
HALF-YEAR FINANCIAL REPORT

AS OF JUNE 30, 2022

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1. MANAGEMENT REPORT

Preamble

The financial information below presents the activity and the financial statements of ESI Group, a French “société anonyme”, registered with the Creteil Trade and Company Register under number 381 080 225. The Group’s headquarters are located 3 bis rue Saarinen, Immeuble Le Séville, 94528 Rungis Cedex, France. The company is listed in compartment B of Euronext Paris, under the ISIN code: FR 0004110310.

In this report, ESI Group is hereinafter referred to as “ESI Group” or the “Company”. The Company and all its affiliated companies are hereinafter referred to as the “Group” or “ESI”.

1.1. Overall presentation

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 Virtual Prototyping software solutions anchored on predictive physics modeling and its capacity to chain the physics and its solutions to allow industries to make the right decisions at the right time, while managing their complexity. Acting principally in automotive & land transportation, aerospace, energy and heavy industry, ESI is present in more than 20 countries, employs around 1,100 people globally and reported 2021 sales of €136.6 million.

As part of the implementation of its new OneESI2024 strategy, the Group has reassessed the nature of the services provided under the Co-funded Projects: these services do not constitute services from the entity's ordinary activities, but meet the definition of subsidies granted by public organizations, and the corresponding revenues have been reclassified from the "Co-funded Projects" line within revenues as a reduction in research and development expenses. Correspondingly, costs incurred in connection with "Co-funded Projects" have been reclassified from cost of sales to research and development expenses. After this reclassification, revenues in 2021 are 132.6 million euro.

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

1.2. Revenues and consolidated financial statements

Revenue growth and positive momentum on profitability indicators

Half-year revenue rose by 5.5% (+4.0% at constant exchange rates) to €84.3 million. This growth was mainly led by the licenses business at €73.9m (representing ~88% of semester revenue and growing by 5.6% YoY, +4.0% cer). Recurring revenues (excluding perpetual contracts and before deferred revenue) increased by 7.5% (+6.1% cer) to

75.0 million euro. The recurrence rate was 93.5% compared with 92.2% in the first half of 2021. EUR 5.2 million came from perpetual contracts compared to EUR 5.9 million in H1 2021 and deferred revenue was EUR 6.2 million (compared to EUR 5.6 million in H1 2021).

This performance illustrates the capability of the Group to navigate a complex macro-economic context while continuing to deliver on its commitment. It demonstrates the reliability of its solutions and the strength of its relationship with its key customers allowing sustained growth.

ESI Group posted both revenue growth and cost reductions. Adjusted EBIT improved by €7.1m to €25.6 million (+38.2%). Adjusted EBIT margin, calculated based on revenue excluding special projects (public grant for R&D projects), achieved 30.4% vs 23.2% in H1 2021.

The seasonality of the activity of ESI Group is to be considered here, as H1 captures a large part of the revenue growth & in H1 there is a positive impact of R&D capitalization of €1.8 million net of related capitalized projects amortization due to the rhythm of releases in June and the impact of the impairment of intangible assets in 2021 which reduced the level of depreciation.

Key figures

Half year closed on June 30, 2022

(€m)	06/30/2022 6m	06/30/2021 6m ⁽⁴⁾	Change	Change Constant exchange rate (cer)
Revenue	84.3	80.0	+5.5%	+4.0%
Licenses	73.9	70.0	+5.56%	+4.0%
Services	10.4	9.9	+4.7%	+3.5%
Gross margin	68.6	64.0	+7.2%	+8.5%
% revenue	81.3%	80.0%		
Adjusted EBIT ⁽¹⁾	25.6	18.5	+38.2%	+37.3%
Adjusted EBIT margin ⁽²⁾	30.4%	23.1%		
EBIT	21.9	18.1	+20.9%	+20.0%
Net result	14.0	11.0	+26.5%	+25.9%
% revenue	16.6%	13.8%		
Cash and cash equivalent	35.4	36.2	-2.1%	
Net Financial Debt ⁽³⁾	-0.6	6.8		
Gearing (in %)	-0.7%	6.9%		

(1) Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment and amortization of intangibles related to acquisition, IFRS 16 standard on leases and other non-recurring items.

(2) The adjusted operating income margin is a non-IFRS indicator corresponding to the ratio of adjusted operating income to revenue.

(3) Net financial debt : Financial debts (long term and short term) less cash and cash equivalent

(4) The financial statements for the six months ended June 30, 2021 and 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 for software used in SaaS mode (see note 1.2 to the interim financial statements) 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.

Sales in line with the key strengths of the Group

The geographical breakdown of half-year revenues has changed slightly compared to the first half of 2021: the EMEA region accounts for 50.2% (compared to 51.2%) of total revenues, Asia 33.7% (compared to 34.3%) and the

Americas 16.0% (versus 14.6%).

H1 licensing revenue was led by the Automotive industry, the aeronautics one grew significantly, mainly driven by the Group's key customers in Americas.

ESI strengthens its cash position and balance sheet

During the first half of 2022, ESI Group consolidated its balance sheet and maintained a strong cash position at 35.4 million euros, compared with 36.2 million euros at the end of June 2021. The Group no longer has any net financial debt. It stands at -0.6 million euros, compared with 6.8 million euros at the end of June 2021, with a debt-to-equity ratio of -0.7% (net financial debt/equity) compared with 6.9% at the end of June 2021.

1.3. Cash-flows

Cash position amounted to €35.4m as at June 30, 2022, compared with €30.3m at December 31, 2021 and €36.2m at June 30, 2021.

Evolution of cash position between December 31, 2021 and June 30, 2022 is mainly due to:

- A net cash margin of €19m (before impact of IFRS 16 standard representing €2.6m) compared to €18m in 2021 first half, this increase resulting mostly from raise in profitability;
- A change in WCR of -€5.7m compared to €0.2m in 2021 first half including cash outflows related to the restructuring announced in October 2021, bonuses for the year 2021 (higher than in 2020) and taxes;
- Capital expenditures of -€0.5m compared to -€0.6m in 2021 first half;
- Payment of the annual instalment of the syndicated loan of €5 million and repayment of the promissory bill of €2.5 million. Last year only 4.5 million euro of the syndicated loan was repaid.

As of June 30, 2022, ESI Group held 5.5% of its capital in treasury shares.

1.4. Balance sheet

Gross financial debt is €34,8m (vs. €42.8m as of December 2021) and net financial debt decreased to €-0.6m (vs. €12.5m) related to business seasonality. The main flow of the period is the -€5m payment of syndicated loan installment.

Gearing (net financial debt-to-equity) thus stood at -0.7% compared with 6.9% at end of June 2021 and 17% at end of December 2021.

1.5. Significant events of the period

These H1 FY22 results are a considerable achievement for ESI Group demonstrating the momentum we have built in this 1st 6 months of the 3-year "OneESI 2024 – Focus to Grow" plan.

We have affirmed our strategic direction, notably through divestitures and a global overhaul of our offering. This momentum has also enabled us to attract new talent in all areas.

In light of recent events and the Russian aggression against Ukraine, ESI Group has decided to suspend all business development with its Russian and Belarusian customers, representing approximately 1.5% of sales in 2021.

1.6. Outlook

An update of the impact of recent divestitures, Russia, and of the 3-year plan will be shared at the Investor Conference held on September 27th, 2022.

1.7. Risk factors

A detailed analysis of the different risk factors can be found in the 2021 Universal Registration Document (filed with the AMF on April 12, 2022) in Chapter 3 “Risks and Risk Management”, also available on our website <http://www.esi-group.com>.

In a volatile macroeconomic context, the group remains vigilant but has not identified any additional major risk during the past six months and for the remaining six months of the year.

1.8. Transactions with related parties

The nature of the transactions with related parties has not changed significantly during 2022 first half, as compared to December 31, 2021.

1.9. Information on shareholding

Breakdown of share capital and voting rights as of June 30, 2022:

NAME	SURNAME	Shares number	% capital	Voting rights number	% voting rights
DAVERN	Alexander	11,333	0.19%	11,333	0.15%
SOUDAN	Patrice	2,100	0.03%	2,100	0.03%
DES ISNARDS	Charles-Helen	3,551	0.06%	7,102	0.09%
D'HOTELANS	Eric	261	—%	522	0.01%
JACQ	Véronique	157	—%	218	—%
RAMANATHAN	Rajani	1	—%	2	—%
DE BALMANN	Yves	1	—%	2	—%
Board members (registered shares) -non executives & board advisors		17,404	0.29%	21,279	0.27%
DE ROUVRAY	Cristel	253,054	4.17%	506,108	6.25%
SALARI	Mike	12,518	0.21%	21,503	0.28%
ROMEFORT-REGNIER	Corinne	8,135	0.13%	12,603	0.16%
LEFEBVRE	Dominique	6,691	0.11%	6,696	0.08%
ZORGATI	Olfia	254	—%	254	—%
BARRE	Florence	4	—%	4	—%
Members of ESI Leadership Team - ELT (registered shares)		280,656	4.63%	547,168	7.06%
Employee shareholders (registered shares)		63,869	1.05%	99,339	1.28%
Public (registered shares)		1,737,841	28.65%	3,455,670	44.58%
Public (bearer shares)		3,628,958	59.83%	3,628,958	46.81%
Public TOTAL		3,961,256	65.00%	4,534,555	57.00%
Treasury shares		336,576	5.55%	0	—%
TOTAL		6,065,304	100.00%	7,752,414	100.00%

Crossing of thresholds:

Since January 1st, 2022 until the filing date of this Half-year Financial Report, the following crossing of thresholds has been declared:

- By letter dated September 1st, 2022 sent by the Long Path Partners (LP) 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 15.279% of the shares and 11.444% of the voting rights.

No Corporate Officer declared to have crossed the threshold to the upward nor downward direction over the period.

1.10. Adjusted EBIT

Adjusted EBIT definition: operational income (EBIT) adjusted for:

1. Stock-based compensation expenses,
2. Acquisition, integration and restructuring charges,
3. Impairment & amortization of intangible assets related to acquisitions
4. The application of IFRS 16 (leases),
5. and other special items not related to current operations.

Adjusted EBIT has been presented for the 1st time during Strategic plan presentation on Oct 5th, 2021.

The adjusted EBIT margin corresponds to the ratio of adjusted operating income to revenues.

€m	1 st semester 2022	1 st semester 2021
EBIT	21.9	18.1
• application of IFRS 16	-0.1	-0.2
• Other operating income and expenses	1.5	0
• stock-based compensation expenses	1.4	0.2
• impairment & amortization of intangible assets related to acquisitions	0.8	0.4
• other non-recurring items	0.0	0.0
Adjusted EBIT	25.6	18.5
<i>In % of revenue</i>	<i>30.4%</i>	<i>23.2%</i>

Disclaimer: EBIT and Adjusted EBIT are non-IFRS indicators used by the management to monitor performance, as presented in the strategic 3-year plan. They do not represent a substitute to IFRS indicators.

2. INTERIM FINANCIAL STATEMENTS

2.1. Consolidated income statement

Half year closed on June 30, 2022

(In € thousands)

	Note	Half year closed June 30, 2022	Half year closed June 30, 2021 restatement (1)	Full year closed Dec 31, 2021 restatement (1)
Licenses and maintenance		73,928	70,023	111,356
Consulting		9,917	9,753	20,773
Other		481	175	449
REVENUE	4.1	84,325	79,951	132,579
Cost of sales		(15,727)	(15,991)	(29,701)
Research and development costs	5.2	(15,712)	(15,177)	(31,302)
Selling and marketing expenses		(16,849)	(20,534)	(38,990)
General and administrative costs		(12,588)	(10,128)	(21,723)
CURRENT OPERATING RESULT		23,449	18,120	10,863
Other operating income and expenses	2	(1,518)	(1)	(27,401)
OPERATING RESULT		21,931	18,119	(16,538)
FINANCIAL RESULT	6.2	778	(984)	(883)
Share of profit of associates		(423)	(143)	80
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS		22,285	16,992	(17,341)
Provision for income tax	7.1	8,332	5,992	1,243
NET INCOME BEFORE MINORITY INTERESTS		13,953	11,000	(18,585)
Minority interests		20	17	(10)
NET INCOME (GROUP SHARE)		13,933	10,983	(18,575)
Earnings per share (in euros)		4.87	3.87	(3.26)
Diluted earnings per share (in euros)		4.55	3.80	(3.19)

(1) See notes 1.2 and 1.4

Statement of comprehensive income

(In € thousands)

	Half year closed June 30, 2022	Half year closed June 30, 2021 restatement (1)	Full year closed Dec 31, 2021 restatement (1)
NET INCOME BEFORE MINORITY INTERESTS	13,953	11,000	(18,585)
OTHER COMPREHENSIVE INCOME RECYCLED TO INCOME			
Change in the fair value of hedging instruments	(7)	4	7
Translation differences	376	609	1,170
OTHER COMPREHENSIVE INCOME (LOSS) NOT RECYCLED TO INCOME			
Actuarial gains and losses (2)	1,388	(1)	876
Income and expenses recorded directly in equity	1,758	613	2,053
COMPREHENSIVE INCOME	15,711	11,613	(16,532)
Attributable to Group equity holders	15,520	11,630	(16,524)
Attributable to minority interests	20	19	(8)

(1) See note 1.2

(2) The change in actuarial gains and losses in the first half-year 2022 mainly reflects the increase in the discount rate for pension obligations in France for €1,3 million net of tax. The discount rate assumptions used for this consolidation scope as of June 30, 2022 are 3.25% (versus December 31, 2021 : 0.9%).

The notes are an integral part of the consolidated financial statements.

2.2. Balance sheet

Half year closed on June 30, 2022

(In € thousands)

	Note	June 30, 2022	Dec 31, 2021 restatement (1)	June 30, 2021 restatement (1)
ASSETS				
NON-CURRENT ASSETS		111,806	125,420	139,993
Goodwill	3.1	39,376	41,381	41,150
Intangible assets	5.1	35,389	40,487	62,693
Property, plant and equipment		3,479	4,094	4,231
Rights-of-use assets		15,197	16,706	15,743
Shares in affiliated companies		478	883	611
Deferred tax assets	7.2	14,062	18,538	12,646
Other non-current assets		3,066	3,102	2,884
Cash-flow hedging instruments		759	229	35
CURRENT ASSETS		90,947	75,185	81,753
Trade receivables	4.1	36,993	35,548	35,188
Other current receivables		6,442	6,371	7,231
Prepaid expenses		3,392	2,948	3,172
Cash and cash equivalents		35,407	30,319	36,162
Assets held for sale	8	8,713		
TOTAL ASSETS		202,753	200,605	221,746
LIABILITIES				
EQUITY		89,235	72,214	99,361
Equity (Group share)		89,128	72,128	99,288
Capital		18,192	18,192	18,110
Additional paid in capital		26,986	26,986	26,280
Reserves and retained earnings		29,064	44,948	43,857
Net income (loss)		13,933	(18,575)	11,018
Translation differences		953	577	23
Minority interests		107	86	73
NON-CURRENT LIABILITIES		45,393	55,586	57,681
Long-term share of financial debt	6.1	26,706	33,832	34,258
Non-current finance lease obligation		10,368	11,818	11,012
Provision for employee benefits		7,310	9,124	11,796
Deferred tax liabilities	7.2	187	0	0
Cash-flow hedging instruments		13	4	21
Other long-term debt		809	808	594
CURRENT LIABILITIES		68,125	72,805	64,704
Short-term share of financial debt	6.1	8,125	8,954	8,758
Current finance lease obligation		4,502	4,552	4,466
Trade payables		4,703	5,288	4,767
Accrued compensation; taxes and others short-term liabilities		24,382	26,609	22,917
Provisions for contingencies, risks and disputes		5,996	7,129	1,275
Deferred income		20,339	20,273	22,521
Liabilities associated with assets held for sale		78		
TOTAL LIABILITIES		202,753	200,605	221,746

(1) See note 1.2

The notes are an integral part of the consolidated financial statements.

2.3. Consolidated statement of changes in equity

	Number of shares	Share capital	Additional paid in capital	Net income, reserves and retained earnings	Translation differences	Equity attributable to parent company owners	Minority interests	Total Equity
<i>(In € thousand except number of shares)</i>								
AT DECEMBER 31, 2020 PUBLISHED ⁽¹⁾	6,036,592	18,110	26,280	43,894	(502)	87,779	82	87,861
Change in Accounting Method (1)				(307)		(307)		(307)
AT DECEMBER 31, 2020 RESTATED ⁽¹⁾	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
Restated Net income ⁽¹⁾				(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	18,193	26,985	26,376	577	72,129	86	72,214
Change in fair value of hedging instruments				(7)		(7)		(7)
Translation differences					376	376	0	376
Actuarial gains and losses				1,388		1,388	0	1,389
Income and expenses recognized directly in equity				1,382	376	1,757	0	1,758
Net income				13,933		13,933	20	13,953
COMPREHENSIVE INCOME				15,314	376	15,690	21	15,711
Proceeds from issue of shares								
Treasury shares				(122)		(122)		(122)
Share-based payments				1,458		1,458		1,458
Transactions with non-controlling interests				0	0	0	0	0
Other movements				(26)		(26)		(26)
AT JUNE 30, 2022	6,064,141	18,193	26,985	43,000	953	89,128	107	89,234

⁽¹⁾ See note 1.2

CHANGES IN FIRST-HALF 2021

<i>(In € thousand except number of shares)</i>	Number of shares	Share 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	18,109	26,280	43,894	(502)	87,779	82	87,861
Changed in Accounting Method (1)				(307)		(307)		(307)
AT DECEMBER 31, 2020 RESTATED ⁽¹⁾	6,036,592	18,109	26,280	43,587	(502)	87,472	82	87,554
Change in fair value of hedging instruments				4		4		4
Translation differences					608	608	2	609
Actuarial gains and losses				(1)		(1)		(1)
Income and expenses recognized directly in equity				4	608	611	2	613
Restated Net income				11,018		11,018	17	11,035
COMPREHENSIVE INCOME				11,022	608	11,629	19	11,648
Proceeds from issue of shares								
Treasury shares				(68)		(68)		(68)
Share-based payments				212		212		212
Transactions with non-controlling interests				125	(82)	43	(28)	15
Other movements				0		0		0
AT JUNE 30, 2021 PUBLISHED	6,036,592	18,109	26,280	54,878	24	99,288	73	99,361

⁽¹⁾ See note 1.2

The notes are an integral part of the consolidated financial statements.

2.4. Consolidated statement of cash flows

(In € thousands)

	Half year closed June 30, 2022	Half year closed June 30, 2021 Restated ⁽¹⁾	Full year closed Dec 31, 2021 Restated ⁽¹⁾
Net income before minority interests	13,953	11,036	(18,585)
Share of profit of associates	423	143	(80)
Amortization and provisions ⁽¹⁾	3,462	4,704	14,085
Net impact of capitalization of development costs	(1,827)	(396)	223
Income taxes (current and deferred)	8,332	5,955	1,243
Income taxes paid	(2,801)	(1,198)	(2,624)
Unrealized financial gains and losses	(1,513)	76	(559)
Share-based payment transactions	1,458	212	682
Gains and losses on assets disposals and other components	106	42	20,983
Operating cash flow	21,593	20,574	15,368
Trade receivables	(71)	(1,445)	(1,010)
Trade payables	(516)	(1,967)	(1,477)
Other receivables and other liabilities	(5,151)	3,567	5,222
Changes in working capital requirements	(5,737)	154	2,736
NET CASH FROM OPERATING ACTIVITIES	15,856	20,729	18,104
Purchase of intangible assets ²	(182)	(1)	(158)
Purchase of property, plant and equipment	(314)	(451)	(1,285)
Income/expenses on disposal of assets	0	(194)	0
Other investment operations	(5)	193	(33)
NET CASH USED FOR INVESTING ACTIVITIES	(501)	(454)	(1,476)
Proceeds from loans	133	541	716
Repayment of borrowings ¹	(10,789)	(7,685)	(11,176)
Proceeds from issue of shares	0	0	789
Purchase and proceeds from disposal of treasury shares	(122)	(68)	(84)
Dividend paid			(380)
NET CASH USED FOR FINANCING ACTIVITIES	(10,778)	(7,212)	(10,136)
Effect of exchange rate changes on cash and cash equivalents	511	633	1,362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,088	13,696	7,853
Opening cash position	30,319	22,465	22,466
Closing cash position	35,407	36,162	30,319
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,088	13,696	7,853

⁽¹⁾ The impact of IFRS 16 for 2022 first half is an increase of +€2.6m in the amortization and provision (against +€2.7m) and thus an improvement in operating cash-flow, against the repayment of finance lease obligation in the financing part of the Cash Flow Statement for -€2.6m (versus -€2.7m in the first half 2021).

⁽²⁾ See note 1.2

The notes are an integral part of the consolidated financial statements.

2.5. Notes to the interim consolidated financial statements

Note 1. Accounting principles

Note 1.1. General information

The ESI Group is the world's leading creator of Virtual Prototyping software and services. A specialist in materials physics, ESI developed a unique and innovative know-how to help manufacturers replace real prototypes with virtual prototypes, enabling them to manufacture, assemble and test their products in different environments.

ESI Group is a French company, with its headquarters at 3 bis rue Saarinen, Immeuble Le Séville, 94528 Rungis Cedex, France. It is listed on the Euronext market in Paris compartment B under the code ISIN FR 0004110310.

ESI Group's half-year consolidated financial statements were approved by the Board of Directors on September 6, 2022.

Note 1.2. Accounting standards applied

ESI Group's half-year consolidated accounts as of June 30, 2022 were established in accordance with the standard IAS 34 for interim financial reporting. This standard provides that, for summary accounts, these do not include all the information required by the IFRS repository for the preparation of annual consolidated accounts. These summary accounts must therefore be read in relation to the consolidated accounts for the year ended December 31, 2021. The new standards, interpretations and amendments that are mandatory for financial years beginning on or after January 1, 2023 have not been early adopted by the Group.

The summary half-year consolidated accounts are presented in thousands of euros, unless otherwise stated. Some totals may show rounding differences.

The new standards, interpretations and amendments whose application is mandatory as of January 1, 2022 had no impact on the Group's consolidation financial statements, with the exception of the application of the IFRS IC decision on the recognition of configuration or customization costs for software used in SaaS mode (see below).

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). During the first half of 2022, the Group analyzed 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 they do not meet the criteria for capitalization under IAS 38 (when the Group does not control 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 impact of the retrospective application of this decision at ESI GROUP is as follows.

BALANCE SHEET

(In € thousands)

	Jun. 30, 2021 Published	Restatement	June 30, 2021 Restated	Dec. 31, 2021 Published	Restatement	Dec. 31, 2021 Restated
ASSETS						
NON-CURRENT ASSETS	140,353	(359)	139,994	125,829	(408)	125,420
Goodwill	41,151		41,151	41,381		41,381
Intangible assets	63,179	(487)	62,692	41,042	(555)	40,487
Property, plant and equipment	4,231		4,231	4,094		4,094
Rights-of-use assets	15,743		15,743	16,706		16,706
Shares in affiliated companies	611		611	883		883
Deferred tax assets	12,519	128	12,647	18,392	147	18,539
Other non-current assets	2,884		2,884	3,102		3,102
Cash-flow hedging instruments	35		35	229		229
CURRENT ASSETS	81,753	0	81,753	75,185	0	75,186
Trade receivables	35,188		35,188	35,548		35,548
Other current receivables	7,231		7,231	6,371		6,371
Prepaid expenses	3,172		3,172	2,948		2,948
Cash and cash equivalents	36,162		36,162	30,319		30,319
TOTAL ASSETS	222,106	(359)	221,747	201,014	(408)	200,606
LIABILITIES						
EQUITY	99,720	(358)	99,361	72,623	(408)	72,215
Equity (Group share)	99,647	(358)	99,289	72,537	(408)	72,129
Capital	18,110		18,110	18,192		18,192
Additional paid in capital	26,280		26,280	26,986		26,986
Reserves and retained earnings	44,165	(307)	43,857	45,256	(307)	44,949
Net income (loss)	11,069	(51)	11,018	(18,474)	(101)	(18,575)
Translation differences	23		23	577		577
Minority interests	73		73	86		86
NON-CURRENT LIABILITIES	57,682	0	57,682	55,586	0	55,586
Long-term share of financial debt	34,258		34,258	33,832		33,832
Non-current finance lease obligation	11,012		11,012	11,818		11,818
Provision for employee benefits	11,796		11,796	9,124		9,124
Deferred tax liabilities	0		0	0		0
Cash-flow hedging instruments	22		22	4		4
Other long-term debt	594		594	808		808
CURRENT LIABILITIES	64,704	0	64,704	72,805	0	72,805
Short-term share of financial debt	8,758		8,758	8,954		8,954
Current finance lease obligation	4,466		4,466	4,552		4,552
Trade payables	4,767		4,767	5,288		5,288
Accrued compensation; taxes and others short-term liabilities	22,917		22,917	26,609		26,609
Provisions for contingencies, risks and disputes (3)	1,275		1,275	7,129		7,129
Deferred income	22,521		22,521	20,273		20,273
TOTAL PASSIF	222,106	(358)	221,747	201,014	(408)	200,606

CASH FLOW STATEMENT

(In € thousands)

	Jun. 30, 2021 Published	Restatement	June 30, 2021 Restated	Dec. 31, 2021 Published	Restatement	Dec. 31, 2021 Restated
Net income before minority interests	11,087	(50)	11,037	(18,484)	(101)	(18,585)
Share of profit of associates	143		143	(80)		(80)
Amortization and provisions ⁽¹⁾	4,772	(68)	4,704	14,222	(137)	14,085
Net impact of capitalization of development costs	(396)		(396)	223		223
Income taxes (current and deferred)	5,974	(18)	5,956	1,280	(36)	1,243
Income taxes paid	(1,198)		(1,198)	(2,624)		(2,624)
Unrealized financial gains and losses	76		76	(559)		(559)
Share-based payment transactions	212		212	682		682
Gains and losses on assets disposals and other components	42		42	20,983		20,983
Operating cash flow	20,711	(137)	20,574	15,642	(274)	15,368
Trade receivables	(1,445)		(1,445)	(1,010)		(1,010)
Trade payables	(1,967)		(1,967)	(1,477)		(1,477)
Other receivables and other liabilities	3,567		3,567	5,222		5,222
Changes in working capital requirements	155		155	2,736		2,736
NET CASH FROM OPERATING ACTIVITIES	20,866	(137)	20,729	18,378	(274)	18,104
Purchase of intangible assets	(137)	137	0	(432)	274	(158)
Purchase of property, plant and equipment	(451)		(451)	(1,285)		(1,285)
Income/expenses on disposal of assets	(194)		(194)	0		0
Other investment operations	193		193	(33)		(33)
NET CASH USED FOR INVESTING ACTIVITIES	(589)	137	(452)	(1,750)	274	(1,476)
Proceeds from loans	541		541	716		716
Repayment of borrowings ¹	(7,685)		(7,685)	(11,176)		(11,176)
Proceeds from issue of shares	0		0	789		789
Purchase and proceeds from disposal of treasury shares	(68)		(68)	(84)		(84)
Dividend paid			0	(380)		(380)
NET CASH USED FOR FINANCING ACTIVITIES	(7,212)	0	(7,212)	(10,136)	0	(10,136)
Effect of exchange rate changes on cash and cash equivalents	633		633	1,362		1,362
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,696	0	13,696	7,853	0	7,853
Opening cash position	22,466		22,466	22,466		22,466
Closing cash position	36,162		36,162	30,319		30,319
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,696		13,696	7,853		7,853

INCOME STATEMENT

(In € thousands)

	Jun. 30, 2021 Published	Restatement	June 30, 2021 Restated	Dec. 31, 2021 Published	Restatement	Dec. 31, 2021 Restated
REVENUE	81,833		81,833	136,595		136,595
Cost of sales	(17,873)		(17,873)	(33,717)		(33,717)
Research and development costs	(15,177)		(15,177)	(31,302)		(31,302)
Selling and marketing expenses	(20,534)		(20,534)	(38,990)		(38,990)
General and administrative costs	(10,059)	(69)	(10,128)	(21,586)	(137)	(21,723)
CURRENT OPERATING RESULT	18,188	(69)	18,121	11,000	(137)	10,863
Other operating income and expenses	(1)		(1)	(27,401)		(27,401)
OPERATING RESULT	18,187		18,120	(16,401)		(16,538)
FINANCIAL RESULT	(984)		(984)	(883)		(883)
Share of profit of associates	(143)		(143)	80		80
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	17,060		16,993	(17,204)		(17,341)
Provision for income tax	5,974	18	5,992	1,280	(36)	1,243
NET INCOME BEFORE MINORITY INTERESTS	11,086	(51)	11,001	(18,484)	(101)	(18,585)
Minority interests	17		17	(10)		(10)
NET INCOME (GROUP SHARE)	11,069	(51)	10,984	(18,474)	(101)	(18,575)

Note 1.3. Use of estimates and assumptions

Preparation of the consolidated financial statements requires the use of various estimates and assumptions made by the Group's management. These estimates and assumptions have an impact on the valuation of assets and liabilities, as well as on the amounts recorded as income or expenses throughout the fiscal year. Estimates include, but are not limited to, assumptions used to determine the impact of options and free shares granted to employees, revenue recognition, depreciation of non-current assets, valuation of deferred tax assets, capitalized development costs, provisions for impairment of doubtful receivables, taxes, risks and disputes, as well as provisions for post-employment benefits.

The estimates used as of June 30, 2022, with an uncertain context related to Ukraine's crisis situation, could be changed for year-end closing.

Note 2. Significant events for the first half-year

Financial consequences of the strategic plan - other operating income and expenses

In 2022, the Group is pursuing its growth and profitability plan "OneESI 2024 - Focus to Grow". Expenses recorded in this respect in the first half of 2022 amounted to 1.3 million euro, recognized in other operating income and expenses. It mainly comprise costs relating to the new departures decided in 2022.

Financing

During 2022 first half ESI Group repaid €5m yearly installment of its syndicated loan, remaining amount to be repaid until 2026 is €15 million. The Group repaid the promissory bill of €2.5 million as well. Revolving credit has not been used during the semester.

Changes in the scope of consolidation

During the half-year closed on June 30, 2022:

- In January, ITI Southern Europe was dissolved and ESI Holding was absorbed by ESI North America.

Note 3. Scope of consolidation

Note 3.1. Changes in Goodwill

(in € thousands)	Dec. 31, 2021	Increase	Decrease	Other movement (1)	Foreign exchange gain/ loss	June 30, 2022
Gross values	41,381			(2,451)	446	39,376
TOTAL NET VALUES	41,381	0	0	(2,451)	446	39,376

(1) See note 8.

Management has not identified any indicator of impairment of goodwill and intangible assets as of June 30, 2022.

Note 3.2. 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		
			June 2021	June 2020	December 2020
Fully consolidated subsidiaries					
Engineering System International	April 1973	Rungis, France	100 %	100 %	100 %
Engineering System International GmbH	July 1979	Eschborn, Germany	100 %	100 %	100 %
ESI Japan, Ltd.	July 1991	Tokyo, Japan	100 %	97 %	100 %
ESI North America, Inc.	March 1992	Troy, Michigan, USA	100 %	100 %	100 %
Hankook ESI Co., Ltd.	September 1995	Seoul, South Korea	100 %	99 %	100 %
ESI Group Hispania s.l.	February 2001	Madrid, Spain	100 %	100 %	100 %
Mecas ESI s.r.o.	May 2001	Plzen, Czech Republic	95 %	95 %	95 %
ESI UK Ltd.	January 2002	London, England	100 %	100 %	100 %
ESI US Holding, Inc.	August 2002	Dover, Delaware, United States	— %	100 %	100 %
ESI US R&D, Inc.	August 2002	San Diego, California, United States	100 %	100 %	100 %
Calcom ESI SA	December 2002	Lausanne, Switzerland	99 %	99 %	99 %
ESI Software (India) Private Ltd.	February 2004	Bangalore, India	100 %	100 %	100 %
Hong Kong ESI Co., Ltd.	February 2004	Hong Kong, China	100 %	100 %	100 %
ESI-ATE Holdings Ltd.	July 2006	Hong Kong, China	100 %	100 %	100 %
ESI South America Comércio e Serviços de Informatica, Ltda	June 2008	São Paulo, Brazil	100 %	95 %	100 %
ESI Italia s.r.l.	September 2008	Bologna, Italy	100 %	100 %	100 %
ESI Services Tunisia	April 2009	Tunis, Tunisia	100 %	100 %	100 %
ESI Group Beijing Co., Ltd.	October 2010	Beijing, China	100 %	100 %	100 %
ESI Software Germany GmbH	August 2011	Stuttgart, Germany	100 %	100 %	100 %
ESI Nordics AB	December 2011	Sollentuna, Sweden	100 %	100 %	100 %
OpenCFD Ltd.	September 2012	Berkshire, England	100 %	100 %	100 %
ESI Services Vietnam Co., Ltd.	December 2013	Ho Chi Minh City, Vietnam	100 %	100 %	100 %
ESI ITI GmbH	January 2016	Dresden, Germany	100 %	100 %	100 %
ITI Southern Europe SARL	January 2016	Rungis, France	— %	100 %	100 %
Subsidiaries accounted for using the equity method					
JV AECC-ESI (Beijing) Technology Co., Ltd.	February 2014	Beijing, China	35 %	35 %	35 %

The group continued the project to simplify its legal structures with the merger of ESI US Holding, Inc. with ESI North America on January 12, 2022, Inc. and the effective dissolution of ITI Southern Europe SARL with the universal transfer of its assets to ITI GmbH.

Note 4. Operating data

Note 4.1. Revenue

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021 restated (1)	Full year closed Dec 31, 2021 restated (1)
TOTAL LICENSES AND MAINTENANCE	73,928	70,023	111,356
Consulting	9,917	9,753	20,773
Other revenue	481	175	449
TOTAL SERVICES	10,398	9,928	21,222
CONSOLIDATED REVENUE	84,325	79,951	132,579

(1) Reclassification of income and expenses related to «co-financed projects»

As part of the implementation of its new OneESI2024 strategy, the Group has reassessed the nature of the services provided under the Co-funded Projects: these services do not constitute services from the entity's ordinary activities, but meet the definition of subsidies granted by public bodies, and the corresponding revenues have 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:

(In € thousands)	Jun. 30, 2021 Published	Reclassifi- cation - the co- financed projects	June 30, 2021 Restated	Dec. 31, 2021 Published	Reclassifi- cation - the co- financed projects	Dec. 31, 2021 Restated
REVENUE	81,833	(1,882)	79,951	136,595	(4,017)	132,579
Cost of sales	(17,873)	1,882	(15,991)	(33,717)	4,017	(29,701)
Research and development costs	(15,177)	0	(15,177)	(31,302)	0	(31,302)
CURRENT OPERATING RESULT	48,782	0	48,782	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.

As of June 30, 2022, trade receivables amounted to €36.9m, including €41.5m gross receivables and €-4.5m depreciation. As of December 31, 2021, trade receivables amounted to €35.5m, including €40.2m gross receivables and €-4.6m impairment.

ESI has decided to suspend all commercial development with its Russian and Belarusian customers, which represented a revenue of 2 million euros in 2021 (0.4 million euros for the first half of 2022).

Note 4.2. Information by geographic area

Revenue is split between regions where it is actually produced.

(in € thousands)	Europe, Middle-East and Africa	Asia-Pacific	Americas	Eliminations	Consolidated
HALF-YEAR ENDED JUNE 30, 2022					
External clients	42,371	28,455	13,500	0	84,325
Affiliate companies	58,303	(2,329)	981	(56,956)	0
NET SALES	100,673	26,126	14,481	(56,956)	84,325
ASSETS ALLOCATED	238,340	55,384	19,783	(110,755)	202,752
FISCAL YEAR ENDED DECEMBER 31, 2021					
External clients	61,860	49,716	21,003		132,579
Affiliate companies	69,871	1,957	2,524	(74,352)	0
NET SALES	131,730	51,673	23,528	(74,352)	132,579
ASSETS ALLOCATED	237,271	52,268	22,173	(110,697)	201,014
HALF-YEAR ENDED JUNE 30, 2021					
External clients	40,906	27,385	11,660	0	79,951
Affiliate companies	47,562	423	2,336	(50,321)	0
NET SALES	88,468	27,808	13,996	(50,321)	79,951
ASSETS ALLOCATED	286,859	62,353	45,082	(172,188)	222,106

Note 4.3. Personnel costs

Personnel costs are presented by destination in the income statement. Their break down by nature is as follows:

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021	Full year closed Dec 31, 2021
Salaries	(33,694)	(37,115)	(71,528)
Payroll taxes	(9,408)	(9,540)	(18,623)
Share-based payments *	(1,458)	(212)	(681)
Post-employment benefits	(268)	(637)	(510)
TOTAL PERSONNEL COSTS	(44,828)	(47,504)	(91,343)

*Share-based payment expenses are recorded in full as general administrative expenses.

Note 5. Intangible assets

Note 5.1. Change in intangible assets

(in € thousands)	Dec. 31, 2021 restated (1)	Increase	Decrease	Foreign exchange gain/loss	Other movements	June 30, 2022
GROSS VALUES						
Development costs	62,310	13,248	(9,978)	0	(2,667)	62,914
Acquired codes	14,082	0	0	0	(4,985)	9,098
Other intangible assets	13,586	182	0	(216)	318	13,870
TOTAL	89,979	13,430	(9,978)	(216)	(7,334)	85,881
AMORTIZATION						
Development costs	(30,232)	(11,421)	9,978	0	1,092	(30,584)
Acquired codes	(6,274)	(528)	0	0	671	(6,131)
Other intangible assets	(12,988)	(533)	0	216	(476)	(13,780)
TOTAL	(49,494)	(12,482)	9,978	216	1,287	(50,495)
NET CARRYING AMOUNTS						
Development costs	32,078	1,827	0	0	(1,575)	32,330
Acquired codes	7,808	(528)	0	0	(4,314)	2,966
Other intangible assets	599	(351)	0	0	(158)	90
TOTAL	40,486	948	0	0	(6,047)	35,387

(1) See note 1.2

(2) Including €6.2 million reclassified in Assets held for sale - see note 8.

(in € thousands)	December 31, 2020 restated (1)	Increase restatement (1)	Decrease	Foreign exchange gain/loss	Other movements	December 31, 2021 restated
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	47,291	(223)	(14,991)			32,077
Acquired codes	11,971	(641)	(5,056)	0	1,534	7,808
Other intangible assets	3,741	(994)	(615)	1	(1,534)	599
TOTAL	63,005	(1,858)	(20,662)	1	0	40,486

(1) See note 1.2

Note 5.2. Research and development costs

NET IMPACT OF THE CAPITALIZATION OF DEVELOPMENT COSTS

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021	Full year closed Dec 31, 2021
Development costs capitalized during the period	13,248	15,040	28,134
Development costs amortized during the period	(11,421)	(14,644)	(28,357)
NET IMPACT OF THE CAPITALIZATION OF DEVELOPMENT COSTS	1,827	396	(223)

RECONCILIATION OF R&D COSTS INCURRED AND ACCOUNTED FOR IN THE INCOME STATEMENT

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021 ⁽¹⁾	Full year closed Dec 31, 2021 ⁽¹⁾
R&D costs incurred during the period ⁽¹⁾	(18,057)	(16,763)	(32,976)
Development costs capitalized during the period	13,248	15,040	28,134
Development costs amortized during the period	(11,421)	(14,644)	(28,357)
French R&D tax credit	1,125	1,586	3,026
Amortizations acquired software assets	(607)	(396)	(1,129)
TOTAL R&D COSTS RECOGNIZED AS EXPENSES DURING THE FISCAL YEAR	(15,712)	(15,177)	(31,302)

(1) See note 1.2

Note 6. Financing

Note 6.1. Gross financial debt

Detail and maturity of financial debt at June 30, 2022

(in € thousands)	Maturity at June 30,					Total
	2023	2024	2025	2026	2027 and beyond	
Syndicated loan	5,000	4,956	4,911	(116)		14,751
Revolving loan	0					0
State-guaranteed loan	1,828	3,438	3,425	3,425	1,582	13,698
Other bank borrowings	885	2,375	800	400	0	4,460
Repayable advances and other financial debts	412	283	340	281	606	1,922
TOTAL	8,125	11,050	9,477	3,990	2,188	34,831
	CURRENT : 8,125				NON CURRENT : 26,706	

During 2022 first half, main flow impacting gross financial debt were the repayment of €5m yearly syndicated loan installment and the repayment of promissory bill of €2.5 million.

Detail and maturity of financial debt at December 31, 2021

(in € thousands)	Maturity at December 31					Total
	2021	2022	2023	2024	2025 and beyond	
Syndicated loan	5,000	4,823	4,911	4,973	0	19,707
Short-term revolving loan						0
State-guaranteed loan	109	3,413	3,425	3,425	3,319	13,693
Other bank borrowings	3,600	2,375	800	800	0	7,575
Repayable advances	205	283	340	281	664	1,773
Other financial debts	39					39
TOTAL	8,954	10,893	9,477	9,479	3,984	42,786
CURRENT : 8 954					NON CURRENT : 33 832	

Note 6.2. Financial income and expenses

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021	Full year closed Dec 31, 2021
Interest and related expenses on borrowings	(347)	(528)	(714)
Interest income	15	1	13
Foreign exchange gain/(loss) ⁽¹⁾	1,355	21	1,041
Interest for provisions for employee benefits	(113)	(55)	(96)
Interest for rights-of-use assets	(77)	(184)	(374)
Other financial expenses	(55)	(239)	(753)
FINANCIAL RESULT	778	(984)	(883)

⁽¹⁾ including €642 thousand of value of foreign exchange derivatives

Note 7. Tax

Note 7.1. Income tax expense

The tax recorded in the consolidated P&L is broken down as follows:

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021 restated ⁽¹⁾	Full year closed Dec 31, 2021 restated ⁽¹⁾
Current taxes	(4,424)	(3,954)	(5,540)
Deferred taxes	(3,908)	(2,001)	4,297
TOTAL	(8,332)	(5,955)	(1,243)

Half year income tax cost has been computed based on 2022 Effective Tax Rates expected by tax consolidation perimeter.

Note 7.2. Deferred tax

Breakdown of deferred taxes by tax base:

(in € thousands)	Half year closed June 30, 2022	Half year closed June 30, 2021 restated (1)	Full year closed Dec 31, 2021 restatement (1)
Deferred tax assets			
Tax loss carryforwards	8,609	7,071	12,650
Temporary differences related to tax treatment of maintenance	988	1,463	1,035
Provisions for employee benefit commitments	1,953	3,238	2,085
Temporary differences related to personnel	87	(171)	
Provisions and other adjustments	2,412	4,808	3,769
Offset of deferred tax assets/liabilities*	13		(1,001)
Total deferred tax assets	14,062	16,408	18,538
Deferred tax liabilities			
Amortization of acquired intangible assets	(91)	(281)	(150)
Excess depreciation			(394)
Other adjustments	(83)	(3,479)	(457)
Offset of deferred tax assets/liabilities	(13)		1,001
Total deferred tax liabilities	(187)	(3,760)	0
NET DEFERRED TAX	13,875	12,648	18,538

(1) See note 1.2

Note 8. Subsequent events

As part of its strategic plan 'OneESI 2024 - Focus to Grow', ESI Group has finalized few transactions:

- on July 13, 2022 the sale of its non-strategic fluid simulation software, which represented 4.6 million euros of revenue in 2021 (1,7 million in the first semestre 2022). The sale price payable in cash was US\$24 million, of which US\$20.4 million was received at closing and the balance payable at the latest at the end of a period of 18 months from closing, subject to the purchaser's failure to enforce the contractual guarantees. The assets sold were reclassified as assets held for sale at June 30, 2022 for 8.7 million euro.
- on July 27, 2022 the sale of Scilab's assets which represented a revenue of €0.8 million

The Group's syndicated loan agreement provides for mandatory prepayments in the event of the sale of assets mandatory prepayments in the event of the sale of assets within six months of the date of sale. The Group has initiated waivers in respect of disposals made after the balance sheet date.

3. STATUTORY AUDITORS' REVIEW REPORT ON THE 2021 HALF YEAR FINANCIAL INFORMATION

KPMG Audit

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92066 Paris-La Défense
S.A. au capital de € 5 497 100
775 726 417 RCS Nanterre

Statutory auditor
Member of the regional

ERNST & YOUNG et Audit

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This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and it is provided solely for the convenience of English-speaking readers. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

ESI Group

Period from January 1 to June 30, 2022

Statutory auditors' review report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of ESI Group, for the period from January 1 to June 30, 2022,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without modifying our conclusion, we draw your attention to the matter set out in note “1.2 Accounting standards applied” to the condensed half-yearly consolidated financial statements regarding the impacts of the IFRS IC decision published in April 2021 on the recognition of configuration or customization costs for software used in SaaS mode.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, September 8, 2022

The Statutory Auditors

French original signed by

KPMG Audit
Department of KPMG S.A.
Stéphanie Ortega
Partner

ERNST & YOUNG AUDIT

Pierre-Henri Pagnon
Partner

4. DECLARATIONS BY THE PERSON RESPONSIBLE OF THE HALF YEAR FINANCIAL REPORT

"I hereby certify that, to the best of my knowledge, the half year consolidated financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Company and all the companies included in the scope of consolidation, and that this Half year Activity Report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, and describes the principal risks and uncertainties for the remaining six months of the year."

Rungis, September 6, 2022

Cristel de Rouvray

Chief Executive Officer of ESI Group