Provisions		78		78
TOTAL	**16,434**	**3,426**	**(12,617)**	**7,243**

Provisions for contingencies and charges cover risks and expenses of a social nature, including €1,121 thousand related to the "OneESI 2024 – Focus to Grow" transformation plan launched in 2021. The reversal of the provision recognized during the financial year 2022 covers the charges recorded during the period.

Provision allowance for retirement obligations breaks down as follows:

- €365 thousand provision of operating allowance, as well as a provision reversal of -€730 thousand related to the change in actuarial assumptions (with the exception of the change in the discount rate, of a financial nature) and for indemnities paid by the employer;
- €43 thousand of financial allowance corresponding to interest expenses, as well as a provision reversal of -€974 thousand related to the increase in discount rate;
- Other provisions cover the financial risk linked to a subsidiary for €78 thousand.

/ Actuarial assumptions for retirement obligations

	December 31, 2022	December 31, 2021
Discount rates	3.75%	0.90%
Rate of salary increase	3.00%	2.50%

The discount rate corresponds to AA-rate corporate bond rates in the Eurozone, adjusted according to the duration of the Group's commitments. Turnover rates are calculated per age group according to the past experience of the Company.

NOTE D.6. STATEMENT OF LIABILITIES

(In € thousands)	December 31, 2022	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2021
Banks borrowings (D.7)	32,628	10,907	21,721		38,825
Miscellaneous financial debt (D.8)	—	—			2,500
Trade payables	4,976	4,976			3,769
Group trade payables	38,964	38,964			45,006
Personnel and related receivables (D.9)	4,105	4,105			3,871
Payroll taxes (D.9)	3,778	3,778			3,559
Value-added tax (D.9)	63	63			373
Other tax expense (D.9)	3,497	3,497			700
Liabilities to fixed asset suppliers	350	350			
Other operating payables – Group and associates (D.10)	7,289	7,289			11,481
Other operating payables – out of Group (D.10)	3,430	3,430			1,444
Deferred income	432	432			3,612
TOTAL	**99,512**	**77,791**	**21,721**	**—**	**115,140**

NOTE D.7. BANK LOANS

At December 31, 2022, bank loans stood at €32,628 thousand and break down as follows:

- €14,918 thousand related to the part reimbursable over several years, of which €5 million to be repaid in 2023;
- €13,641 thousand related to two State guaranteed loans signed in 2020;
- €2,400 thousand related to a loan with BPI France, including €800 thousand to be repaid in 2023;
- €1,575 thousand corresponding to a loan to finance the cost of moving Rungis office – fully due October 2023;
- The balance corresponds to accrued interest on the various loans.

ESI Group's main source of financing is the syndicated loan, which consists of a part reimbursable over several years of €15 million at end 2022, and of a €10 million revolving credit, not used at end 2022. Yearly instalments of the long-term part are paid on April 30 each year, until April 30, 2025. The syndicated loan remuneration is based on the Euribor rate and a margin of 2%, 2.25% or 2.5% depending on the level of the Net financial debt/EBITDA ratio related to previous year financial statements. The margin applied, which stood at 2.25% at the start of the year, was reduced to 2.00% as of July 29, 2022.

ESI Group signed in 2020 two State guaranteed loans: in August a loan of €1.75 million with BPI France, and in October a loan of €12 million with the bank pool of the syndicated loan. ESI Group has decided to reimburse the loans in five years per quarter. Different interests rates will be applied by each bank on their respective financing share.

Off-balance-sheet commitments associated with this syndicated loan are presented in note F.4.

NOTE D.8. MISCELLLANEOUS FINANCIAL DEBT

(In € thousands)	December 31, 2022	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2021
Promissory note	—	—			2,500
TOTAL	**—**	**—**			**2,500**

As of December 31, 2021, ESI Group had recourse to a promissory note at the end of the year for an amount of €2.5 million. It was fully repaid on February 28, 2022.

NOTE D.9. TAX PAYABLES AND EMPLOYEE-RELATED LIABILITIES

(In € thousands)	December 31, 2022	December 31, 2021
Provision for paid leave, including payroll taxes	1,953	2,330
Provision for bonuses to be paid to employees, including payroll taxes	2,489	2,922
Other payroll taxes	3,440	2,177
VAT collected	63	373
Other taxes	3,497	700
TOTAL	**11,443**	**8,502**

The increase in tax and social security liabilities is explained by the recording of a provision for employee profit-sharing for the 2022 fiscal year (€838 thousand including the social charges) and the corporate income tax of the financial year (€3,275 thousand). It is reminded that the 2021 financial year result was a loss.

NOTE D.10. OTHER OPERATING PAYABLES

(In € thousands)	December 31, 2021	Increase	Decrease	December 31, 2022
Creditor trade receivables	72	160	(60)	171
Subsidiaries current account	11,481	13,472	(17,664)	7,289
Advances on co-financed projects	—		—	—
Other liabilities	1,444	2,182	(196)	3,430
TOTAL	**12,996**	**15,813**	**(17,920)**	**10,890**

NOTE D.11. FOREIGN EXCHANGE UNREALIZED PROFIT

These gains and losses pertain to the following balance sheet items:

(In € thousands)	December 31, 2022	December 31, 2021
Trade receivables	1,277	6,066
Trade payables	436	371
Intercompany receivables	202	660
Other receivables and debts	92	254
TOTAL	**2,007**	**7,351**

NOTE D.12. ACCRUED EXPENSES

(In € thousands)	December 31, 2022	December 31, 2021
Borrowings and financial debts	95	300
Trade payables	3,625	3,262
Provision for paid leave, including payroll taxes	1,953	2,330
Provision for bonuses to be paid to employees, including payroll taxes	2,489	2,921
Other tax expenses	3,275	366
Other social expenses	838	
Other liabilities (advances on co-financed projects)	513	205
TOTAL	**12,788**	**9,384**

NOTE E. Details on income statement

NOTE E.1. REVENUE

/ Breakdown by type

(In € thousands)	December 31, 2022	December 31, 2021
Software licenses	11,593	12,029
Sub-contracting, consulting and other income	982	941
Royalties received from Group distribution subsidiaries	66,340	64,223
Sub-contracting, consulting and other income – Group	324	1,123
Income from related activities – Group	3,441	2,497
Management fees Group	5,815	5,008
TOTAL	**88,496**	**85,821**

/ Breakdown by geographic area

(In € thousands)	December 31, 2022	December 31, 2021
France	9,643	9,479
Europe (except France)	29,004	29,385
Americas	14,892	13,717
Asia	34,957	33,240
TOTAL	**88,496**	**85,821**

NOTE E.2. OTHER INCOME FROM OPERATIONS

(In € thousands)	December 31, 2022	December 31, 2021
Production held as inventory		
Capitalized production	26,729	30,151
Reversal on depreciation and amortization	1,470	3,176
Reversal on foreign exchange provision on trade receivables and payables	—	—
Foreign exchange gains on trade receivables and payables	3,808	2,301
Other income	1,112	1,409
TOTAL OTHER INCOME	**33,119**	**37,036**

Capitalized production (€26.7 million in 2022) corresponds to the activation of the costs of developing new features or new versions of ESI's software.

As of the 2022 financial year, income from co-financed projects ("special projects") is recognized under other income from operations and no longer as a revenue. In 2021, the co-financed projects represented a turnover of €1.9 million.

During the production of a co-financed project, the income recognized as transfer of expenses is determined on the basis of the progress rate of the project, in proportion to the percentage financed.

NOTE E.3. OTHER PURCHASES AND EXTERNAL EXPENSES

(In € thousands)	December 31, 2022	December 31, 2021
Engineering studies and other services	6,211	7,289
Engineering studies and other services – Group	12,912	17,088
Research and development costs – Group	21,358	19,861
Materials and supplies	325	288
Leases and rental expenses	5,710	5,083
Maintenance and repairs	1,078	1,384
Insurance	209	226
Payments to intermediaries and fees	3,974	2,308
Royalties on third-party products and sales commissions	(1,202)	1,715
Advertising, external relations	392	234
Travel expenses	510	135
Postage, telecommunications expenses	207	273
Other	904	1,004
TOTAL	**52,589**	**56,888**

NOTE E.4. INCOME TAX EXPENSE

(In € thousands)	December 31, 2022	December 31, 2021
Corporate Value-Added Contribution (CVAE)	352	929
Corporate Real Estate Contribution (CFE)	125	141
Apprenticeship, continuing education and construction-related taxes	377	457
Other taxes	68	(240)
TOTAL	**922**	**1,287**

NOTE E.5. OPERATING ALLOWANCES

(In € thousands)	December 31, 2022	December 31, 2021
Amortization allowance for development costs	25,615	29,308
Amortization allowance for other intangible assets	1,554	1,635
Amortization allowance for tangible assets	646	743
Amortization allowance for capitalized expenses to be amortized	100	102
Provision for impairment of trade receivables	465	977
Provision for retirement obligations	365	393
Provision for contingencies and charges	—	511
TOTAL	**28,746**	**33,669**

NOTE E.6. OTHER OPERATING EXPENSES

(In € thousands)	December 31, 2022	December 31, 2021
Royalties	—	6
Directors' fees	450	343
Foreign exchange losses on trade receivables and payables	1,272	1,897
Loss on trades receivables	429	—
Miscellaneous expenses	107	16
TOTAL	**2,257**	**2,262**

NOTE E.7. FINANCIAL RESULT

(In € thousands)	December 31, 2022	December 31, 2021
Foreign exchange gain/(loss) realized	1,303	399
Interest on borrowings	(500)	(917)
Interest on subsidiaries current account	(25)	(42)
Provision for retirement obligations	931	(15)
Provision for impairment equity investments and related receivables	(1,857)	(5,405)
Reversal provision for investments and related receivables [a]	10,374	784
Loss on simplified merger	442	(239)
Provision for foreign exchange loss	4,880	2,378
Other financial income/(expenses)	933	(127)
TOTAL	**16,481**	**(3,184)**

(a) The reversal of provision for investment is related to ESI ITI GmbH merged into ESI Germany GmbH. The value of the securities of this new global entity no longer justifies the provision for equity investment that has therefore been released.

NOTE E.8. EXCEPTIONAL RESULT

(In € thousands)	December 31, 2022	December 31, 2021
Profit or loss on movements of treasury shares	(147)	(149)
Accelerated capital allowances	59	(7)
Loss of expired foreign tax credits	—	(879)
Staff cots related to restructuring plan OneESI	(5,310)	(874)
Chan ge in provision for Restructuring plan OneESI	4,050	(5,130)
Profit or loss on movements of other	(553)	
Gain on intangible asset disposal CFD/SCILAB	17,085	
Fixed asset restructuring – write-off	(779)	(21,370)
Loss on tangible fixed assets	(9)	(184)
Loss on Financial fixed assets	(1,915)	(2,387)
IP litigation compensation		883
Miscellaneous	(34)	(101)
TOTAL	**12,447**	**(30,198)**

NOTE F. Other information

NOTE F.1. AVERAGE HEADCOUNT

Employees (In full-time equivalent)	December 31, 2022	December 31, 2021
Executives	212	222
Office personnel	5	12
TOTAL	**217**	**234**

Average headcount in France and in branches outside France.

NOTE F.2. COMPENSATION PAID TO EXECUTIVE CORPORATE OFFICERS

Total compensation paid to ESI Group's executive corporate officers are as follows (three executive corporate officers in 2021, one executive corporate officer in 2022):

(In € thousands)	December 31, 2022	December 31, 2021
Wages	91	359
Benefits in kind		13
Directors' fees	—	18
Compensation paid by controlled companies	285	435
Fringe benefits paid by controlled companies	—	—
TOTAL	**376**	**825**

NOTE F.3. BRANCHES

There is one branches integrated within ESI Group's financial statements.

Name	Address	Country
ESI Group Netherlands – Branch Office	Vlieland 11, 2716AA Zoetermeer Zuid-Holland	The Netherlands

NOTE F.4. OFF-BALANCE SHEET COMMITMENTS

/ Future lease obligations

(In € thousands)	Less than 1 year	Between 1 and 5 years
Real estate rentals	1,216	4,511
Movable property rentals	64	116
TOTAL	**1,280**	**4,627**

Future lease commitments correspond to the outstanding amounts due on the Group's main lease and rental contracts until the contractual next maturity date.

/ Financial instruments

ESI Group subscribed to financial instruments in order to mitigate its exposure to changes in foreign exchange rates and interest rates.

- Interest rate instruments:

  Historically, the interest rate swaps set up by ESI Group have hedged the variable interest rate of the syndicated loan. The syndicated credit agreement signed in December 2018 requires the set-up of variable rate hedging up to 50% of the outstanding loan amount. Two swaps were signed during the first half of 2022 to meet this requirement, with a nominal value of €3.5 million each, where ESI Group receives a three months Euribor (with a 0% floor) and pays a fixed rate of 1.249% and 1.360% respectively. At the end of 2022, the underlying assets covered by each of these contracts amounted to €3.5 million.

  Results at maturity for interest rate instruments are recognized in financial result.

- Foreign exchange instruments:

  In order to hedge foreign currency cash flows between the Group's parent company and its subsidiaries, ESI Group may at any time acquire currency options and any other form of currency contracts. Foreign exchange instruments in place as of December 31, 2022 concerned Japanese yen (FX forward with a nominal of JPY 1.7 billion), Korean won (non-deliverable FX forward with a nominal amount of KRW 1.8 billion) and Indian rupee (non-deliverable FX forward with a nominal amount of INR 500 million). These impact of those financial instruments, with a maximal maturity of 12 months are accounted in foreign exchange gain or loss.

/ Guarantees & Pledges

As part of the credit agreement dated December 20, 2018, ESI Group granted a pledge of 99.98% of the shares of the French subsidiary Engineering System International and 100% of the shares of the German subsidiaries ESI Software Germany GmbH and ESI ITI GmbH.

In 2022, ESI Group obtained the agreement from the lenders to proceed with the merger of the German legal entities, in order to simplify its legal organization. The collateral granted to lenders now covers only 100% of the shares of the acquiring company, ESI Software Germany (now renamed ESI Germany GmbH). The pledge of 99.98% of the shares of the French subsidiary *Engineering System International* is unchanged.

ESI Group had security deposit with Crédit du Nord for an amount of €82 thousand, established in November 2012 and expiring November 28, 2021 plus six months. This guarantee has expired during the fiscal year 2022 and released has been obtained.

/ Other financial commitments

As long as it owes an obligation under the agreement or the security documents, the borrower undertakes, under prepayment constraint, to comply with the ratio of consolidated net financial debt divided by consolidated EBITDA, the thresholds to be respected over the term of the syndicated loan agreement are gradually decreasing. As at December 31, 2022, the threshold to be respected is 3%. Based on the annual consolidated financial statements, the Group was in compliance with this ratio.

Finally, as part of the sale, on July 13, 2022, of the non-strategic fluid simulation software ("CFD") US$3.6 million remains to be received within a period of 18 months from that closing date, subject to the absence of implementation by the purchaser of the contractual guarantees.

NOTE F.5. RECONCILIATION OF PROFIT/(LOSS) AND TAX INCOME/(CHARGE)

(In € thousands)	Profit (loss) before tax	Reconciliation of income/loss	Taxable income	Tax (expense)/ income*	Profit (loss) after tax
Current income (loss)	30,681	(16,645)	14,036	(1,736)	12,300
Non current income	11,749	698	12,447	(1,539)	10,908
TAX INCOME (LOSS)	**42,430**	**(15,947)**	**26,483**	**(3,275)**	**23,208**

* *Excluding R&D tax credit.*

NOTE F.6. INCREASES AND DECREASES IN FUTURE TAX LIABILITIES

(In € thousands)	December 31, 2022
Special social security contribution (contribution sociale de solidarité)	—
Retirement allowance	3,017
Translation differences	2,007
Interest	219
TOTAL TEMPORARY DIFFERENCES	**5,243**
NET DECREASE IN FUTURE INCOME TAX LIABILITIES (TAX RATE OF 26.5%)	**1,311**

Increases and decreases in future income tax liabilities were measured based on the statutory tax rate for the French income tax. They result from time difference between tax and accounting treatment of income and expenses.

At end 2022, the Company tax losses carried-forward amounts to €29 million.

NOTE F.7. ESI GROUP, CONSOLIDATING COMPANY

ESI Group, headquartered 3 bis, rue Saarinen, 94150 Rungis, France, is the consolidating holding company of the Group of the same name.

NOTE F.8. TABLE OF CONTROLLED ENTITIES AND AFFILIATES (AT DECEMBER 31, 2022)

(In € thousands)	Headquarters	Capital *(converted at the closing rate)*	Shareholders' equity other than capital and net profit for the year *(converted at the closing rate)*	% of capital owned *(in %)*	Carrying number of shares held		Outstanding loans and advances granted by the Company or by the subsidiary	Total guarantees granted by the Company	Revenues, after tax, for the last financial year *(converted at the average exchange rate)*	Profit or loss for the last financial year *(covered at the average exchange rate)*	Dividends received by the Company during the financial year
					Gross	Net					
A. Detailed information on each security with gross value exceeding 10% of the Company's capital											
1. Over 50%-owned subsidiaries											
Engineering System International SAS	France	1,020	2,044	100	458	458	—		18,598	660	
ESI Japan, Ltd.	Japan	99	991	100	171	171	(2,155)		29,984	387	
Hankook ESI Co., Ltd.	South Korea	998	(3,364)	100	970	970			5,797	(270)	
ESI North America, Inc.	USA	684	(5,793)	100	4,560	4,560	3,469		22,978	543	
ESI Group Hispania s.l.	Spain	100	(1,924)	100	100	—	2,020		5,661	(36)	
Mecas ESI s.r.o.	Czech Republic	16	1,215	100	1,262	1,262	(680)		7,577	(619)	
ESI UK Ltd.	United Kingdom	120	1,855	100	164	164	(305)		5,679	218	
ESI US R&D, Inc.	USA	194	4,083	49	4,128	649	40		7,191	228	
Calcom ESI SA	Switzerland	83	1,071	99	2,678	656	593		610	286	
ESI Software (India) Private Ltd.	India	2	8,532	100	2	2			10,689	1,283	
ESI Italia s.r.l.	Italy	500	(51)	100	1,050	1,050	79		5,663	(257)	
ESI South America Comércio e Serviços de Informática, Ltda	Brazil	9	211	100	56	56	(5)		888	17	
ESI Services Tunisie SARL	Tunisia	107	1,268	100	303	303			334	10	
ESI Group Beijing Co., Ltd.	China	602	(2,566)	100	543	543			5,355	(1,143)	
ESI Germany GmbH	Germany	517	8,381	100	29,418	29,418	(3,867)		32,951	(1,189)	
ESI Nordics AB	Sweden	11	442	100	446	446	7		1,753	(38)	
Open CFD Ltd.	United Kingdom	—	(1,282)	100	2,351	—	898		453	(521)	
ESI Services Vietnam Co., Ltd.	Vietnam	73	128	100	124	81			167	(32)	
2. 10-50% owned subsidiaries											
JV AECC-ESI	China	1 275	1,713	35	448	448			—		

Data as of December 31, 2022 presented in this table are non-audited data.

NOTE F.9. SUBSEQUENT EVENTS

On January 6, 2023, ESI Vietnam went into liquidation.

6.2.4. Statutory Auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of Englishspeaking users. This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided 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 31 December 2022

To the Annual General Meeting of ESI Group,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of ESI Group for the year ended December 31, 2022.

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 December 31, 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

/ Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

/ Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*) for the period from January 1, 2022 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

/ Valuation of development costs

Risk identified	Our response
In the balance sheet, intangible assets include capitalized development costs for net carrying amounts of K€ 33,362 as at December 31, 2022. The development costs correspond mainly to direct labor and subcontracting costs relating to the development of new offers or major improvements to existing software solutions. As indicated in Note B.2. to the financial statements, the capitalization of these development costs is subject to compliance with the criteria set out in the rules on fixed assets according to French accounting standards. The amortization times, which are between 12 and 36 months, are estimated for each project depending on the period during which your Company expects the software concerned to generate revenue. Projects corresponding to the development of new software versions, which are delivered annually, are amortized over 12 months. Projects corresponding to the development of major new features are amortized over 24 or 36 months depending on the level of innovation associated. Impairment for the net carrying amount of the capitalized development costs is recognized when, at year-end, the probable future economic benefits are no longer sufficient to cover the residual value of the asset. The assessment of compliance with the criteria for capitalization of development costs, the determination of the amortization period, and the impairment of capitalized projects no longer generating future economic benefits, are based on Management's judgment and the reliability of the procedures applied for the identification and allocation of the costs between the different projects. On this basis, we considered the capitalization of development costs to be a key audit matter.	For a sample of projects developed during financial year 2022, we assessed the compliance of the criteria for capitalization on the balance sheet with the accounting standard in force: ■ We reconciled the accounting data with the management data giving detailed information on the capitalized projects, in order to assess the reliability of the information reported; ■ By sampling, we checked the individual hourly rates used by your Company to value the hours reported in the capitalized project calculation file and reconciled these hours with the timesheets entered by the engineers; ■ We verified the correct calculation of the amortization expense on the basis of the period established for each project by your Group's Management and we assessed the reliability the release date of the projects selected as samples; ■ We assessed the overall consistency of the amortization periods estimated by your Company, particularly in relation to market references; ■ We verified the amount of the mark-up applied to R&D expenses at within your Company when the developments are carried out by subsidiaries, according to contractual rates defined in intragroup agreements; ■ In addition, we assessed that there were no indication of impairment of the projects capitalized at year-end.

/ Valuation of equity investments

Risk identified	Our response
Equity investments were recorded in the balance sheet for the year ended December 31, 2022 for a net carrying amount of K€ 42,691. At acquisition date, these equity investments are valued at acquisition cost, which includes the purchase price and the costs directly attributable thereto. At each year-end, the carrying amount of an equity investment is compared to its value in use, and if the latter is lower than the carrying amount, impairment is recognized in order to reduce the carrying amount to the value in use. The different methods used to determine the value in use are described in Note B.4 to the financial statements and are as follows: ■ Equity investments in active subsidiaries are valued on the basis of a multiple of revenue adjusted for the net cash position of the subsidiary, or alternatively on the basis of discounted forecast cash flows for recently acquired entities; ■ Equity investments in subsidiaries that are dormant or with reduced activity are valued on the basis of the share of net equity attributable to ESI Group. Estimating the value in use of these equity investments, which represent a material amount in the balance sheet assets, requires the exercise of Management's judgment in identifying the criteria determining the valuation method to be used and the factors to be considered according to the investments concerned, particularly historical items (shareholders' equity) or forecasts (profitability prospects). We therefore considered the valuation of equity investments to be a key audit matter.	We reviewed the compliance of the method used by your Company for the valuation of equity investments with the accounting rules and principles in force. Our work consisted in reviewing the justification provided by Management for the valuation method and the data used. Our examination of the method applied, according to the equity investments concerned, is detailed as follows: For the main equity investments in active subsidiaries: ■ We assessed the reasonableness of the multiple of revenue used; ■ We verified the calculations made and compared revenue and net cash amounts with the corresponding entities' accounts. For the main equity investments in subsidiaries that are dormant or with reduced activity, we reconciled the amounts of shareholders' equity retained with the accounts of the corresponding entities;

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

/ Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

/ Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de commerce*) relating to the remuneration and benefits received by, or allocated to the directors and any other commitments made in their favor, 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 controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

/ Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

/ Format of preparation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018.

On the basis of our work, we conclude that the preparation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (*Autorité des marchés financiers*) agree with those on which we have performed our work.

/ Appointment of the Statutory Auditors

We were appointed as statutory auditors of ESI Group by your Annual General Meeting held on June 22, 2021 for KPMG S.A. and on December 16, 1997 for ERNST & YOUNG Audit.

As at December 31, 2022, KPMG S.A. was in its second year of total uninterrupted engagement and ERNST & YOUNG Audit in its twenty-sixth year (including twenty-three years since the securities of the Company were admitted to trading on a regulated market).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

/ Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

/ Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 17 March 2023

The Statutory Auditors

French original signed by:

KPMG Audit *Département de KPMG S.A.*	ERNST & YOUNG Audit
Stéphanie Ortega	Pierre-Henri Pagnon

CHAPTER 7

RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

This section outlines the issues and key points arising from the proposed resolutions to be submitted by the Board of Directors for approval at the Shareholders' Meeting on June 29, 2023. It is not intended to be exhaustive, and you should therefore read the proposed resolutions carefully before voting at the Meeting.

DECISIONS FALLING WITHIN THE COMPETENCE of the Ordinary General Meeting

1. Approval of the parent company financial statements for the financial year ended December 31, 2022
2. Approval of the total expenses and charges not deductible from profits subject to income tax
3. Approval of the consolidated financial statements for the financial year ended December 31, 2022
4. Allocation of net result for the year
5. Special report of the Statutory Auditors on the regulated agreements and commitments referred to in Article L. 225-38 of the French Commercial Code
6. Approval of the total compensation paid or allocated to the members of the Board of Directors, the Chairman of the Board of Directors, and the Chief Executive Officer for the financial year ended on December 31, 2022, in accordance with Article L. 22-10-34 I of the French Commercial Code
7. Approval of the components of the total compensation paid or allocated to Alex Davern, Chairman of the Board of Directors , for the financial year ended on December 31, 2022
8. Approval of the components of the total compensation paid or allocated to Cristel de Rouvray, Chief Executive Officer, for the financial year ended on December 31, 2022
9. Approval of the remuneration policy for the Chairman of the Board of Directors for 2023 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code
10. Approval of the remuneration policy for the Chief Executive Officer for 2023 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code
11. Approval of the remuneration policy for the members of the Board of Directors for 2023 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code
12. Authorization for the Board of Directors to buy back the Company's own shares in accordance with article L. 22-10-62 of the French Commercial Code

DECISIONS FALLING WITHIN THE COMPETENCE vof the Extraordinary General Meeting

13. Delegation of authority to the Board of Directors to award free shares to eligible employees and corporate officers of the Company and its affiliates

Joint DECISIONS

14. Powers to carry out formalities

7 RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

7.1. DECISIONS FALLING WITHIN THE COMPETENCE OF THE ORDINARY GENERAL MEETING

First, second, third and fourth resolutions

Statement of reasons

ESI Group achieves key milestones of OneESI 2024 Plan, delivering strong results in 2022. ESI Group has made significant progress on its strategic plan, on track with expectations for the fiscal year 2022.

Having reviewed the management report of the Board of Directors, the reports of the Statutory Auditors on financial statements, you are asked to vote on the parent company and consolidated financial statements for the financial year ended December 31, 2022, and on the transactions reflected therein or summarized in these reports.

At December 31, 2022:

- The Company financial statements showed a positive result of €41,737,071.95;
- The total expenses and charges not deductible from profits subject to income tax, equal to €216,539.84;
- The Company's consolidated financial statements showed a positive net result of €15,420,585.

The General Meeting is requested to allocate the profit of €41,737,071.95 as follows:

- €17,317.20 to the legal reserve;
- €41,719,754.75 to retained earnings.

Following this allocation, the balance of the legal reserve will stand at €1,822,684.80.

Following this allocation, retained earnings will stand at €11,984,802.27.

The Board of Directors reminds the General Meeting that no dividends have been paid out for the past three financial years.

First resolution

Approval of the parent company financial statements for the financial year ended December 31, 2022

The General Meeting, having reviewed the management report of the Board of Directors, and the reports of the Statutory Auditors on the parent company financial statements and the parent company financial statements for the financial year ended December 31, 2022, approves the financial statements and balance sheet, as presented, showing a positive result of €41,737,071.95.
It approves the transactions reflected in said financial statements or summarized in said reports.

Second resolution

Approval of the total expenses and charges not deductible from profits subject to income tax

The General Meeting, having reviewed the management report of the Board of Directors, and the reports of the Statutory Auditors on the parent company financial statements and the parent company financial statements for the financial year ended December 31, 2022, approves the total expenses and charges not deductible from profits subject to income tax, equal to €216,539.84.

Third resolution

Approval of the consolidated financial statements for the financial year ended December 31, 2022

The General Meeting, having reviewed the management report of the Board of Directors, and the reports of the Statutory Auditors on the consolidated financial statements and the consolidated financial statements as at December 31, 2022, approves these financial statements as presented, resulting in a +€15,420,585 profit.

Fourth resolution

Allocation of net profit for the year

The General Meeting, noting that the net positive result for the year ended December 31, 2022 amounted to €41,737,071.95, decides, on a proposal from the Board of Directors, to allocate the result as follows:

Current position:

- Net result for the year: +€41,737,071.95;
- Retained earnings: -€29,734,952.48;
- Total to be allocated: €12,002,119.47.

Allocated as follows:

- €17,317.20 to the legal reserve;
- €11,984,802.27 to retained earnings.

Following this allocation, the balance of the legal reserve will stand at €1,822,684.80.

Following this allocation, creditor retained earnings will stand at €11,984,802.27.

The Board of Directors reminds the General Meeting that no dividends have been paid out for the past three financial years.

Fifth resolution

Special report of the Statutory Auditors on the regulated agreements and commitments referred to in Article L. 225-38 of the French Commercial Code

Statement of reasons

Based on the special report by the Statutory Auditors on regulated agreements presented in section 2.6 of the 2022 Universal Registration Document, the General Meeting is requested to acknowledge that during the financial year ended on December 31, 2022, no new agreement gave rise to the procedure provided for in Articles L. 225-38 *et seq*. of the French Commercial Code mentioning the presence of one new regulated agreement for the 2022 fiscal year.

The General Meeting, having reviewed the special report by the Statutory Auditors on the agreements and commitments referred to in Articles L. 225-38 *et seq*. of the French Commercial Code, takes note of the conclusions of the said report.

Sixth, seventh and eighth resolutions

Statement of reasons

In accordance with Article L. 22-10-34 of the French Commercial Code, the General Meeting is requested every year to approve the fixed, variable and exceptional components of the total remuneration and benefits of all kinds paid or allocated to the Chairman of the Board of Directors and Chief Executive Officer in respect to their mandate.

The compensation was paid or awarded in accordance with the compensation policy approved by the Shareholders' Meeting on June 28, 2022. It is reminded that payment of the variable and exceptional compensation is contingent upon shareholder's approval at the 2023 Shareholders' Meeting.

These components of the remuneration, approved by the Board of Directors under the recommendation of the Compensation Committee, are presented in the report of the Board of Directors on corporate governance in section 2.4 of the 2022 Universal Registration Document.

Sixth resolution

Approval of the total compensation paid or allocated to the members of the Board of Directors, the Chairman of the Board of Directors and the Chief Executive Officer for the financial year ended on December 31, 2022, in accordance with Article L. 22-10-34 I of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, approves, in accordance with the provisions of Article L. 22-10-34 I of the French Commercial Code, the information referred to in Article L. 22-10-9 I of the French Commercial Code relating to the compensation paid or allocated to corporate officers during the financial year ended 31 December 2022, as described in paragraph 2.4 and in particular 2.4.3.1.13 of the Company's 2022 Universal Registration Document.

Seventh resolution

Approval of the components of the total compensation paid or allocated to Alex Davern, Chairman of the Board of Directors, for the financial year ended on December 31, 2022

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Article L. 22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated for the financial year ended on December 31, 2022 to Alex Davern, Chairman of the Board of Directors, as described in paragraph 2.4.3.1.1 of the Company's 2022 Universal Registration Document.

Eighth resolution

Approval of the components of the total compensation paid or allocated to Cristel de Rouvray, Chief Executive Officer, for the financial year ended on December 31, 2022

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Article L. 22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated for the financial year ended on December 31, 2022 to Cristel de Rouvray, Chief Executive Officer, as described in paragraph 2.4.3.1.13 of the Company's 2022 Universal Registration Document.

Ninth, tenth and eleventh resolutions

Statement of reasons

In accordance with Article L. 22-10-8 of the French Commercial Code, the General Meeting is requested every year to approve the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total remuneration and benefits of all types attributable to the Chairman of the Board of Directors and the Chief Executive Officer, in respect to their mandate for 2022 financial year.

The remuneration policy applicable to corporate officers, approved by the Board of Directors under the recommendation of the Compensation committee, is presented in the report of the Board of Directors on corporate governance in section 2.4.1 of the 2022 Universal Registration Document.

Ninth resolution

Approval of the remuneration policy for the Chairman of the Board of Directors for 2023 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Articles L. 22-10-8 II and R. 22-10-14 of the French Commercial Code, approves the remuneration policy attributable to the Chairman of the Board of Directors for the 2023 financial year, as described in this report and set out in paragraph 2.4.1.1 of the Company's 2022 Universal Registration Document.

Tenth resolution

Approval of the remuneration policy for the Chief Executive Officer for 2023 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Articles L. 22-10-8 II and R. 22-10-14 of the French Commercial Code, approves the remuneration policy attributable to the Chief Executive Officer for the 2023 financial year, as described in this report and set out in paragraph 2.4.1.2 of the Company's 2022 Universal Registration Document.

Eleventh resolution

Approval of the remuneration policy for the members of the Board of Directors for 2023 financial year, in accordance with Article L. 22-10-8 II of the French Commercial Code

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and in accordance with Articles L. 22-10-8 II and R. 22-10-14 of the French Commercial Code, approves the remuneration policy attributable to members of the Board of Directors for the 2023 financial year, as described in this report and set out in the paragraph 2.4.1.1 of the Company's 2022 Universal Registration Document.

Twelfth resolution

Authorization for the Board of Directors to buy back the Company's own shares in accordance with article L. 22-10-62 of the French Commercial Code

Statement of reasons

As the existing authorization will expire in December 2023, it is proposed to the General Meeting to terminate this authorization and grant the Board of Directors a new authorization for the Company to buy back its own shares for a new period of 18 (eighteen) months as from the General Meeting of June 29, 2023.

It is proposed to set the maximum purchase price at €150 (hundred fifty) per share. Pursuant to current legislation, the maximum number of shares that may be purchased is limited to 10% of the capital, taking into account the treasury stock already held by the Company, 5.38% as at December 31, 2022. Stated otherwise the Company will not be allowed to pay out more than €40,000,000 (forty million) under the share buyback program.

The Company can buy back its own shares to:

- Stimulate the secondary market or the liquidity of ESI Group shares through a liquidity contract signed with Crédit Industriel et Commercial S.A;
- Allocate them to free share awards or stock purchase options;
- Hold them and use them at a later date as payment for acquisitions;
- Cancel them by a reduction in share capital.

For information purposes, the use of the previous authority is reported in the paragraph 2.5.3 of the present Company's Universal Registration Document for the year ending December 31, 2022.

The General Meeting, having reviewed the report of the Board of Directors in accordance with Article L. 22-10-62 of the French Commercial Code, Articles 241-1 et seq. of the General Regulations of the Autorité des Marchés Financiers ("AMF") and the European regulations resulting from European Regulation (EU) No 596/2014 of 16 April 2014:

1. 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 June 29, 2023, in order to:
   i. Stimulate the secondary market or the liquidity of ESI Group shares through a liquidity contract signed with an investment service provider and compliant with accepted market practice by the French Financial Markets Authority (AMF),
   ii. Fulfill its share issue obligations, in accordance with the terms and conditions set forth by law, undertaken as part of the following:
       - Plans granting stock options for the purchase of existing shares by the Group's employees or corporate officers,
       - Employee profit-sharing plans under which these shares would be granted to employees and/or corporate officers,
       - Free share grants 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.
   iii. Retain shares to subsequently use them in exchange or as payment for future business acquisitions,
   iv. Cancel shares by a reduction in share capital;
2. Decides that the purchase price per share may not exceed €150 (hundred fifty);
3. Decides to fix the maximum amount that the Company may spend within the framework of this buyback program at €40,000,000 (forty million);
4. Acknowledges that this authorization shall render ineffective the previous authorization granted by the eighteenth resolution of the Combined General Meeting of June 28, 2022 authorizing the Board to trade on its own shares;
5. Decides that the shares may be purchased or retained at the discretion of the Board of Directors by any means by trading on or off the market, or 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 shares. Such transactions may be carried out at any time, including during public offering periods, in accordance with the regulations in force;
6. Acknowledges that the Company may not, at any time, hold, either directly or via an intermediary, more than 10% of the total shares making up its own share capital;
7. Grants full authority to the Board of Directors to:
   - Publish, on the website of the 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 to record share purchases and sales,
   - Make any and all disclosures to the stock market regulators, carry out any other formalities and, in general, take any necessary steps.

The Board of Directors shall inform shareholders of any purchases or sales carried out pursuant to this authorization in its management report.

7.2. DECISIONS FALLING WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

Thirteenth resolution

Delegation of authority to the Board of Directors to award free shares to eligible employees and corporate officers of the Company and its affiliates

Statement of reasons

As the Company is considering the granting of free shares to employees and corporate officers of the Company and its affiliates, it is proposed to the General Meeting to grant to the Board of Directors a new authorization for this purpose, the previous authorization granted by the nineteenth resolution of the Shareholder's Meeting of June 28, 2022, remains in force until the number of shares to be granted free of charge is exhausted.

Under the scope of this new authorization, the number of free shares that may be granted may not exceed 60,000 shares, representing around 1% of the share capital existing on June 29, 2023.

ESI objective is to align with best practices with companies that ESI competes with for talent, to attract and retain the needed talents to achieve the three-year strategic objectives.

The Board of Directors will decide the identity of the beneficiaries of the grants, the number of shares allocated to each one, the terms, and, where applicable, the criteria for such share grants.

The Board of Directors will be able to set, in accordance with the provisions of Article L. 225-197-2 of the French Commercial Code, the duration of vesting and holding periods, provided that the time condition respects a minimum vesting period of at least one year and the total duration of both vesting and holding periods is at least two years. Pursuant to Article L. 225-197-2 of the French Commercial Code, the free grant of shares to their beneficiaries will become final and binding subject to the satisfaction of the other conditions set at the time of the grant, and specifically the employment condition and/or the performance condition, after a vesting period set out by the Board of Directors.

The General Meeting, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with Articles L. 225-197-1 *et seq.*, L. 225-197-2, L. 22-10-59 and L. 22-10-60 of the French Commercial Code:

1. Authorizes the Board of Directors to carry out, on one or several occasions, free grants of existing shares or shares to be issued by ESI Group, to employees and corporate officers of the Company or its affiliated entities, in accordance with Article L. 225-197-2 of the French Commercial Code and the conditions set out hereinafter;
2. Resolves that the Board of Directors will decide the identity of the beneficiaries of the grants, the number of shares allocated to each one, as well as the conditions, and, where applicable, the criteria for such share grants;
3. Decides that the number of free shares that may be granted under the scope of this authorization may not exceed 1% of the share-capital existing on the date of grant of the free shares by the Board of Directors and limited to 60,000 shares;
4. Decides that the Board of Directors will be able to set, in accordance with the provisions of Article L. 225-197-1 of the French Commercial Code, the duration of vesting and holding periods, provided that the time condition respects a minimum vesting period of at least one year and the total duration of both vesting and holding periods is at least two years;
5. Decides that the free grant to their beneficiaries will become final and binding after a vesting period set out by the Board of Directors;
6. Authorizes the Board of Directors to vest the shares prior to the end of the vesting period as well as to permit the free transfer of these shares in the event the beneficiary has a disability corresponding to the second or third categories defined by Article L. 341-4 of the French Social Security Code;
7. Decides that the Board of Directors shall have all powers, including powers of sub-delegation in accordance with the legal requirements, to implement this authorization, and, in particular, in order to:
   a. Determine whether to grant existing shares or whether to issue shares for such purpose,
   b. Determine all the terms relating to the granting of shares, in particular the conditions under which such shares will be vested (especially the presence and, if any, performance conditions), define the categories of beneficiaries, the beneficiaries and establish the number of shares granted to each of them and the grant date or dates in compliance with the law and regulations in force as of the date of transactions contemplated,
   c. Carry out, if applicable, the increase of the share capital of the Company at the end of the vesting period,
   d. Adjust, during the vesting period, if it deems necessary, the number of shares granted in order to protect the rights of the beneficiaries, in compliance with the laws and regulations in force as of the date of the transactions contemplated, based on potential Company equity transactions, it being specified that the shares, granted further to these adjustments, shall be deemed granted on the same date as, that of the initial share grant, and
   e. More generally, to take all necessary measures, in particular to conclude any and all agreements and contracts to effect the closing of an issuance, to carry out any and all formalities to effect the related share capital increase or increases subsequent to the vesting of Company shares, to amend the articles of association;
8. Acknowledges that this authorization automatically entails the waiver by shareholders of their preferential subscription rights to ordinary Company shares which may be issued for the purposes of the vesting of free shares, and of all rights to ordinary shares granted under the scope of this authorization;
9. Acknowledges that this authorization shall not supersede the unused portion of the previous authorization granted by the nineteenth resolution of the Combined General Meeting held on June 28, 2022.

Each year, in accordance with the legal and regulatory requirements, in particular pursuant to Article L. 225-197-4 of the French Commercial Code, the Board of Directors shall inform the General Meeting about the operations carried out under this authorization.

This authorization is granted to the Board of Directors for a duration of 38 (thirty-eight) months from the date of this Meeting.

7.3. JOINT DECISIONS

Fourteenth resolution

Powers to carry out formalities

Statement of reasons

This resolution is intended to grant the powers necessary to carry out formalities subsequent to the General Meeting.

The General 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 applicable law.

8 INFORMATION ON THE COMPANY AND SHARE CAPITAL

8.1. INFORMATION ON THE COMPANY

8.1.1. General information

Corporate name and head office

ESI Group
3 bis, rue Saarinen
Immeuble Le Séville
94528 Rungis Cedex France

Legal form

ESI Group is a French limited company (*société anonyme*) with a Board of Directors.

Legislation governing the issuer

French.

Date of incorporation and term of the issuer

ESI Group was incorporated on January 28, 1991. The term of the Company is 99 years from registration, unless extended or dissolved before such time.

Company registration

Créteil Trade and Companies Registry No. 381 080 225.

Legal Entity Identifier (LEI)

LEI – 969500SJCEYK6O6RXV95

Phone number

+33 (0) 1 41 73 58 00

E-mail

communication@esi-group.com

Corporate purpose (Article 2 of the articles of association)

The Company pursues the following corporate purpose in France and in all other countries:

- To research, develop, design, manufacture and distribute computer software. To provide all forms of assistance, training and, in general, all 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 above-mentioned operations on its own behalf or on behalf of third parties by creating new companies, forming partnerships, subscribing to 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 helps 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 real estate and property transactions that may be directly or indirectly related to the corporate purpose of the Company or likely to promote the Company's expansion or growth.

Financial year (Article 22 of the articles of association)

The financial year begins on January 1 and ends on December 31 of each year. It covers 12 months.

Exceptional events and disputes

To the best of the Company's knowledge, there is no exceptional event or dispute that may have or has had a material impact on the financial position or profit of the Company or the Group of which it is a part.

Except for disputes arising in the ordinary course of business, the Company was not involved in any governmental, judicial or arbitration procedure during the exercise that ended at December 31, 2022.

8.1.2. Information regarding 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, 5% of the net profit for the financial 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 retained earnings, 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 to the shareholders.

However, except in the case of a capital reduction, no profit may be distributed to the shareholders if net assets are 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.

The General Meeting has the faculty to allow each shareholder, for all or part of the dividend distributed or advances on dividends, an option between the payment of the dividend or advances on dividends in cash or in shares.

Provisions of the articles of association concerning the participation of shareholders in General Meetings (Articles 18 and 19 of the articles of association)

Please refer to section 2.5.3 of this Universal Registration Document.

Shareholders' right to information (Article 21 of the articles of association)

All shareholders are entitled to receive information, and the Board of Directors is required to send or make available any documents necessary for shareholders to make informed decisions relating to the management and situation of the Company.

Shareholders' right to information, the nature of documents provided and the arrangements for such documents to be made available or transmitted shall adhere to the terms set out by applicable law.

Double voting rights (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 the Company's assets and profits, proportionate to the percentage of the share capital the share represents.

Anyone who has 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 the 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 above-mentioned 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.

Shareholding thresholds (Article 9 B of the articles of association)

In accordance with the provisions of Article L. 233-7 of the French Commercial Code, any natural or legal person, acting alone or in concert, that comes to own, directly or indirectly, a number of shares accounting for more than the twentieth, the tenth, the three-twentieths, the fifth, the quarter, the three-tenths, the third, the half, the two thirds, the eighteen twentieths or the nineteen twentieths of the share capital or voting rights is required to so inform the Company as provided by law.

In case they are not declared, the shares exceeding the participation to be declared are deprived of the right to vote under the conditions provided for by Article 233-14 of the French Commercial Code, *i.e.* for a period of two years from the regularization of the notification.

In addition to the obligations provided for in paragraph 1 of Article L. 233-7 of the French Commercial Code, any crossing of a statutory threshold of 2.5% (and any multiple of this fraction) of the total number of shares or the Company's voting rights must be declared at the latest on the fourth trading day following the day the threshold is crossed.

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.

8.1.3. Information concerning administrative and management bodies

Information on administrative and management bodies, as well as their respective authority, is presented in chapter 2, "Corporate governance".

8.2. INFORMATION ON THE COMPANY'S CAPITAL

8.2.1. Statutory requirement governing modifications to the capital and rights attached to shares (Article 8 of the articles of association)

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

If the 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 Ordinary 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 transaction may be declared null and void.

Shareholders are entitled, in proportion to their total shares, to preferential subscription rights to shares issued for cash 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 instalments 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.

8.2.2. Issued share capital and authorized unissued share capital

For a summary of the delegations granted to the Board of Directors that may impact the Company's share capital, please refer to section 2.5.2 of this Universal Registration Document.

8.2.3. History of changes in share capital

		Change in share capital Issue of cash shares					
Meeting date [1]	Operation type	Par value (in €)	Premium (in €)	Number of created shares	Resulting total share capital	Number of cumulated shares	Par value (in €)
BoD Meeting of 02/01/2019	Share capital adjustment Exercise of share subscription options	3	40,339	1,450	18,053,676	6,017,892	3
BoD Meeting of 02/12/2020	Share capital adjustment Exercise of share subscription options	3	16,692	600	18,055,476	6,018,492	3
BoD Meeting of 02/08/2021	Share capital adjustment Exercise of share subscription options	3	501,267	18,100	18,109,776	6,036,592	3
BoD Meeting of 02/28/2022	Share capital adjustment Exercise of share subscription options	3	705,333	27,549	18,192,423	6,064,141	3
BoD Meeting of 02/27/2023	Share capital adjustment Exercise of share subscription options	3	332,567	11,475	18,226,848	6,075,616	3

(a) BoD: Board of Directors.

8.2.4. Dividend distribution policy

The Company has not distributed any dividends over the last five financial years. Based on the results for 2022, the Board of Directors has no intention to propose a dividend distribution.

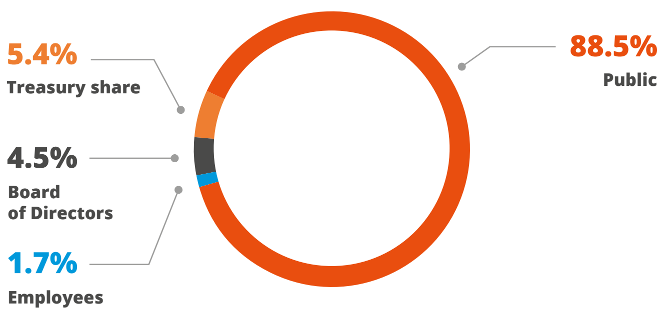
The future dividend distribution policy will depend on the Company's results and financial position.

ESI Group's dividend distribution policy is based on both prudent capital management and the attractiveness of the share for the shareholders.

8.2.5. Corporate shareholding structure

Shareholding structure

As of December 31, 2022, the shareholding structure of ESI Group is as follows:



Change in the breakdown of the Company's share capital over the past three financial years

Over the past three financial years, the breakdown of share capital and voting rights evolved as follows:

At December 31, 2022 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
Alexander Davern	11,333	0.19%	11,333	0.15%
Cristel de Rouvray	253,054	4.17%	506,108	6.58%
Charles-Helen des Isnards	3,551	0.06%	7,102	0.09%
Éric d'Hotelans	261	0.00%	522	0.01%
Véronique Jacq	157	0.00%	218	0.00%
Rajani Ramanathan	1	0.00%	2	0.00%
Yves de Balmann	1	0.00%	2	0.00%
Patrice Soudan	2,100	0.03%	2,100	0.03%
Members of the Board of Directors (registered shares)	**270,458**	**4.45%**	**527,387**	**6.86%**
Members of ESI Leadership Team (ELT)	**35,064**	**0.58%**	**49,522**	**0.64%**
Employee shareholding excl ELT (registered shares)	**65,858**	**1.08%**	**102,009**	**1.33%**
Public shareholding, registered shares	1,645,391	27.08%	3,341,696	43.45%
Public shareholding, bearer shares	3,699,544	60.89%	3,669,544	47.72%
Sub-total public shareholding	**5,344,935**	**87.97%**	**7,011,240**	**91.17%**
Treasury shares	359,301	5.91%	0	0.00%
TOTAL	**6,075,616**	**100.00%**	**7,690,158**	**100.00%**

Total number of theoretical voting rights: 8,049,459.

At the closing of the financial year 2022, the employee shareholding, as defined in Article L. 225-102 of the French Commercial Code, in the Company's share capital is 0.45%.

At December 31, 2021 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
Alexander Davern	11,333	0.19%	11,333	0.15%
Cristel de Rouvray	253,054	4.17%	506,108	6.51%
Charles-Helen des Isnards	3,551	0.06%	7,102	0.09%
Éric d'Hotelans	261	0.00%	522	0.01%
Véronique Jacq	157	0.00%	218	0.00%
Rajani Ramanathan	1	0.00%	2	0.00%
Yves de Balmann	1	0.00%	2	0.00%
Patrice Soudan	2,100	0.03%	2,100	0.03%
Members of the Board of Directors (registered shares)	**270,458**	**4.46%**	**527,387**	**6.79%**
Members of ESI Leadership Team (ELT)	**27,598**	**0.46%**	**41,056**	**0.53%**
Employee shareholding excl ELT (registered shares)	**315,672**	**5.21%**	**602,152**	**7.75%**
Public shareholding, registered shares	1,509,915	24.90%	3,004,298	38.66%
Public shareholding, bearer shares	3,596,802	59.31%	3,596,802	46.28%
Sub-total public shareholding	**5,106,717**	**84.21%**	**6,601,100**	**84.94%**
Treasury shares	343,647	5.67%	—	0.00%
TOTAL	**6,064,092**	**100.00%**	**7,771,695**	**100.00%**

Total number of theoretical voting rights: 8,116,303.

At December 31, 2020 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
Alain de Rouvray	1,207,391	20.00%	2,414,782	30.44%
Cristel de Rouvray	206,270	3.42%	412,540	5.20%
Amy de Rouvray	2,184	0.04%	4,368	0.06%
John Alexandre de Rouvray	204,270	3.38%	408,540	5.15%
Amy-Louise de Rouvray	204,275	3.38%	408,550	5.15%
Xiu Mei Dubois	25,200	0.42%	50,400	0.64%
Alex Peng Dubois-Sun	321,419	5.32%	642,838	8.10%
Sub-total of shareholders' agreement* (registered shares)	**2,171,009**	**35.96%**	**4,342,018**	**54.74%**
Vincent Chaillou	21,207	0.35%	37,404	0.47%
Charles-Helen des Isnards	3,551	0.06%	7,102	0.09%
Éric d'Hotelans	261	0.00%	522	0.01%
Véronique Jacq	157	0.00%	158	0.00%
Rajani Ramanathan	1	0.00%	2	0.00%
Yves de Balmann	1	0.00%	2	0.00%
Members of the Board of Directors (registered shares) (excluding founders)	**25,178**	**0.42%**	**45,190**	**0.57%**
Total employee shareholding (registered shares)	**82,155**	**1.36%**	**137,084**	**1.73%**
Public shareholding, registered shares	23,808	0.04%	37,779	0.48%
Public shareholding, bearer shares	3,371,161	55.85%	3,371,161	42.49%
Sub-total public shareholding	**3,394,969**	**56.24%**	**3,408,940**	**42.97%**
Treasury shares	363,281	6.02%	—	0.00%
TOTAL	**6,036,592**	**100.00%**	**7,933,232**	**100.00%**

Total number of theoretical voting rights: 8,298,004.
* *In May 2021, the shareholders' agreement was terminated.*

Shareholdings above legal thresholds

As of the filing date of this Universal Registration Document, the following shareholders each held more than 5% of the Company's capital:

- Long Path Partners holds 930,463 shares, *i.e.* 15.34% of the capital -11.5% of the voting rights;
- Briarwood Chase Management holds 650,988 shares, *i.e.* 10.74% of the capital -8.04% of the voting rights;
- Alain de Rouvray holds 459,788 shares, *i.e.* 7.57% of the capital - 11.96% of the voting rights;
- Amy-Sheldon Loriot de Rouvray (Lawrence) holds 418,586 shares, *i.e.* 6.89% of the capital - 10.89% of the voting rights;
- Alex Peng Dubois-Sun holds 307,419 shares, *i.e.* 5.06% of the capital - 8.00% of the voting rights.

Crossing of legal and statutory thresholds declared to the Company during the financial year ended December 31, 2022 and until the filing date of this Universal Registration Document

As of the filing date of this Universal Registration Document, the following exceedances of thresholds have been declared:

Long Path Partners

- By letter dated September 1, 2022 sent by the Long Path Partners fund, declares that the latter has crossed the legal and statutory threshold of 15% of the Company's capital upwards with 926,994 shares representing 15.28% of the shares and 11.44% of the voting rights.

Shareholders' agreement and other agreements

There is no shareholders' agreement at the date of the publication of this document.

Summary of transactions in Company shares by corporate officers during the financial year last ended (pursuant to Article 223-26 of the General Regulation of the Autorité des Marchés Financiers)

To the best of the Company's knowledge, no transactions involving securities, as referred to in Article L. 621-18-2 of the French Monetary and Financial Code, were undertaken during the 2022 financial year by corporate officers.

8.2.6. Company share buybacks

The Shareholders' Meeting of June 28, 2022 authorized the Board of Directors. pursuant to the provisions of Article L. 22-10-62 of the French Commercial Code, of European regulation No. 596/2014 of April 16, 2014 on market abuse and of AMF's General Rule, to purchase or sell Company's shares in the context of the implementation of a buyback program. The maximum purchase price has been fixed to €110 per share. The number of shares acquired could not exceed 10% of the share capital. This authorization was granted for a duration of 18 months and supplanted the previous authorization of the Shareholders' Meeting of June 22, 2021.

The description of the share buyback program implemented by the Board of Directors' Meeting of June 28, 2022, pursuant to the authorization granted by the Shareholders' Meeting can be consulted on the website.

Shares buyback for the financial year ended December 31, 2022

In 2022, ESI Group bought back 30,000 shares at an average price of €72.6627 between September 28 and December 19, 2022.

Cancellation of shares for the financial year ended December 31, 2022

In 2022, ESI Group did not cancel any shares.

Assignments or transfers of shares for the financial year ended December 31, 2022

In 2022, ESI Group distributed 14.389 shares under its free share plans.

Liquidity contract

A liquidity contract was concluded with CIC in 2009 and remains in force. The monthly report on the liquidity contract is also available on the website.

Table summarizing the operations of the Company on its own shares during its financial year ended on December 31, 2022

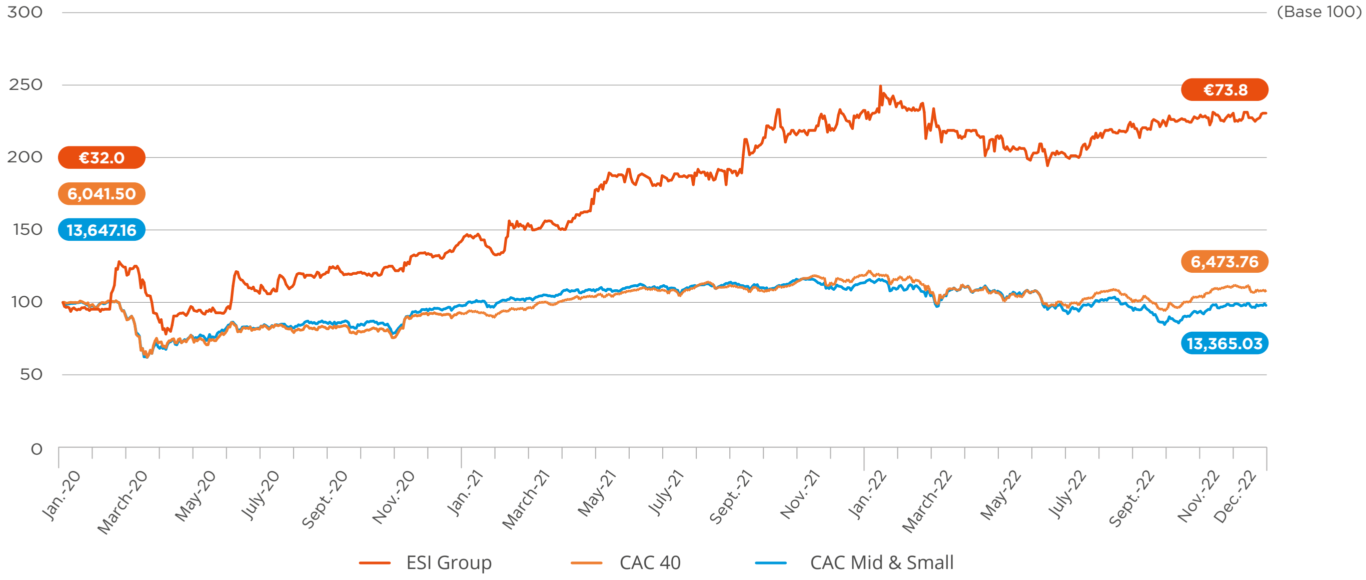
Date of authorization by the General Meeting	Resolution 18 of June 28, 2022
Date of expiration of the authorization	December 28, 2023
Ceiling on authorized buybacks	10% of share capital at the transaction date
Maximum purchase price per share	€110
Authorized purposes	Cancellation Share purchase options Free share grants Liquidity and market-making External growth
Board of Directors' Meeting at which buybacks were implemented	June 28, 2022
Number of shares purchased in 2022	30,000
Number of shares cancelled in 2022	0
Number of treasury shares at December 31, 2022 [(a)]	359,106
Percentage of capital held by the Company at December 31, 2021	5.9%

(a) Excluding liquidity contract.

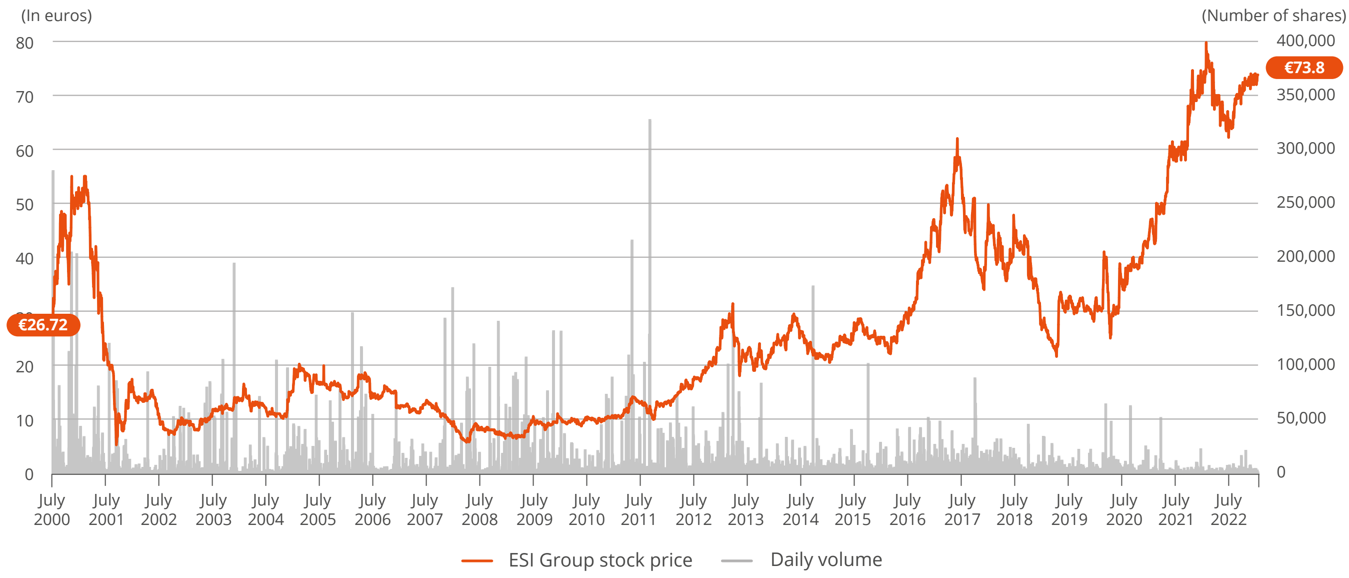
1 2 3 4 5 6 7 8 9

8.3. ESI SHARES – MARKET

The chart below shows how ESI Group's stock price has performed relative to the CAC Mid & Small and CAC 40 index since January 1, 2020 until the end of December 2022:



The chart below shows how ESI Group's stock price has performed since its initial public offering on July 6, 2000 until the end of December 2022 and the daily volume of transactions:



9 ADDITIONAL INFORMATION

9.1. PERSONS RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

9.1.1. Person responsible for the information contained in the Universal Registration Document

Mrs. Cristel de Rouvray, Chief Executive Officer of ESI Group.

9.1.2. Statement by the person responsible for the information contained in the Universal Registration Document

Rungis, March 17, 2023.

Mrs. Cristel de Rouvray, Chief Executive Officer of ESI Group:

"I certify, that the information contained in this Universal Registration Document are, to the best of my knowledge, in accordance with the facts and does not include any omissions that might alter the contents thereof.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all consolidated companies making up the Group, and that the management report included on the Universal Registration Document 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 main risks and uncertainties these entities face."

9.1.3. Person responsible for the financial information

Mrs. Cristel de Rouvray, Chief Executive Officer of ESI Group.

9.2. STATUTORY AUDITORS

Statutory Auditors

KPMG S.A.

Tour Eqho – 2, avenue Gambetta
92066 Paris-La Défense Cedex

Represented by Stéphanie Ortega.

Date of 1st appointment: Combined General Meeting of June 22, 2021 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2026.

KPMG S.A. is a member of the *Versailles & du Centre* Regional Association of Statutory Auditors.

Ernst & Young Audit

Tour First
TSA 14444
92037 Paris-La Défense cedex

Represented by Mr. Pierre-Henri Pagnon.

Date of last renewal: Combined General Meeting of June 22, 2021 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2026.

Ernst & Young Audit is a member of the *Versailles & du Centre* Regional Association of Statutory Auditors.

9.3. DOCUMENT AVAILABLE TO THE PUBLIC

All corporate documents related to the Company can be consulted on its 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 Universal Registration Documents, financial reports, annual and interim consolidated financial statements, press releases, regulated information, the articles of association, shareholders letters and guides and stock prices.

Following 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 the Group to provide proof of compliance with legal reporting requirements.

Lastly, if you have any questions regarding this Universal Registration Document, please contact:

ESI Group – Communication Department

3 bis, rue Saarinen – Immeuble Le Séville

94528 Rungis Cedex

France

investors@esi-group.com

9.4. INFORMATION INCLUDED BY REFERENCE

Pursuant to Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is included by reference in this Universal Registration Document:

- The financial information contained in the management report, the consolidated financial statements and the corresponding Statutory Auditors' report, as well as the annual accounts and the corresponding Statutory Auditors' report appearing respectively on pages 95 *et seq.*, 102 *et seq.* and 142 *et seq.* of the Universal Registration Document for fiscal year 2021 filed with the AMF on April 11, 2022 under number D.22-0273;
- The financial information contained in the management report, the consolidated accounts and the corresponding Auditors' report, as well as the annual accounts and the corresponding auditors' report appearing respectively on pages 89 *et seq.*, 96 *et seq.* and 132 *et seq.* of the 2020 registration document filed with the AMF on April 16, 2021 under number D.21-0315; The parts not included in the 2020 Registration Document and the 2021 Universal Registration Document are either irrelevant to the investor or covered in another part of the 2022 Universal Registration Document.

CROSS-REFERENCE TABLES

Universal registration document cross-reference tables

These cross-reference tables include the headings provided in Appendices I and II of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 and refer to the pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

Information	Page(s)
13. Compensation and benefits	**36 et seq.**
13.1. Compensation paid to corporate officers	36 to 47
13.2. Total amounts set aside or accrued to provide pension, retirement or similar benefits	36 to 47
14. Practices and procedures of the administrative and management bodies	**21 et seq.**
14.1. End date of current terms of office	23
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14.3. Information on the Audit Committee and the Compensation Committee	33-35
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16.4. 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	51
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19.1. Legal capital	179 et seq.
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20. Key contracts	**9-10**
21. Documents available to the public	**187**

Annual financial report cross-reference table

For ease of reference, the following cross-reference table facilitates identification of information making up the annual financial report, the publication of which is required under Article L. 451-1-2 of the French Financial and Monetary Code and Article 222-3 of French Financial Markets Authority (AMF) General Regulations.

Informations	Page(s)
Person responsible for the document	186
Annual financial statements of ESI Group	143 *et seq.*
Consolidated financial statements of ESI Group	104 *et seq.*
Statutory Auditors' report on the annual financial statements	165 *et seq.*
Statutory Auditors' report on the consolidated financial statements	139 *et seq.*
Management report	See the next table
Report of the Board of Directors on the corporate governance	See the next table

Management report cross-reference table

For ease of reference, the following cross-reference table facilitates identification of information required in the management report pursuant to Articles L. 225-100 *et seq.*, L. 22-10-35, L. 22-10-36, L. 232-1 and R. 225-102 *et seq.* of the French Commercial Code.

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Objective and exhaustive analysis of development of the Group's business, performance and financial position	6-17 98 et seq.
Key events between the closing date and the date of the management report	138 et seq.
Description of main risks and uncertainties and indication regarding the use of financial instruments by the Group	129 et seq.
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Corporate governance report cross-reference table

For ease of reference, the following cross-reference table facilitates identification of information required in the corporate governance report pursuant to Articles L. 225-37 *et seq*., of the French Commercial Code.

Statement on extra-financial performance cross-reference table

For ease of reference, the following cross-reference table facilitates identification of environmental, social and societal information making up the Statement on extra-financial performance, provided in accordance with Articles L. 225-102-1 and R. 225-105 of the French Commercial Code.

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■ Summary of collective agreements	75
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■ Summary of agreements signed with trade unions or employee representatives regarding workplace health and safety	75
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■ Steps taken in support of employment and inclusion of people with disabilities	73
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■ Elimination of discrimination in employment and occupation	72
■ Elimination of forced or mandatory labor	81
■ Effective elimination of child labor	81
SOCIETAL INFORMATION	
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■ On neighboring or local communities	78 à 80
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■ Terms of dialog with such persons or organizations	79 à 81
Subcontracting and suppliers	
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■ Consideration of environmental issues in the purchasing policy	N/A
■ Amount of subcontracting and consideration of the social and environmental responsibility of suppliers and subcontractors in relationships with them	77 à 82
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ENVIRONMENTAL INFORMATION	
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■ Protecting biodiversity	N/A

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REGULATORY TABLES

Revenue regulatory table

Economic activities (1)	Code(s) (2)	Total revenue (3)	% Of revenue (4)	Substantial contribution: Climate change mitigation (5)	Climate change mitigation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
A.ACTIVITIES ELIGIBLE FOR THE TAXONOMY									
A.1. Environmentally sustainable activities (aligned with the Taxonomy)									
Revenue from environmentally sustainable activities (aligned) (A.1.)				N/A	N/A	N/A	N/A	N/A	N/A
A.2. Activities eligible for the Taxonomy but not environmentally sustainable (non-aligned)									
8.2 Data-driven solutions to reduce GHG emissions	8.2	133,916,000	100%	N/A	N/A	N/A	N/A	N/A	N/A
Revenue from activities eligible for the Taxonomy but not environmentally sustainable (not aligned) (A.2.)	N/A	133,916,000	100%						
TOTAL A (A.1. + A.2.)	**N/A**	**133,916,000**	**100%**						
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
Revenue of activities not eligible for the Taxonomy (B.)	N/A	0	0%						
TOTAL (A + B)	**N/A**	**133,916,000**	**100%**						

DNSH										
Climate change mitigation (11)	Climate change adaptation (12)	Aquatic and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum guarantees (17)	**Proportion of revenue aligned in year N (18)**	Proportion of revenue aligned in year N-1 (19)	Category (enabling activity) (20))	Category (transitional activity) (21)
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0 %	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	100 %	N/A	N/A	N/A

CAPEX regulatory table

Economic activities (1)	Code(s) (2)	Capital expenditure total (3)	% of capital expenditure (4)	Substantial contribution: Climate change mitigation (5)	Climate change mitigation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
A.ACTIVITIES ELIGIBLE FOR THE TAXONOMY									
A.1. Environmentally sustainable activities (aligned with the Taxonomy)									
Capital expenditure on environmentally sustainable activities (aligned) (A.1.)	0	0	0 %	N/A	N/A	N/A	N/A	N/A	N/A
A.2. Activities eligible for the Taxonomy but not environmentally sustainable (non-aligned)									
6.5. Transport by motorcycles, passenger cars and light commercial vehicles	6.5	639,506	33%						
7.7 Acquisition and ownership of buildings	7.7	19,584	1%						
Capital expenditure of activities eligible for the Taxonomy but not environmentally sustainable (not aligned) (A.2.)	N/A	659,090	34%						
TOTAL A (A.1. + A.2.)	**N/A**	**659,090**	**34%**						
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
Capital expenditure of activities not eligible for Taxonomy (B.)	N/A	1,254,513	66%						
TOTAL (A + B)	**N/A**	**1,913,603**	**100%**						

DNSH										
Climate change mitigation (11)	Climate change adaptation (12)	Aquatic and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum guarantees (17)	**Proportion of capital expenditure aligned in year N (18)**	Proportion of capital expenditure aligned in year N-1 (19)	Category (enabling activity) (20))	Category (transitional activity) (21)
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0 %	N/A	N/A	N/A

OPEX regulatory table

				Substantial contribution					
Economic activities (1)	Code(s) (2)	Operating expenses total (3)	% of operating expenses (4)	Climate change mitigation (5)	Climate change mitigation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)
A.ACTIVITIES ELIGIBLE FOR THE TAXONOMY									
A.1. Environmentally sustainable activities (aligned with the Taxonomy)									
Operating expenses for environmentally sustainable operations (aligned) (A.1.)	N/A	0 €	0%	N/A	N/A	N/A	N/A	N/A	N/A
A.2. Activities eligible for the Taxonomy but not environmentally sustainable (non-aligned)									
7.7 Acquisition and ownership of buildings	7.7	1,219,722	0.1%						
8.1. Data processing and hosting and related activities	8.1	310,300	0.3%						
8.2 Data-driven solutions for reduce GHG emissions	8.2	34,068,000	28.3%						
Operating expenses of activities eligible for the Taxonomy but not environmentally sustainable (not aligned) (A.2.)	N/A	35,598,022	29.6%						
TOTAL A (A.1. + A.2.)	**N/A**	**35,598,022**	**29.6%**						
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
Operating expenses of activities not eligible for the Taxonomy (B.)	N/A	84,681,978	74.4%						
TOTAL (A. + B.)	**N/A**	**120,280,000**	**100%**						

DNSH										
Climate change mitigation (11)	Climate change adaptation (12)	Aquatic and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum guarantees (17)	**Proportion of operating expenses aligned in year N (18)**	Proportion of operating expenses aligned in year N-1 (19)	Category (enabling activity) (20))	Category (transitional activity) (21)
N/A	N/A	N/A	N/A	N/A	N/A	N/A	0 %	N/A	N/A	N/A

KEYWORDS OF THE 2022 UNIVERSAL REGISTRATION DOCUMENT

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G-FC-22-16-A

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