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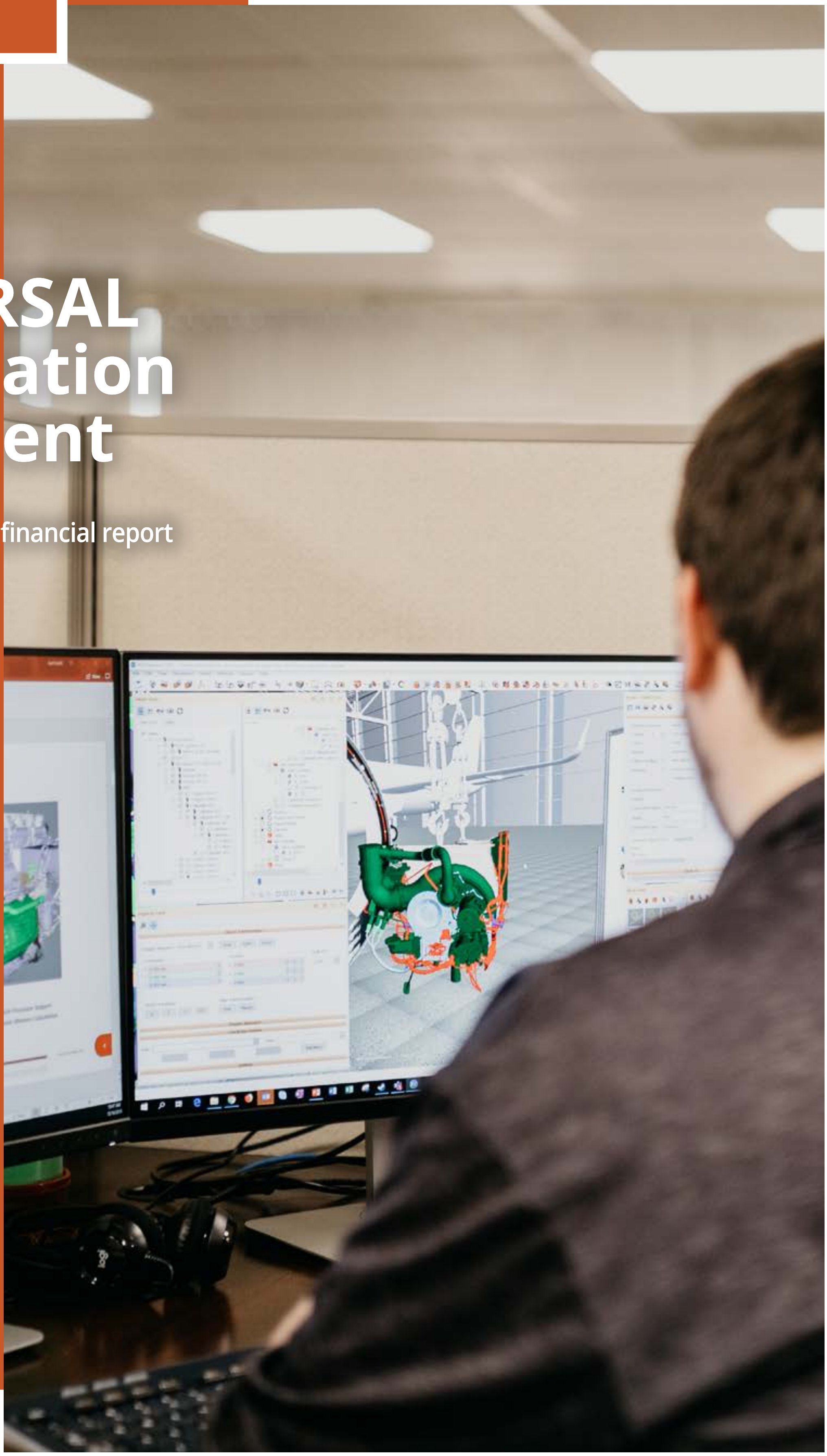
2020

UNIVERSAL Registration Document

Including the annual financial report



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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed on April 16, 2021 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 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 the Universal Registration Document are available free of charge from ESI Group (the "Company" or the "Group") – 3 *bis* rue Saarinen, 94150 Rungis, France – as well as on ESI Group's website (www.esi-group.com) and on the AMF's website (www.amf-france.org).

SHAREHOLDERS MESSAGES

ALEX DAVERN'S MESSAGE
Chairman of the Board of Directors

2020 was a cornerstone year for Industry and ESI. During this unprecedented year, ESI had the opportunity to prove to all its stakeholders the resilience of its business model, and the proven value of its solutions.

Moreover, despite the challenging context, ESI accelerated its own transformation. The group foundation has all the needed prerequisites to become an undisputable leader in the simulation market, leveraging its key differentiators of virtual prototyping solutions, the *Hybrid Twin* concept and its unique expertise in predictive physics.

My alignment with Cristel de Rouvray's strategy convinced me to join the Group as Board observer in October 2020 and become Chairman of the Board of Directors in February 2021. The evolution of ESI's governance is a new step forward to create a best-in-class leader with interests aligned at every level and for all stakeholders. Led by Cristel, ESI is on the right track: a better understood company, with the right systems in place, allowing for easier scalability to unleash its full potential. These are the conditions to ensure success as an independent company.

My role as Chairman, along with the entire Board of Directors, is to accompany and guide ESI's executive members to accelerate the sustainable revenue and profitability growth of the Company.

€132.6M
REVENUE

€3.7M
ADJUSTED EBIT (before IFRS 16)

CRISTEL DE ROUVRAY'S MESSAGE
Chief Executive Officer

We are looking forward to 2021 as a year of continued robustness of our existing business and a revival of innovative new business, thanks to the continuous efforts of our teams.

2020 was one of the most disrupted years of our lifetimes. The Covid-19 pandemic changed our way of seeing and doing things, including new challenges for business and industries all around the world. At ESI, our teams around the globe swiftly adapted and we remained focused on driving business forward and supporting our customers and partners, while doing our best to keep them and our employees safe and productive.

From this health and economic crisis has emerged a growing readiness from industries to engage in or pursue their digital transformation, limiting existing reliance on real testing for validation to increasingly anchor on predictive physics-based simulation solutions to take the right decision at the right time.

As a leading innovator in Virtual Prototyping, through our solutions built from 48 years of experience, we are committed to continuing to empower industry players to commit to their bold outcomes, addressing high stakes concerns – environmental impact, safety & comfort for consumers and workers, adaptable and sustainable business models.

In 2020, we formalized our Corporate Purpose: boost human creativity to drive industrial performance to ever higher levels. 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 outcome-oriented solutions to anticipate and manage virtually the performance of their products and assets.

Furthermore, in 2020, we increased our engagement with customers, limited our revenue decrease and contained the impact on profit. We also continued our transformation journey toward focus, synergies, optimization and best-practice, setting the foundation for our future performance.

In 2021, it's all about execution! We look forward to a year of continued robustness of our existing business and a revival of innovative new business, thanks to the continuous efforts of our teams. Today, we are committed more than ever to continue shaping the future of industry and positioning ourselves as an innovative and credible partner for digital transformation.

1 THE GROUP

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In accordance with the resolution of the General Meeting of July 18, 2019, the Group now closes its financial statements at 31 December of each fiscal year.

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".

ESI is a leading innovator in Virtual Prototyping solutions and a global enabler of industrial transformation.

Thanks to the Company's unique know-how in the physics of materials, ESI has developed and perfected, over the last 48 years, a thorough mastery of numerical simulation solutions. Seeking to go beyond the traditional concept of *Product Lifecycle Management* (PLM), ESI has developed a global/holistic approach focused on industrial productivity and product performance, beyond product development, throughout the whole product lifecycle (Product Performance Lifecycle): including design, manufacturing and use.

Present in more than 20 countries, and in major industrial sectors, ESI employs 1,200 high level specialists. In 2020, its turnover was €132.6 million. ESI is headquartered in France and is listed on compartment B of Euronext Paris.

Since 2019, the Group changed its annual closing date from the end of January to the end of December. In the following pages, when a figure is mentioned in reference to 2019, it implies the new closing period of January to December.

1.1. ACTIVITIES, STRATEGY AND MARKETS

1.1.1. MAIN ACTIVITIES

ESI's mission is to provide reliable and customized solutions based on predictive physics to enable industries to make the right decisions at the right time.

ESI develops solutions that combine its two main activities: software publishing and distribution, and consulting services. They enable realistic and predictive simulation of the performance of products and industrial assets, the identification of optimum manufacturing processes and the development of solutions for real-time monitoring of product ageing during use. At all these stages, ESI's solutions help to address the following complex equation: cost control, reduction of production lead-time, control of environmental impact and a user-centric approach.

1.1.1.1. Software Editor/Distributor (Licensing activity)

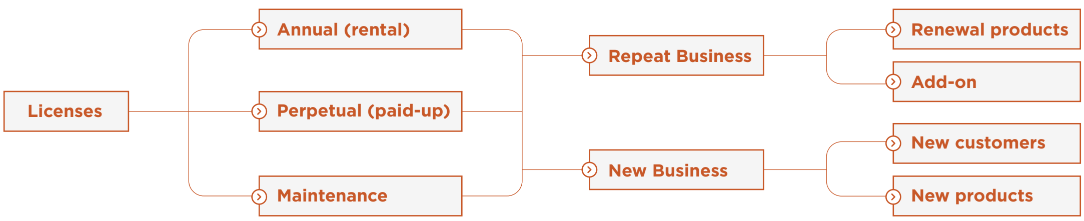
Licenses Edition/Distribution is the Group's main activity, accounting for 82.4% of revenue in 2020. Software is marketed in the form of proprietary user licenses based for the most part on an annual leasing system that, by nature, generates highly recurring revenue.

The significant added value of ESI's solutions mobilizes highly qualified research engineers with expertise in multi-physics, multi-materials and complex simulation methodologies. ESI Group's approach – to continuous technological improvement, performance and disruption – requires research and development work carried out by the Group's Research & Innovation teams in situ or as part of a partnership.

Software solutions are distributed worldwide. In 2020, distribution subsidiaries directly managed 92.6% 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 in two ways:

- By contract type:
  - **Rental license** – user license contract renewable annually and including maintenance services; this type of contract is predominant;
  - **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);
  - **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.
- 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.



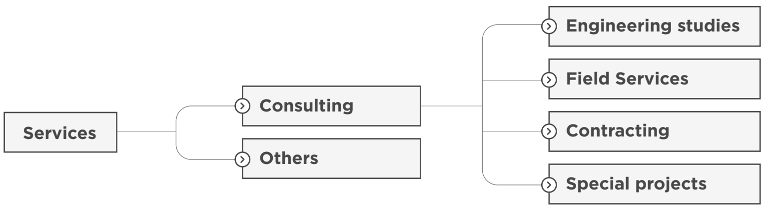
1.1.1.2. Consulting services (Services activity)

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 17.6% of 2020 revenues, includes consulting and other services.

Consulting covers the following four 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 customizes its specialized software and the industry partner performs the prototype trials necessary to validate specialized simulation models. 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;
- **Special projects:** R&D initiatives pertaining to the creation of pre-industrial digital simulation models for new applications. These cutting-edge, high-risk R&D projects can last from two to three years and are carried out in collaboration with university labs and/or corporate R&D departments. The Group treats these projects as research and development or technology intelligence activities. In some cases, they lead to government-type co-financing arrangements in Europe and the United States. They allow the Group to become involved at a very early stage, as a scientific partner in a wide variety of innovative high-tech projects.



1.1.2. STRATEGIC VISION

1.1.2.1. Performance-oriented vision for industrial products

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 and production deadlines. This complexity gets even bolder with the ever-changing expectations of end-users who are no longer looking for products but for outcomes (flight hours instead of engines, kilowatts of electricity instead of wind turbines, etc.) and by the need to embrace environmentally friendly manufacturing and production processes.

This constitutes the very essence of the "Outcome Economy" concept, referring to a results-based economy that focuses on the final benefit for a customer or an operator, the KPIs more difficult to achieve, as success is measured by performance rather than by the product itself.

Well-aware of these challenges, ESI's commitment, as a leading innovator in Virtual Prototyping software and services, is to empower industrials with technological solutions that enable them to commit to outcomes.

By combining advanced computer simulation methodologies with predictive physics expertise, ESI helps customers develop virtual prototypes, thus eliminating the need for physical testing and prototyping of components and sub-assemblies during product design, manufacturing and maintenance.

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 – Pre-certification & Validation, digitization of production lines – Smart Manufacturing, use of an operator-centric approach – Human Centric, or predictability of product behaviour and ageing, even before design or upstream of decision-making – Pre-experience – represented through the *Hybrid Twin* concept.

1.1.2.2. Guaranteed performance – early and throughout the whole product lifecycle

Coupled with latest-generation technologies, ESI's end-to-end solutions, which currently offers a comprehensive development and manufacturing process for industrial products, is revolutionizing the traditional *Product Lifecycle Management* (PLM) market. In fact, Virtual Prototyping is part of an overarching and targeted approach known as predictive physics modeling, which addresses products' operating performance throughout their complete lifecycle, from launch to withdrawal.

Nowadays, the ever-growing number of possibilities offered by Big Data and the Internet of Things make it possible to monitor the life of products after launch, creating a new outlook for hybrid virtual representations, *i.e.* representations that allow for updating of Virtual Prototypes using data measured in real-time and enhanced by Artificial Intelligence. The creation of *Hybrid Twin* incorporating simulation, physics, and data analytics makes it possible to create smart products, particularly using connected objects, as well as to predict their performance and anticipate their maintenance requirements. This *Hybrid Twin* provide an essential response to the fundamental economic issues of the Industry of the Future.

This unique value proposition, incorporating numerous disruptive innovations, is the fruit of the Group's long-standing technological differentiation strategy pursued for many years by the Group through the development of its expertise in predictive physics, multiple international industrial and academic partnerships and the acquisition of technological bricks.

1.1.2.3. A strategy organized around four priority industries

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

/ The "Automotive & Land Transportation" industry (Automotive, Railway, etc.)

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:

- Invent the future of mobility;
- Meet their ever-shorter production deadlines;
- Guarantee the safety and efficiency of operator interventions.

Main customers: Alstom Transport, Daimler, FAW Group Corporation, Fiat Chrysler Automobiles, Ford Motor Company, General Motors, Gestamp Group, Honda, HKMC, Mercedes-Benz, PSA, Renault-Nissan, Shanghai Automotive Industry Corporation, TATA Group, Toyota, TRW Automotive, Volkswagen Group, Volvo.

/ The "Aerospace, Defense & Naval" industry

Over the past decade, aeronautical manufacturers have led the race to mass production, often delaying the adoption of smart digital technologies. Today, in the midst of the Covid pandemic, the sudden drop in their order books signs a stop, allowing them to take the time they need to prepare the necessary structural transformations. Investing in 4.0 technologies to develop existing digital capabilities may seem like an additional financial effort in this very special period, but it is a strategic choice to anticipate the recovery, for both manufacturers and suppliers.

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

- Reduce design margins;
- Meet their ever-shorter production deadlines;
- Guarantee the safety and efficiency of operator interventions;
- Maximize asset value.

Main customers: Airbus Group, Alcoa, AVIC, Boeing, Bombardier, Embraer, Honeywell, General Electric, Honda, Lockheed Martin, NASA, PCC Corporate, Rolls-Royce, Safran, Sikorsky, United Engine Corporation, UTC Aerospace Systems.

/ The "Heavy Industry" industry

From construction machinery to forestry machinery, agricultural machinery, forklifts, lifting and handling equipment, sheet metal forming machines and mining machinery – manufacturers of industrial machinery face many challenges related not only to the design but also to the manufacture and operational part 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 manufacturing and heavy industry cover other simulation needs related to the manufacturing 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;
- Exceed their expectations when designing their products;
- Achieve a goal of zero manufacturing defects and zero interruption of operations.

Main customers: Alcoa, Arcelor Mittal, AVIC, Caterpillar, General Electric, Hitachi, John Deere, Joyson Safety Systems, Komatsu, Mahindra, Whirlpool.

/ The "Energy" industry

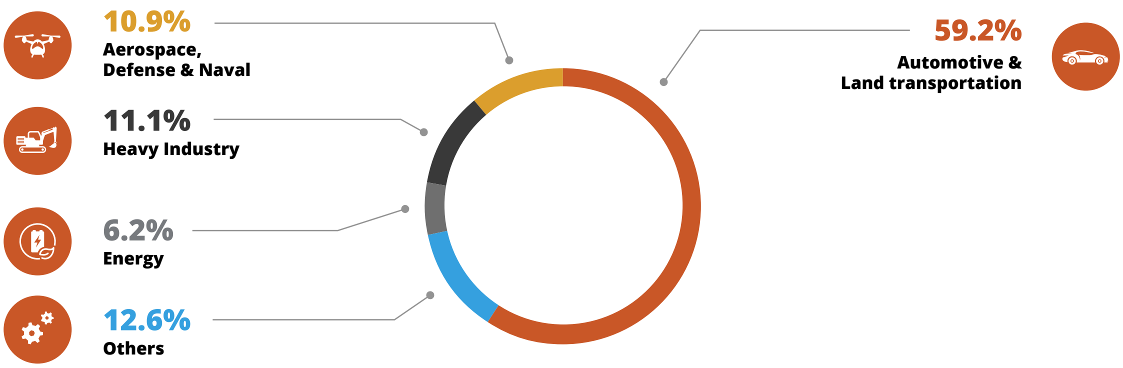
ESI's customers in the energy and power sector face a number of evolving challenges, ranging from resolving safety, environmental and sustainability issues to managing financial risks and strengthening technical requirements. Manufacturers must comply with increasingly complex regulatory requirements 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, Farasis, Framatome, GDF, General Electric, Japan Atomic Energy Agency, Samsung, Siemens.

In 2020, orders in the main industrial sectors above represented 87.4% of total revenues, and broke down as follows:



1.1.2.4. Outcome-oriented solutions for industries

As part of its strategic transformation plan, and to adapt to the various industrial challenges and to better respond to the increased demands of its customers, ESI has organized its value proposition around four specific outcomes for customers, based on the same technological platform, and related to its main industrial markets (Ground Transportation/Automotive, Aeronautics/Aerospace, Heavy Industry and Energy):

- ***Pre-Certification & Validation:*** enables gains in performance and productivity addressing the risks control associated to the physical prototypes reduction or elimination in the digitalization era in which companies are immersed today. Thanks to predictive models and processes automation, industrialists can meet certification requirements and other validation needs without relying on physical tests;
- ***Smart Manufacturing:*** enables customers to develop, validate and operate manufacturing tools and processes to secure delivery of parts and assemblies at quality, time and cost, for complex and predominantly light weight engineered objects;
- ***Human Centric Product & Process Validation:*** accelerates development and launch of new products, by enabling operator focused interactive evaluation of product operation, assembly production and maintenance procedure planning; facilitating experiential discovery, decision making, and risk mitigation in an enterprise spanning collaborative virtual environment;
- ***Pre-Experience:*** this is the most advanced solution to support industrial leaders who are the most mature in their transformation towards the Outcome Economy. ESI enables them, as well as their future customers and asset operators, to experience a product, component, subsystem or system, during its lifecycle, as part of an operational in-service solution and under numerous use conditions.

1.1.3. RESEARCH AND DEVELOPMENT (R&D) POLICY

The various teams contributing to R&D activities develop and deliver outcome-oriented and industry-specific software solutions in line with the Group's strategy, market expectations and the performance required by its customers.

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.

Each of these R&D areas is supported by different departments within the Group (products, innovation, scientific committee) and corresponds to a level of investment adapted to each stage, allowing to reduce risks through co-financing or the research tax credit (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;
- Accumulate the value of this generic know-how on a full Virtual Prototyping platform, which represents the foundation of ESI's solutions, facilitating the consideration of needs in terms of specific developments or custom services.

Finally, the R&D teams maintain and adapt highly innovative implementation methodologies adapted to customer needs and constantly monitor the use of the best tools on the market to avoid redundancy and the obsolescence of solutions compared to market standards.

1.1.4. MAIN MARKETS

1.1.4.1. The Virtual Prototyping market

ESI's activity falls within the context of a major industrial trend towards "100% digital" and total IT monitoring of Product Lifecycle Management (PLM). Within this market – composed of numerous segments – ESI Group, offering Computer Aided Engineering – CAE solutions, is part of the "Simulation & Analysis" segment. Since its creation in 1973, the Group has created a niche market for Virtual Prototyping.

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 design and development phases of the classic PLM model, ESI Group's solutions allow complete control over the performance of products during their entire lifecycle (Product Performance Lifecycle).

/ Market characteristics

The highly specialized nature of ESI's operations and its unique role in the field of Virtual Prototyping make it difficult to delineate ESI's market with any precision. The Group thus has limited information that would shed light on the specific characteristics or short-term outlook of this market, especially since the very definition of the market varies greatly among the players in the industry.

Nonetheless, in June 2020, US market research firm CIMdata published a study on PLM (estimated at $51.5 billion in 2019) in which the S&A segment (Simulation & Analysis Suppliers) represents 13.9% at $7.2 billion in 2020.. Most of the companies listed in this category are active in the field of analysis, however, within this panel, few companies reach the physical realism of the Virtual Prototyping solutions offered by ESI.

As the globe was stricken by the Covid-19 pandemic, CIMdata forecasts PLM market to shrink by 1.7% in 2020. However, 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 ($10.3 billion in 2024).

/ A market in strong consolidation

By CIMdata's count there were 124 acquisitions of note during 2019 in the PLM market. For instance, under the AEC (Architecture, Engineering & Construction) segment, in January 2019, Hexagon announced the acquisition of Etalon in order to strengthen its solutions and offerings to address the Industry challenge for its customers. Dassault Systèmes acquired Medidata to develop its footprint in the healthcare sector and consolidate its position in the CPDM (Collaborative Product Definition Management) segment.

Within the Simulation & Analysis segment, in September 2019, Ansys announced the acquisition of Livermore Software Technology Corporation (LSTC), a supplier of finite element analysis tools, known by its LS-DYNA software package, for a purchase price equivalent to more than 12 times the company's revenues.

/ 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:

- Long-standing partnerships with major industry players that both use (manufacturing industries) and supply (software platforms) technical computing systems;
- Highly skilled teams of researchers, whose specialized expertise and reputation in the field of physical simulation are known;
- Licensing agreements signed in a wide range of complex or highly specialized fields.

All of these partnerships are the result of the long experience acquired by ESI, since its creation in 1973, in solving complex problems for major industrialists at the international level and in multiple disciplines and industrial sectors.

In a constantly changing competitive environment, ESI stands out for its services activity. Spearheading long-term collaborations and essential to the Group's long-term resilience, this activity provides manufacturers with customized, high value-added results, winning the loyalty of a growing number of world leaders within the Group's client portfolio.

Today, we cannot exclude, a priori, the arrival, as competitors in ESI's sector of intervention, of larger companies with greater resources. However, especially in the case of the major CAD players, this kind of evolution does not seem to be either desired or planned by the major car manufacturers, who appreciate dealing with specialized contacts in the field of physics-based simulation, distinct from their other suppliers of basic technology.

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 recognised by major clients.

/ The need for a methodology disruption

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

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

The use of technologies such as massive data (Big Data), system modeling, machine learning or the interconnection of objects (Internet of Things – IoT), pushes for the acceleration of the implementation of the methodological change that is driving the massive growth of Virtual Prototyping, especially in industries such as aeronautics, energy or heavy industry. This adds to the ESI's solutions an interactive decision-making space, in an immersive and real-time virtual environment.

The Product Performance Lifecycle approach, which enables manufacturers to develop a *Hybrid Twin* of the physical version of their product on day to day basis, brings ESI to target the wider market of professional users such as maintenance workers and certified technicians who interact with both the products and consumers.

1.1.4.2. Geographic areas

Markets are segmented both by geographic area and industry.

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

- Americas = United States and Brazil;
- Asia-Pacific = China, South Korea, India, Japan, Malaysia and Vietnam;
- Europe, Middle East and Africa = Czech Republic, England, France, Germany, Italy, Netherlands, Russia, Spain, Sweden, Switzerland and Tunisia.

Revenues	2020 (Jan. 1 – Dec. 31)		2019, 12-month comparable (Jan. 1 – Dec. 31)		2018 (Feb. 1 – Jan. 31)	
	(In € thousands)	*(In % of the total)*	*(In € thousands)*	*(In % of the total)*	*(In € thousands)*	*(In % of the total)*
Europe, Middle East and Africa	62,598	47.2%	70,957	48.5%	68,837	49%
Asia-Pacific	50,103	37.8%	52,264	36.2%	49,768	36%
Americas	19,867	15.0%	22,302	15.3%	20,802	15%
TOTAL	**132,568**	**100%**	**146,223**	**100%**	**139,407**	**100%**

As in previous years, the Group maintained a strong international presence, with 86% of revenue generated outside France.

1.1.5. ECOSYSTEM

ESI Group is particularly aware of the richness and development of its ecosystem, which is considered as the cornerstone of its success.

From year to year, the Group strives to strengthen its ecosystem, determining how to best target the very extensive and fast-growing community of professionals involved in product manufacturing and industrial processes. Always expanding, the ESI network, composed of partners, customers, suppliers and all the Group's other stakeholders, makes it possible to accelerate and spread innovation and to support the sale of software and services.

The Group values its partnerships with hardware suppliers, software solution providers, leading industrial companies, and technological and academic institutes alike. These alliances are deeply rooted in its corporate strategy to develop and facilitate the adoption of Virtual Prototyping and the emergence of the *Hybrid Twin*.

/ Corporate partnerships

ESI Group has always aimed to establish mutually beneficial strategic corporate partnerships with international companies, working together to promote innovation. For instance, for the past 15 years, IBM and ESI have been committed in a partnership leveraging a state-of-the-art IT architecture that will significantly reduce computing time and costs, allowing more simulations to be performed for design optimization.

/ Strategic "partner-customers"

The success of ESI Group's solutions is also the fruit of remarkable collaborations and a co-creation approach with world leaders such as Renault-Nissan, Volkswagen, or Honda in the Automotive, Boeing or Safran for the Aeronautics. 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 industrial sectors.

/ Academic partnerships

To ensure constant innovation, ESI establishes partnerships with several first-rate universities, technological institutes and leading colleges, in the 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 Director of the Scientific Department 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 Centre's outreach and the advancement of research. In 2020, Dr. Ruben Ibanez, a member of ESI's Scientific Department, has won the award for best doctoral thesis in computational mechanics in both France and Spain.

1.2. HISTORY OF THE GROUP

1973 to 1990	In 1973, Alain de Rouvray, along with three other engineering colleagues and partners, 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 Argentina, 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 late 2016, ESI Group signed a strategic, long term partnership agreement with PARC, a Xerox Group company, with the goal of expanding and industrializing the advanced research project on Fault-Augmented Model Extension (FAME). In early 2017, ESI Group took over Scilab Enterprises, publisher of the Scilab open source analytical calculation software, with the goal of making immersive virtual engineering more accessible for a worldwide community of engineers and scientists. These numerous acquisitions have allowed ESI Group to enrich its solution portfolio, putting forth a comprehensive offering suited to the needs of industrial players. In the course of the year 2017, ESI Group strengthened its presence with the opening of new offices in Toulouse (France) and San Jose, California (United-States).
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. Alain de Rouvray, founder, is nominated 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	As part of the evolution of its governance, ESI Board has co-opted Alex Davern as a Board member and appointed him as Chairman of the Board of Directors, effective February 8, 2021, along other changes in the organization of the Board.

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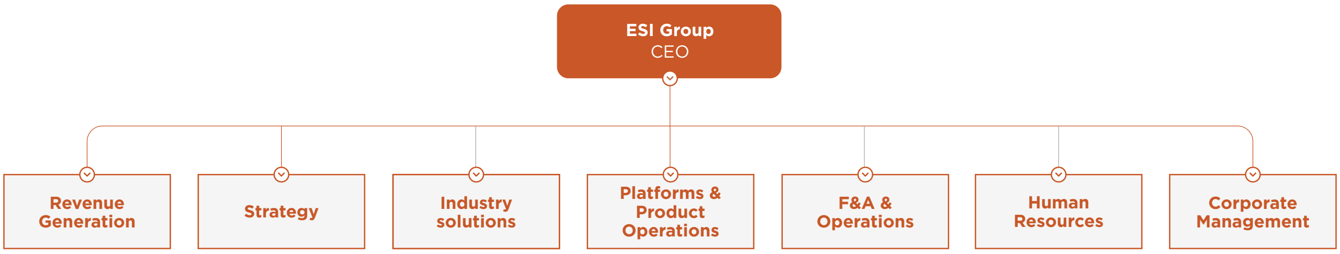
1.3. GROUP ORGANIZATION

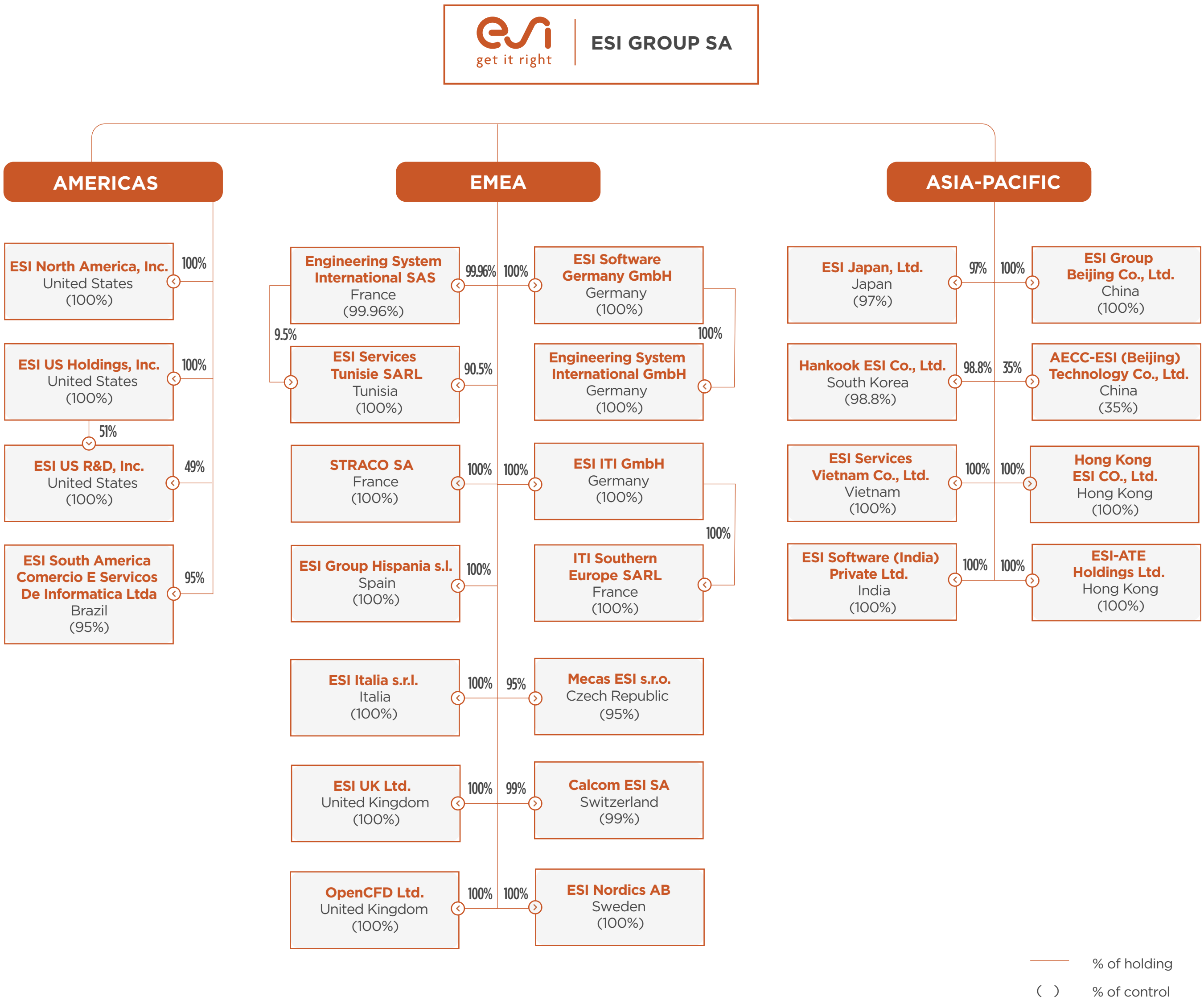
1.3.1. OPERATIONAL FLOWCHART

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, 2020) in the notes to the consolidated financial statements.

1.4. SELECTED FINANCIAL INFORMATION

This information are extracted from the consolidated financial statements.

In compliance with the decision of the General Meeting of July 18, 2019, the Group now closes its accounts on December 31 of each fiscal year. The 2020 results are presented with comparable data for 2019, over 12 months, from January to December.

1.4.1. REVENUE

2020: a year illustrating the resilience of the Group's business model

In a very difficult global context that impacted near term investments in industry, ESI Group has demonstrated the resilience of its business model based on recurring licenses contracts. Full-year sales were €132.6 million thanks to the very significant proportion of recurring revenue and an increase in the share of licenses in sales. While the Licenses revenue decreased by -5.1% at constant rate (€109.2 million), the repeat business remained stable. The product mix thus shifted in favour of licenses, which accounted for 82.4% of sales in 2020 compared with 79.3% in the previous year.

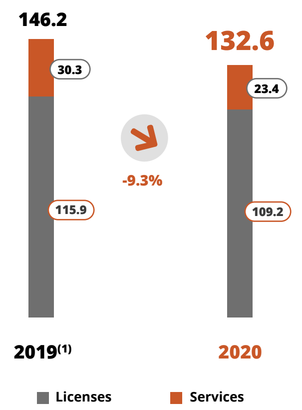
Group's sales showed a decrease of perpetual licenses (PUL) vs. last year: from 15% of sales in 2019 to 10.6% in 2020.

In 2020, the Top 20 clients revenue performed better with a 1% increase in licenses and a -26% decline in consulting resulting in an overall decline of -6%. These customers, cornerstone of ESI's installed base, renewed their confidence in the Group's solution.

Over the year, sales held up well at €132.6 million, with a decrease of -8.7% at constant exchange rates and -9.3% at current exchange rates (forex impact of €1 million).

Revenue evolution

(In € millions)



(1) 12-month comparable (January 1, 2019 – December 31, 2019).

Geographical revenue breakdown

Geographical breakdown

1.4.2. PROFITABILITY

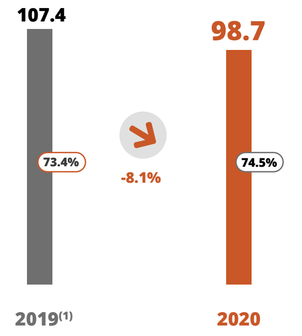
Control of costs and good resilience of results

Given the revenue challenge created by the Covid crisis, ESI took action to reduce costs to EBIT (Earnings Before Interest and Taxe) adjusted by 6.6% to €128.9 million vs. €137.9 million in FY 2019. The full benefit of many of these cost management steps will be realized in 2021.

Gross margin rate increased at 74.5% vs. 73.4% in 2019 due to licensing gross margin at 86.9% and relative weight of licenses in total revenue (82.4% in FY 2020 vs. 79.3% in FY 2019). Operating costs (R&D, S&M and G&A) decreased by 4.2% at €95.1 million. Despite decrease in EBIT, net result remains positive (favorable forex result and lower income tax) at €1.4 million.

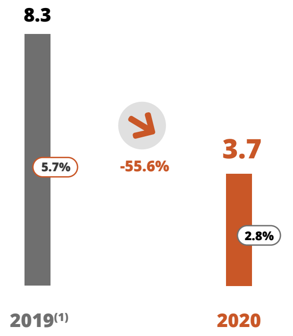
Gross margin

(In € millions and % of revenue)



EBIT (before IFRS 16)

(In € millions and % of revenue)



(1) 12-month comparable (January 1, 2019 – December 31, 2019).

2 REPORT ON CORPORATE GOVERNANCE

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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 and Human Resources Department.

This report was approved by the Board of Directors on March 15, 2021, after review 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 22, 2021.

2.1. GOVERNANCE CODE

The Company is a limited company *(société anonyme)* with a Board of Directors. The Directors, the Chairman of the Board, the Chief Executive Officer ("CEO") and the Chief Operating Officers 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, with the exception of parentage between Alain de Rouvray, Director, and Cristel de Rouvray, Director and CEO;
- No conflicts 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 except the shareholders' agreement as described under section 8.2.4 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 officers 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 8, 2021, the Company confirmed it voluntarily referred to the Middlenext Code, which is available on the website www.middlenext.com as revised in September 2016. 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.10. Presence condition for Directors' remuneration	This criterion is applied to independent Directors but is not relevant for non-independent Directors, who are almost always present because of their executive role within the Company (Chief Executive Officer and Chief Operating Officer) (see Directors' compensation policy for 2021 under section 2.4.1.1).

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 80 years old. If the current CEO exceeds this age, he is deemed to have resigned from office.

2.2.2. CHIEF OPERATING OFFICERS

At the CEO's proposal, the Board of Directors may appoint one or more individuals as Chief Operating Officer to assist the CEO. In accordance with Article 14 of the articles of association, the number of Chief Operating Officers may not exceed five.

The Board of Directors determines the scope and duration of the powers granted to the Chief Operating Officer, with the CEO's agreement and sets their compensation. With respect to third parties, the Chief Operating Officer has the same powers as the CEO.

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

Chief Operating Officers may be dismissed at any time upon proposal of the CEO and by decision of the Board of Directors. If Chief Operating Officers are dismissed without just cause, such dismissal may be grounds for compensation.

At the date of this Universal Registration Document, Vincent Chaillou is acting as Chief Operating Officer, mandate he will perform until June 22, 2021, date of the next Shareholders' Meeting.

Christopher St John was Chief Operating Officers until June 30, 2020 (1).

2.2.3. LIMITS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICERS

2.2.3.1. Limits to the CEO's powers

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.

(1) See press release dated July 2, 2020. Christopher St John (https://www.esi-group.com/company/news/esi-group-announces-the-retirement-of-dr-christopher-st-john-chief-operating-officer), which employment agreement was suspended due to his mandate as Chief Operating Officer, resumed his duties as an employee from July 1, 2020 to December 31, 2020, date of his retirement.

2.2.3.2. Limits to the Chief Operating Officers' powers

The powers of the Chief Operating Officers to act as legal representatives of the Company have been delegated by the Board of Directors.

The following powers have thus been delegated to the Chief Operating Officers:

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

In all cases, the Chief Operating Officers require the Company's prior written consent to carry out solely the following transactions on behalf of the Company:

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

2.2.4. GROUP EXECUTIVE COMMITTEE ("GEC")

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

The GEC meets at least once a month and as often as the interest of the Company requires, to report on the activities of the Company to the CEO. The GEC 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 GEC comprises the following members:

1 2 3 4 5 6 7 8 9

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.9). 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.

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 in 2020 and until February 8, 2021

	Age	Gender	Nationality	Strategic Committee	Audit Committee	Compensation Committee	Nomination and Governance Committee	Technology and marketing 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)												
Alain de Rouvray[(1)]	77	♂	French	✓ 🎤			✓ 🎤	✓	1991	2015	SM 2023	Industries, Technologies, Commerce, Leadership, M&A
Vincent Chaillou	71	♂	French	✓				✓	2004	2020	SM 2024	Industries, Technologies, Commerce, Leadership, M&A
Cristel de Rouvray	44	♀	French-American	✓				✓	1999	2017	SM 2021[(2)]	Technologies, Leadership, CSR
Members considered as independent by the Board of Directors (see section 2.3.1.3)												
Charles-Helen des Isnards[(3)]	75	♂	French	✓	✓ 🎤	✓	✓		2008	2017	SM 2021	Finance, M&A, Listed company
Éric d'Hotelans	70	♂	French	✓	✓	✓ 🎤	✓		2008	2019	SM 2023	Technologies, Finance, Leadership, Listed company
Véronique Jacq	53	♀	French	✓	✓			✓	2014	2018	SM 2022	Finance, M&A, Listed company
Rajani Ramanathan	54	♀	American, Indian	✓		✓	✓	✓ 🎤	2014	2018	SM 2022	Technologies, Commerce, Leadership, CSR
Yves de Balmann	74	♂	French, American	✓					2016	2020	SM 2024	Finance, Leadership, M&A, Listed company

65 YEARS
AVERAGE AGE

62.5%
INDEPENDENT MEMBERS[(4)]

3 WOMEN &
5 MEN[(5)]

37.5%
DIVERSITY[(6)]

SM: Shareholders' Meeting.
🎤 Chairman.
✓ Member.
(1) Chairman of the Board of Directors until February 8, 2021, see press release of the same date.
(2) Mandates proposed to be renewed at the Shareholders' Meeting of June 22, 2021.
(3) Observer since February 8, 2021, see press release of the same date.
(4) 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.
(5) In accordance with the Article L. 225-18-1 of the French Commercial Code which indicates that the difference between the number of Directors of each gender cannot be greater than two.
(6) Board members who are foreign nationals.

Overview of the Board of Directors since February 8, 2021 and until the date of this Universal Registration Document

	Age	Gender	Nationality	Strategic Committee	Audit Committee	Compensation Committee	Nomination and Governance Committee	Technology and marketing 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)												
Alain de Rouvray	77	♂	French						1991	2015	SM 2023	Industries, Technologies, Commerce, Leadership, M&A
Vincent Chaillou	71	♂	French	✓				✓	2004	2020	SM 2024	Industries, Technologies, Commerce, Leadership, M&A
Cristel de Rouvray	44	♀	French-American	✓ 🎙			✓	✓	1999	2017	SM 2021[1]	Technologies, Leadership, CSR
Members considered as independent by the Board of Directors (see section 2.3.1.3)												
Alex Davern	54	♂	Irish, American	✓	✓		✓ 🎙	✓	2021	2021	SM 2021[1]	Finance, Leadership, M&A, Listed company
Éric d'Hotelans	70	♂	French	✓	✓	✓ 🎙	✓		2008	2019	SM 2023	Technologies, Finance, Leadership, Listed company
Véronique Jacq	53	♀	French	✓	✓ 🎙			✓	2014	2018	SM 2022	Finance, M&A, Listed company
Rajani Ramanathan	54	♀	American, Indian	✓		✓	✓	✓ 🎙	2014	2018	SM 2022	Technologies, Commerce, Leadership, CSR
Yves de Balmann	74	♂	French, American	✓		✓			2016	2020	SM 2024	Finance, Leadership, M&A, Listed company

65 YEARS
AVERAGE AGE

62.5%
INDEPENDENT MEMBERS[2]

3 WOMEN &
5 MEN[3]

50%
DIVERSITY[4]

SM: Shareholders' Meeting.
🎙 Chairman.
✓ Member.
(1) Mandates proposed to be renewed at the Shareholders' Meeting of June 22, 2021.
(2) 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.
(3) In accordance with the Article L. 225-18-1 of the French Commercial Code which indicates that the difference between the number of Directors of each gender cannot be greater than two.
(4) Board members who are foreign nationals.

2.3.1.1. Chair of the Board of Directors

Following the dissociation of functions decided by the Board of Directors on September 18, 2018 and 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.

Thus, Alain de Rouvray was Chairman of the Board of Directors until February 8, 2021. From February 8, 2021, Alex Davern acts as Chairman of the Board[(1)].

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 2020 and until the date of this Universal Registration Document

Board members	Changes	Effective date
Vincent Chaillou	Renewal	June 25, 2020
Yves de Balmann	Renewal	June 25, 2020
Charles Helen des Isnards	Resignation	February 8, 2021
Alain de Rouvray	Revocation at the Chair of the Board of Directors	February 8, 2021
Alex Davern	Cooptation[(1)] Nomination as Chairman of the Board	February 8, 2021

(1) For the remainder of the term of Charles Helen des Isnards' mandate, i.e. until June 22, 2021, date of the next Shareholders' Meeting.

Changes in the composition of the committees in 2020 and until the date of this Universal Registration Document

<table>
<tr><th>Board members</th><th>Changes</th><th>Committees</th><th>Committees' chairmanship</th><th>Effective date</th></tr>
<tr><td>Charles-Helen des Isnards</td><td>Resignation</td><td>◆ Strategic Committee
◆ Audit Committee
◆ Compensation Committee
◆ Nomination and Governance Committee</td><td>Audit Committee</td><td rowspan="6">February 8, 2021</td></tr>
<tr><td>Alex Davern</td><td>Appointment</td><td>◆ Nomination and governance Committee
◆ Audit Committee
◆ Technology and marketing Committee
◆ Strategic Committee</td><td>Nomination and governance Committee</td></tr>
<tr><td>Alain de Rouvray</td><td>Revocation</td><td>◆ Strategic Committee
◆ Nomination and Governance Committee
◆ Technology and Marketing Committee</td><td>Strategic Committee
Nomination and governance Committee</td></tr>
<tr><td>Cristel de Rouvray</td><td>Appointment</td><td>◆ Nomination and Governance Committee</td><td>Strategic Committee</td></tr>
<tr><td>Véronique Jacq</td><td>Appointment</td><td></td><td>Audit Committee</td></tr>
<tr><td>Yves de Balmann</td><td>Appointment</td><td>◆ Compensation Committee</td><td></td></tr>
</table>

(1) See press release date February 8, 2021 (https://www.esi-group.com/company/news/esi-group-announces-governance-evolution).

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 March 15, 2021, 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 five independent Director out of eight, representing 62.5% 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
Alain de Rouvray	X	√	X	X	√	Non-independent
Vincent Chaillou	X	√	√	X	√	Non-independent
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

X: Not compliant.
V: Compliant.

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 five men. In accordance with Article L. 225-18-1 of the French Commercial Code, the difference between the two genders is not greater than two and consequently the Board of Directors has a balanced representation.

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

- Chairman of the Board of Directors
- Independent Board member since February 8, 2021
- Chairman of the Nomination & Governance Committee

Date of birth: 09/23/1966
Irish and US
Shares held at December 31, 2020:
2,533 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(1).

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 today. Alex Davern assisted the founder of National Instruments for 20 years. Alex has recently stepped down from his role as CEO to focus on serving as a Board member of National Instruments and other Nasdaq-listed companies (Cirrus Logic, and previously Helen of Troy, Sigmatel Inc.). 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)

Expired offices held over the past five years:

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

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, 2020:
206,270 shares

Cristel de Rouvray is Chief Executive Officer since February 1, 2019. Cristel de Rouvray was Chairman of the Compensation, Nomination and Governance Committee from 2007 to 2019 and Board Leader from 2015 she is 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

(*) See chapter 8.2.5 for all shares held at the date of publication of the Universal Registration Document.

Rajani Ramanathan

- Independent Board member
- Chairwoman of the Technology & Marketing Committee

Date of birth: 03/25/1967
American, Indian
Shares held at December 31, 2020: 1 share

Rajani Ramanathan has held a variety of positions, from running her own companies to scaling a multi-billion company from a startup to a fully operational business. Currently she serves as an independent Board member at CloudCherry and serves as either a Board member/advisor/investor in several technology startups including Vayu Technology corp., Invicara, Fitbliss, Boon VR, Feathercap and has previously advised companies such as Medium, Pipefy, Growbot, Lifograph, Traction Labs, Relatas, Realine TechnologyWizcal, SaferMobility and Trendbrew to name a few. She joined Salesforce.com in 2000, when it was a very small startup, and she helped built it into a high growth Fortune 500 company during her tenure of 14 years. In her most recent role as COO (EVP) of Technology & Products, her responsibilities spanned from delivering highly innovative products, while ensuring every employee can do the best work in their careers. In 2014, she was awarded the YWCA TWIN (Tribute to Women and Industry) Award, which has long been considered one of Silicon Valley's most prestigious awards honoring women who exemplify leadership excellence in executive-level positions.

Current offices held outside the Group:

- Member of the Board of the company Vavu

Expired offices held over the past five years:

- Member of the Board of the company CloudCherry

Véronique Jacq

- Independent Board member
- Chairwoman of the Audit Committee

Date of birth: 01/02/1968
French
Shares held at December 31, 2020: 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 Board of the company Klaxoon
- Member of Board of the company Famoco

Expired offices held over the past five years:

- Member of the Board of the company Netatmo
- Censor of the company DelfMEMS
- Censor of the company Bonitasoft
- Censor of the company Teads

Éric d'Hotelans

- Independent Board member
- Chairman of the Compensation Committee

Date of birth: 07/03/1950
French
Shares held at December 31, 2020: 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:

- Chair 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
- Member 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

Yves de Balmann

- **Independent Board member**

Date of birth: 05/28/1946
French, American
Shares held at December 31, 2020:
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 Exelon Corporation
- Member of the Board of the company Finalsite
- Member of the Board of the non-profit organization Sweetwater Spectrum

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

Vincent Chaillou

- **Board member**
- **Chief Operating Officer until June 22, 2021**

Date of birth: 03/24/1950
French
Shares held at December 31, 2020:
21,207 shares

Vincent Chaillou is Director and Chief Operating Officer until June 22, 2021 and Group Strategy and EMEA Regional Director until December 31, 2021. Vincent Chaillou holds an engineering degree from *École polytechnique* (1971) and a PhD in civil engineering from the *École des Ponts et Chaussées* (1973). Before joining ESI Group in 1994, he served as VP General Manager of the AEC Business Unit, a department of ComputerVision (which has now merged with PTC). During his 16 years at ComputerVision, he held several management positions in sales, marketing and general management, specifically in the Asia-Pacific region. From 1994 to 1998, he was Regional Vice President for the American territory within ESI Group and CEO of ESI Software.

Current offices held outside the Group:

- Member of the Board of Directors of the association *"Alliance Industrie du Futur"*
- Member of the Board of the association ASTech and Vice President International Relations
- Chairman of the association ID4CAR
- Member of the Board of the Railenium Technological Research Institute
- Member of the Board of Nuclear Valley
- Member of the Board of the French Mechanics association
- Member of the Excelcar collaborative innovation platform

Expired offices held over the past five years:

- Member of the Board of the association TECH'IN France
- Member of the Board of the company CADEMCE SAS

Alain de Rouvray

- **Founder**
- **Board member**

Date of birth: 10/08/1943
French
Shares held at December 31, 2020:
1,207,391 shares

Alain de Rouvray was Founder and CEO of ESI France (1973), then Chairman and CEO of ESI Group from its creation in 1991 until January 31, 2019, then Chairman of the Board of Directors from February 1, 2019 to February 8, 2021.

A graduate of the *École Centrale de Paris* (1967) and the Sorbonne (Economics), Alain de Rouvray was awarded a Fulbright scholarship and a Study and Research grant from the University of California (Berkeley), where he earned a doctorate (Ph.D.) in Civil Engineering (1971). Back in France, Alain de Rouvray was initially a Research Engineer at the *École polytechnique* (Paris, *Laboratoire de Mécanique des Solides*, 1972), then a partner and Director of the Advanced Mechanics Department of the *Société Informatique Internationale* ('2I'), which became a scientific computing subsidiary (1976) of the CISI Group and the *Commissariat à l'Énergie Atomique* (CEA) from 1972 to 1976. In parallel, he founded ESI SA in 1973, with a minority shareholding from 2I, and was its General Manager and Sales Director from 1973 to 1990, at which time he founded and took over the management of ESI Group. Alain de Rouvray was awarded the French title of *"Chevalier de la légion d'honneur"* for Foreign Trade in 2012.

Current offices held outside the Group:

None

Expired offices held over the past five years:

None

Charles-Helen des Isnards

- **Independent Board member until February 8, 2021**
- **Observer since February 8, 2021**

Date of birth: 01/01/1945
French
Shares held at December 31, 2020:
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 and February 8, 2021 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.

The Internal rules of the Board of Directors can be consulted on the Company's website (www.esi-group.com). Each Board member and each Observer receives a copy of these internal rules upon being appointed.

In accordance with recommendations of the Middlenext Code (R.7), 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...);
- Protection of corporate officers: liability insurance for corporate officers;
- Rules for determining the remuneration of Directors.

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. 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 General Manager 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 fulfill 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.4 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.5, 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 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. Works of the Board of Directors in 2020

In 2020, the Board of Directors held seven meetings including the Board retreat. The attendance rate was 98%.

Attendance of Directors at Board meetings in 2020

Dates of Board of Directors' meetings	12/02/2020	19/03/2020	25/06/2020	Board Retreat 29 and 30/07/2020	08/09/2020	21/10/2020	18/12/2020	% of attendance (Board Retreat excluded)	% of overall attendance
Alain de Rouvray	√	√	√	√	√	√	√	100	100
Vincent Chaillou	√	√	√	√	√	√	√	100	100
Cristel de Rouvray	√	√	√	√	√	√	√	100	100
Charles-Helen des Isnards	√	√	√	√	√	√	√	100	100
Éric d'Hotelans	√	√	√	√	√	√	√	100	100
Véronique Jacq	x	√	√	√	√	√	√	83	86
Rajani Ramanathan	√	√	√	√	√	√	√	100	100
Yves de Balmann	√	√	√	√	√	√	√	100	100
OVERALL ATTENDANCE								**98**	**98**

Director	Strategic Committee		Audit Committee		Nomination and Governance Committee		Compensation Committee		Technology and Marketing Committee	
	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
Alain de Rouvray	100%	4/4	–	–	100%	3/3	–	–	100%	4/4
Vincent Chaillou	100%	4/4	–	–	–	–	–	–	100%	4/4
Cristel de Rouvray	100%	4/4	–	–	–	–	100%	3/3	100%	4/4
Charles-Helen des Isnards	100%	4/4	100%	5/5	100%	3/3	100%	3/3	–	–
Éric d'Hotelans	100%	4/4	100%	5/5	100%	3/3	100%	3/3	–	–
Véronique Jacq	75%	3/4	60%	3/5	–	–			75%	3/4
Rajani Ramanathan	100%	4/4	–	–	100%	3/3	100%	3/3	100%	4/4
Yves de Balmann	100%	4/4	–	–	–	–	–	–	–	–
OVERALL ATTENDANCE RATE	**97%**	**–**	**87%**	**–**	**100%**	**–**	**100%**	**–**	**95%**	**–**

During fiscal year 2020, the Board of Directors met seven times (including the Board Retreat). In addition to approving the minutes of previous Boards of Directors, the main items discussed, and decisions taken by the Board of Directors at its meetings in 2020 are as follows:

/ Activity and results

The systematic and in-depth review of the Company's activity is carried out at each meeting. The Board of Directors at its meeting of February 19, 2020, approved the revenue for fiscal year 2019, in accordance with the recommendation of the Audit Committee. It also noted the capital increase following the exercise of options during the 2019 financial year. The Board of Directors approved the 2019 results at its meeting of March 19, 2020. At this meeting, it defined the strategic orientations.

It authorized the signing of bank loans guaranteed by the state on June 25, 2020. The Board of Directors also approved the dissolution of subsidiaries during the fiscal year in for legal simplification purposes.

/ Corporate Governance

In 2020, the Board of Directors deliberated on its composition. It convened and proposed to the Combined General Meeting of June 25, 2020 to renew the mandates of Vincent Chaillou and Yves de Balmann for a period of four years following the recommendation of the Nomination and Governance Committee. At its meeting of March 19, 2020, the Board decided on the independence criteria for Directors based on the proposal of the Nomination and Governance Committee. The results of the annual self-assessment were presented at the same session.

The Board of Directors also worked on improving its governance. To this end, it convened an Extraordinary General Meeting on October 21, 2020 which approved the creation of the function of observer. Its internal regulations have been amended accordingly (see section 2.3.3.1). Alex Davern was appointed observer on October 21, 2020.

The Board of Directors also decided to transfer its registered office to Rungis, France, at its meeting on December 18, 2020.

/ Compensation policy and human resources

The Board deliberated and approved the rules relating to the compensation of executive corporate officers as well as the compensation of Directors on the basis of the in-depth work and recommendations of the Compensation Committee.

In the context of the sanitary crisis, the Board of Directors decided on December 18, 2020 to reduce the overall amount of its compensation for the 2020 financial year by 15% out of solidarity.

As every year, the Board, at its meeting of December 18, 2020, deliberated on the Company's policy in terms of professional equality between women and men.

/ Other decisions

The Board provided an update on the share buyback programs at its meeting of March 19, 2020. It decided at its meeting of June 25, 2020 to implement the share buyback program as approved by the General Meeting of June 25, 2020. It reviewed regulated agreements and current agreements.

2.3.3.6. Board assessment

In accordance with Middlenext Code Recommendation R.11 the Board of Directors carried out during 2020 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 Board Retreat. During the ensuing debate, reflections were raised on the development of governance in the course of the transformation and in consideration of the specific measures related to the sanitary crisis.

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.6, the following committees have been established within the Company:

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

The attendance of the Directors at the committees' meetings during financial year ended on December 31, 2020 is presented under section 2.3.3.5 above.

2.3.4.1. Strategic Committee

Composition in 2020 and until February 8, 2021	Composition since February 8, 2021
Alain de Rouvray (Chairman)	Cristel de Rouvray (Chairwoman)
Vincent Chaillou	Vincent Chaillou
Yves de Balmann*	Alex Davern*
Eric d'Hotelans*	Yves de Balmann*
Charles-Helen des Isnards*	Eric d'Hotelans*
Véronique Jacq*	Véronique Jacq*
Rajani Ramanathan*	Rajani Ramanathan*
Cristel de Rouvray	

8 members[(1)] — **97% attendance rate[(1)]** — **4 meetings[(1)]**

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*
(1) At December 31, 2020.

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

2.3.4.2. Audit Committee

Composition in 2020 and until February 8, 2021	Composition since February 8, 2021
Charles-Helen des Isnards* (Chairman)	Véronique Jacq* (Chairwoman)
Eric d'Hotelans*	Alex Davern*
Véronique Jacq*	Eric d'Hotelans*

3 members — **87% attendance rate[(1)]** — **5 meetings[(1)]**

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*
(1) At December 31, 2020.

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, the Chief Operating Officers and the Chief Financial Officer of the Company attend the meetings of the Audit Committee as guests.

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 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;

- Issuing a recommendation regarding appointment of Auditors by the General Meeting, as well as regarding the potential reappointment of Auditors;
- Monitoring Auditors as they fulfill 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.

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 Committee

Composition in 2020 and until February 8, 2021	Composition since February 8, 2021			
Eric d'Hotelans*(Chairman) Charles-Helen des Isnards* Rajani Ramanathan*	Eric d'Hotelans* (Chairman) Yves de Balmann* Rajani Ramanathan*	**3 members**	**100% attendance rate(1)**	**3 meetings(1)**

** Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*
(1) At December 31, 2020.

The mission of the Compensation Committee is to prepare the decisions of the Board of Directors concerning:

- 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…), 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).

2.3.4.4. Nomination and Governance Committee

Composition in 2020 and until February 8, 2021	Composition since February 8, 2021			
Alain de Rouvray (Chairman) Eric d'Hotelans* Charles-Helen des Isnards* Rajani Ramanathan*	Alex Davern* (Chairman) Eric d'Hotelans* Rajani Ramanathan* Cristel de Rouvray	**4 members**	**100% attendance rate(1)**	**3 meetings(1)**

** Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*
(1) At December 31, 2020.

The mission of the Nomination and Governance 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 independent Directors;
- 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;
- The recruitment of executives for key activities and functions of the Company including members of the GEC;
- The implementation of a new organization of the Group's activities that may have an impact on the responsibilities of the members of the GEC;
- The monitoring of the Corporate Social Responsibility (CSR) process.

2.3.4.5. Technology and Marketing Committee

Composition in 2020 and until February 8, 2021	Composition since February 8, 2021			
Rajani Ramanathan* (Chairwoman) Vincent Chaillou Véronique Jacq* Alain de Rouvray Cristel de Rouvray	Rajani Ramanathan* (Chairwoman) Vincent Chaillou Alex Davern* Véronique Jacq* Cristel de Rouvray	**5 members**	**95% attendance rate**(1)	**4 meetings**(1)

* *Independent members in accordance with recommendation R.3 of the Middlenext Code (See above section 2.3.1.3).*
(1) At December 31, 2020.

The Technology and Marketing Committee is in charge of advising the Board on aspects of product strategy, organizing the publishing company (in particular, the methodologies of product management and R&D), and evaluating potential partnerships or acquisitions related to technology and marketing. The Committee also advises the Board of Directors on all aspects of commercializing solutions.

2.3.5. CREATION OF THE FUNCTION AS 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.

2.3.5.2. Appointment of observers

On October 21, 2020, the Board of Directors decided to appoint 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, the date of the next General Meeting[3]. His renewal as observer will be submitted to the vote of the next Shareholders' Meeting of June 22, 2021 (resolution No. 8).

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, 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, Chief Operating Officers 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.

(1) https://investors.esi-group.com/regulated-information.
(2) https://investors.esi-group.com/governance/governance and section 2.3.3.1 above.
(3) https://www.esi-group.com/company/news/esi-group-announces-governance-evolution.

2.4. COMPENSATION PAID TO THE DIRECTORS AND THE MANAGEMENT

2.4.1. COMPENSATION POLICY FOR CORPORATE OFFICERS FOR 2021 FINANCIAL YEAR

In accordance with Article L. 22-10-8 of the French Commercial Code, 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 2021 financial year are presented below and will be subject to the approval of the Shareholders' Meeting to be held on June 22, 2021.

2.4.1.1. Compensation policy applicable to Directors and Chairman of the Board of Directors for 2021 financial year

/ Directors' compensation

For their mandate, the independent Directors receive compensation, the total amount of which is set by the General Meeting. Their allocation is made, on proposal of the Compensation Committee to the Board of Directors, according to the following criteria:

1. Frequency of meetings and participation;
2. Chairmanship of specialized committees;
3. Chairmanship of the Board of Directors;
4. Special missions or strategic meetings (Retreat).

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

An annual meeting of independent directors, called Retreat, gives rise to a specific compensation.

Somes Directors are entrusted with specific missions which are part of the global strategy of the Company or contribute to the sustainability of the Company (for example on governance or financing of the Company). For these specific assignments, the Directors receive additional compensation.

/ Chairman of the Board of Directors' compensation

In addition to his compensation as a Director, including specific missions, the Chairman is entitled to a fixed remuneration compensating the obligations by the Board's chairmanship.

The compensation policy of Directors and Chairman of the Board of Directors for the 2020 financial year was approved respectively by 100% and 89% of the votes of the General Meeting.

The draft resolutions (Nos. 9 and 10) related to the remuneration policy attributable to the members and to the Chairman of the Board of Directors for 2021 and submitted to the General Meeting of June 22, 2021, are presented in chapter 7 of this Universal Registration Document.

It should be noted that given the health crisis causing impacts on businesses and staff compensation, the Board of Directors approved, at its meeting of December 18, 2020, a 15% reduction in the overall amount of its compensation for the 2020 financial year, payment of which will take place after the Shareholders' Meeting of June 22, 2021.

Below is a summary of the compensation policy attributable to the Directors and the Chairman of the Board of Directors for the 2021 financial year.

Allocation of compensation for Directors[1]

(Per year, in €)

	Board of Directors	Retreat	Committee membership	Committee chairmanship	Board chairmanship	Specific mission[4]
Independent Director[2]	2,500	2,500	4,000[3]	5,000[3]	100,000	On a case by case basis, depending on the nature and importance of the mission
Non independent Director[5]	6,000 to 10,000	n/a	n/a	n/a		n/a
TOTAL COMPENSATION APPROVED BY THE SHAREHOLDERS' MEETING OF JUNE 25, 2020: €350,000[6]						

(1) 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.
(2) Payment subject to an annual presence at 100%, failing which the amount is calculated in proportion to the annual presence.
(3) For each Committee.
(4) For each mission.
(5) Fixed payment not subject to presence condition.
(6) A resolution is proposed to the 2021 shareholders meeting to increase this amount to €450,000.

2.4.1.2. Chief Executive Officer and Chief Operating Officers' remuneration policy applicable in 2021 financial year

/ Principles of remuneration policy

In accordance with the 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 Committee during its meeting dated March 15, 2021 in order to be aligned with the 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.13) such as defined in the Middlenext Code.

/ Remuneration structure

The Chief Executive Officer's and Chief Operating 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 50% to 60% of the fixed remuneration: it is subject to an assessment based exclusively on quantitative criteria related to the performance of the Group (mainly growth and profitability). These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation Committee. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation Committee at the end of the year. 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.

For the 2020 financial year, the General Assembly approved by 85% of the votes the compensation policy applicable to the Chief Executive Officer and Chief Operating Officers.

Long term share-based compensation

The Group has defined its long-term compensation policy in a global competitive strategy of loyalty and motivation of its managers and employees with regard to market practices. Each long-term compensation plan is subject to the decision of the Board of Directors acting in accordance with the authorization of the Shareholders' Meeting.

Executive corporate officers can benefit from stock option plans and free share plans offered as part of the Group's loyalty and motivation policy. The conditions for acquiring and holding these plans apply in the same way to all beneficiaries, whether corporate officers or not.

For stock option plans and free shares for the benefit of the Chief Executive Officer and Chief Operating Officers, please refer to the tables in section 2.4.2.1.4 onwards.

Benefits in kind

Benefits in kind include a Company car or equivalent allowance.

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.

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. The employment contract of Vincent Chaillou has been suspended for the duration of the term of office as Chief Operating Officer.

The draft resolutions (Nos. 11 and 12) related to the remuneration policy attributable to the Chief Executive Officer and Chief Operating Officer for 2021 and submitted to the General Meeting of June 22, 2021, are presented in chapter 7 of this Universal Registration Document.

2.4.2. COMPENSATION DUE TO DIRECTORS FOR FINANCIAL YEAR ENDED ON DECEMBER 31, 2020

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 2019 financial year (11 months)	Amounts paid for 2019 financial year (11 months)[(1)]	Amounts allocated for 2020 fiscal year	Amounts paid for 2020 fiscal year[(1)(2)]
Alain de Rouvray[(3)(4)]				
◆ Compensation as Director	100,000	91,666	85,000	100,000
◆ Other compensation[(4)]	433,600	433,600	490,567	465,144
Charles-Helen des Isnards				
◆ Compensation as Director	42,000	42,000	35,700	-
◆ Other compensation	n/a	n/a	n/a	n/a
Éric d'Hotelans				
◆ Compensation as Director	30,000	30,000	27,200	-
◆ Other compensation	n/a	n/a	n/a	n/a
Véronique Jacq				
◆ Compensation as Director	12,325	12,325	11,036	-
◆ Other compensation	n/a	n/a	n/a	n/a
Rajani Ramanathan				
◆ Compensation as Director	31,650	31,650	27,200	-
◆ Other compensation	n/a	n/a	n/a	n/a
Yves de Balmann				
◆ Compensation as Director	16,650	16,650	24,650	-
◆ Other compensation	n/a	n/a	n/a	n/a
TOTAL				
◆ Compensation as Director	232,625	224,291	210,786	100,000
◆ Other compensation	433,600	433,600	490,567	465,144

(1) Before taking into account the withholding tax.
(2) given the health crisis causing impacts on companies and staff compensation, the Board of Directors approved, at its meeting of December 18, 2020, a 15% reduction in the overall amount of his compensation for the financial year 2020, the payment of which will take place after the assessment of the accounts for the 2020 financial year by the Shareholders' Meeting in 2021.
(3) Alain de Rouvray, Chairman of the Board until February 8, 2021.
(4) Other compensation due to Alain de Rouvray for other mandates exercised within the Group are presented in detail under section 2.4.3 of this document.
(5) Charles-Helen des Isnards was Board member until February 8, 2021, when he resigned from his mandate.

For 2020 financial year, the compensation of non-executive corporate officers amounts to €210,786.

In addition, on the one hand, the compensation allocated to executive corporate officers due to their mandate as director, respectively €8,500 for Cristel de Rouvray and €5,100 for Vincent Chaillou (see 2.4.3.1.2); and on the other hand, the compensation allocated to Alex Davern as Board observer for an amount of €19,125, have to be included. Consequently, out of the total compensation package of €350,000 approved by the General Meeting of June 25, 2020, a total amount of €243,511 was allocated.

2.4.3. COMPENSATION TO THE EXECUTIVE CORPORATE OFFICERS

2.4.3.1. Compensations paid to the Chairman of the Board, the Chief Executive Officer and Chief Operating Officers for financial year ended on December 31, 2020

The following tables are prepared in accordance with the recommendation No. 2009-16 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, 2020.

/ 2.4.3.1.1. Summary table of compensation and stock options granted to each executive corporate officer (Table 1 of AMF nomenclature)

(In €)	FY 2019 (Feb.-Dec.)	FY 2020
Alain de Rouvray **Chairman of the Board of Directors from February 1, 2019 to February 8, 2021(1)**		
Compensation due for the year (detailed in 2.4.3.1.2 below)	533,600	575,568
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		
Compensation due for the year (detailed in 2.4.3.1.2 below)	359,410	365,652
Value of multi-year variable compensation granted during the year	None	None
Value of stock options granted during the year	41,975	None
Value of free shares granted during the year	None	None
Value of other long-term compensation plans	None	None
Vincent Chaillou **Chief Operating Officer until June 22, 2021(1)**		
Compensation due for the year (detailed in 2.4.3.1.2 below)	272,496	240,818
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	15,606	None
Value of other long-term compensation plans	74,456	74,456
Christopher St John **Chief Operating Officer until June 30, 2020**		
Compensation due for the year (detailed in 2.4.3.1.2 below)	234,292	232,298
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	15,606	None
Value of other long-term compensation plans	22,206	71,346

(1) See Press release of February 8, 2021.

/ 2.4.3.1.2. Summary table of compensation to each executive corporate officer (Table 2 of AMF nomenclature)

Alain de Rouvray Chairman of the Board of Directors from February 1, 2019 to February 8, 2021* *(In €)*	2019 (Feb.-Dec.)		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	433,600	433,600	465,144	465,144
Annual variable compensation	None	None	None	None
Multi-annual variable compensation	None	None	None	None
Exceptional compensation	None	None	25,424	None
Compensation as Director	100,000	91,663	85,000	100,000
Benefits in kind	None	None	None	None
TOTAL	**533,600**	**525,263**	**575,568**	**565,144**

* *See press release of February 8, 2021.*

Cristel de Rouvray CEO since February 1, 2019 *(In €)*	2019 (Feb.-Dec.)		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	290,210	290,210	311,635	311,635
Annual variable compensation	49,357	–	0	0
Multi-annual variable compensation	–	–	0	0
Exceptional compensation	–	–	35,000	
Compensation as Director	10,000	10,000	8,500	0
Benefits in kind	9,843	9,843	10,517	10,517
TOTAL	**359,410**	**300,053**	**365,652**	**322,152**

Vincent Chaillou Chief Operating Officer until June 22, 2021 *(In €)*	2019 (Feb.-Dec.)		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	182,004	182,004	198,550	198,550
Annual variable compensation	37,800	37,800	–	–
Multi-annual variable compensation	None	None	–	–
Exceptional compensation	40,000	40,000	30,000	–
Compensation as Director	6,000	6,000	5,100	
Benefits in kind	6,692	6,692	7,168	7,168
TOTAL	**272,496**	**188,696**	**240,818**	**205,718**

Christopher St John Chief Operating Officer until June 30, 2020 *(In €)*	2019 (Feb.-Dec.)		2020	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	162,846	162,846	228,829	228,829
Annual variable compensation	34,650	34,650	0	0
Multi-annual variable compensation	None	None	0	0
Exceptional compensation	33,616	33,616	0	0
Compensation as Director	None	None	None	None
Benefits in kind	3,180	3,180	3,469	3,469
TOTAL	**234,292**	**166,026**	**232,298**	**232,298**

/ 2.4.3.1.3. 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.

/ 2.4.3.1.4. Share subscription or purchase options granted to each executive corporate officer by the Company and any Group company during 2020 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
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021(1)						
Cristel de Rouvray CEO						
Vincent Chaillou Chief Operating Officer until June 22, 2021			None			
Christopher St John Chief Operating Officer until June 30, 2020						
TOTAL						

(1) See press release of February 8, 2021.

2.4.3.1.5. Share subscription or purchase options exercised to each executive corporate officer by the Company and any Group company during financial year ended on December 31, 2020 (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
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021[(1)]		None	
Cristel de Rouvray CEO		None	
Vincent Chaillou Chief Operating Officer until June 22, 2021		None	
Christopher St John Chief Operating Officer until June 30, 2020	Plan No. 10 19/12/2012	850	27.82
TOTAL		**850**	

(1) See press release of February 8, 2021.

2.4.3.1.6. Free shares allocated to each executive corporate officer during financial year ended on December 31, 2020 (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
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021[(1)]	None					
Cristel de Rouvray CEO	None					
Vincent Chaillou Chief Operating Officer until June 22, 2021	None					
Christopher St John Chief Operating Officer until June 30, 2020	None					
TOTAL						

(1) See press release of February 8, 2021.

2.4.3.1.7. Free shares vested to each executive corporate officer during financial year ended on December 31, 2020 (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
Alain de Rouvray Chairman of the Board of Directors until February 8, 2021[(1)]	None		
Cristel de Rouvray CEO	None		
Vincent Chaillou Chief Operating Officer until June 22, 2021	No. 9 *bis*	10	Presence
Christopher St John Chief Operating Officer until June 30, 2020	No. 9 *bis*	10	Presence
TOTAL		**20**	

(1) See press release of February 8, 2021.

/ 2.4.3.1.8. 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(2)
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
Number of options allocated	180,000	37,400	89,735
Of which:			
◆ Alain de Rouvray, Chairman of the Board of Directors until February 8, 2021(1)	n/a	n/a	n/a
◆ Cristel de Rouvray, CEO	n/a	n/a	20,000
◆ Vincent Chaillou, Chief Operating Officer until June 22, 2021	3,500	–	–
◆ Christopher St John, Chief Operating Officer until June 30, 2020 until	2,975	–	–
Start date of exercise period	2016 to 2019	2017 to 2021	2021 to 2022
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
Type of option	Subscription	Subscription	Subscription
Option exercised	45,150	4,450	–
Subscription or purchase options cancelled or exercised	109,325	15,800	11,600
Subscription or purchase options as at end of financial year	25,525	17,150	78,135

(1) See press release of February 8, 2021.
(2) All plans, with the exception of Plan 19 ter, are subject to performance conditions.

Allocation of share subscription and purchase options

No grant of share or purchase options was made during 2020 financial year.

Exercise of share subscription options

The Board of Directors has noted during its meeting of February 8, 2021, that the number of new shares issued as a result of the exercise of options during 2020 financial year amounted to 18,100 shares with a nominal value of €3 representing an increase in the share capital of the Company of an amount of €54,300, which increased from €18,055,476 to €18,109,776.

/ 2.4.3.1.9. 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, 2020 (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	8,000	34.45	9 *septies* and 10
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	10,250	27.69	10 & 17

/ 2.4.3.1.10. 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	**Plan No. 10 25/06/2020**
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
Number of shares allocated	25,000	2,275	9,000	58,666	3,000
Of which					
◆ Alain de Rouvray, Chairman of the Board of Directors from February 1, 2019 to February 8, 2021[(1)]	n/a	n/a	n/a	n/a	n/a
◆ Cristel de Rouvray, CEO	n/a	n/a	n/a	n/a	n/a
◆ Vincent Chaillou, Chief Operating Officer until June 22, 2021	5,000	–	–	2,520	n/a
◆ Christopher St John, Chief Operating Officer until June 30, 2020	5,000	–	–	2,520	n/a
Date of delivery	From 07/21/2018	12/23/2018	From 08/01/2019	From 07/18/2020	from 25/06/2022
Term of vesting period	From 07/21/2020	12/23/2020	From 08/01/2021	From 07/19/2022	From 25/06/2024
Number of shares delivered	25,000	1,962	6,499	10,246	0
Number of shares cancelled or expired	0	313	0	997	0
Remaining shares as at January 31, 2020	0	0	2,501	47,423	3,000

(1) See press release of February 8, 2021.

/ 2.4.3.1.11. Summary table of benefits or advantages to executive corporate officers (Table 11 of AMF nomenclature)

Executive corporate officers	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	
	Yes	No	Yes	No	Yes	No	Yes	No
Alain de Rouvray Chairman of the Board of Directors from February 1, 2019 to February 8, 2021[(1)]		X		X		X		X
Cristel de Rouvray CEO		X		X		X		X
Vincent Chaillou Chief Operating Officer until June 22, 2021	Suspended			X		X		X
Christopher St John Chief Operating Officer until June 30, 2020	Suspended[(2)]			X		X		X

(1) See press release of February 8, 2021.
(2) Christopher St John's employment contract had been suspended for the duration of his term of Chief Operating Officer. His employment contract took effect from July 1 to December 31, 2020, date of his retirement.

/ 2.4.3.1.12. 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)

	2020(3)	2019(1)(3)	2018(2)(3)	2017(2)(3)	2016(2)(3)
Performance of the Company					
Net results of the Company *(in € million)*	(15,173)	(27,851)	2,819	5,546	1,632
(Evolution compared to the previous year)	45.5%	(1,088%)	(49%)	240%	
Compensation of employees					
Average compensation of employees	65,776	59,726	60,526	61,349	61,503
(Evolution compared to the previous year)	10.1%	(1.3%)	(1.3%)	(0.3%)	
Median compensation of employees	54,603	51,605	51,443	53,708	52,042
(Evolution compared to the previous year)	5.8%	0.3%	(4.2%)	3.2%	
Alain de Rouvray, Chairman and CEO until January 31, 2019					
Compensation	550,144	582,109	548,533	554,579	610,059
(Evolution compared to the previous year)	(5.5%)	6.1%	(1.1%)	(9.1%)	
Compensation ratio compared to average compensation of employees	8.36	9.75	9.06	9.04	9.92
(Evolution compared to the previous year)	(14.2%)	7.5%	0.3%	(8.9%)	
Compensation ratio compared to the median compensation of employees	10.08	11.28	10.66	10.33	11.72
(Evolution compared to the previous year)	(10.70%)	5.8%	3.3%	(11.9%)	
Cristel de Rouvray, CEO since February 1, 2019					
Compensation	365,652	392,256			
(Evolution compared to the previous year)	(6.8%)				
Compensation ratio compared to average compensation of employees	5.56	6.57	n/a	n/a	n/a
(Evolution compared to the previous year)	(15.4%)				
Compensation ratio compared to the median compensation of employees	6.70	7.60	n/a	n/a	n/a
(Evolution compared to the previous year)	(11.9%)				
Vincent Chaillou, Chief Operating Officer until June 22, 2021					
Compensation	240,818	297,268	229,391	243,308	265,235
(Evolution compared to the previous year)	(19%)	29.6%	(5.7%)	(8.3%)	
Compensation ratio compared to average compensation of employees	3.66	4.98	3.79	3.97	4.31
(Evolution compared to the previous year)	(26.4%)	31.3%	(4.4%)	(8%)	
Compensation ratio compared to the median compensation of employees	4.41	5.76	4.46	4.53	5.1
(Evolution compared to the previous year)	(23.4%)	29.2	(1.6%)	(11.1%)	
Christopher St John, Chief Operating Officer until June 30, 2020					
Compensation	214,735	256,137	243,065	244,819	268,490
(Evolution compared to the previous year)	(16.2%)	5.4%	(0.7%)	(8.8%)	
Compensation ratio compared to average compensation of employees	3.26	4.29	4.02	3.99	4.37
(Evolution compared to the previous year)	(23.9%)	6.8%	0.6%	(8.6%)	
Compensation ratio compared to the median compensation of employees	3.93	4.96	4.72	4.56	5.16
(Evolution compared to the previous year)	(20.8%)	5%	3.70%	(11.70%)	

(1) 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.
(2) For 2016 to 2018, calculation based on total fixed compensation and benefits in kind.
(3) Executive compensation includes base salary, variable compensation, exceptional bonuses, benefits in kind and Directors fees as part of the compensation paid.
** 2019 revenue 12-month comparable (January to December) to ensure comparability of data.*

/ 2.4.3.1.13. Summary table of compensation to executive corporate officers

The General Meeting to be held on June 22, 2021 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, 2020 to the corporate officers of ESI Group pursuant to Article L. 225-100 of the French Commercial Code.

Compensation payable or granted for 2020 financial year to Alain de Rouvray, Chairman of the Board of Directors until February 8, 2020

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation as for the mandate as Director and Chairman of the Board of Directors	85,000	Alain de Rouvray was paid €85,000 for his mandate as Director and Chairman of the Board of Directors. It should be noted that given the health crisis causing impacts on companies and staff compensation, the Board of Directors approved, at its meeting of December 18, 2020, a 15% reduction in the overall amount of his compensation for the 2020 financial year.
Other fixed compensation	465,144	Alain de Rouvray's fixed compensation due for his other mandates within the Group for 2020 financial year was €465,144.
Variable annual compensation	n/a	No variable annual compensation payable to Alain de Rouvray for his mandate as Chairman of the Board of Directors and his other mandates exercised within the Group.
Long term or deferred compensation	n/a	No long term of deferred compensation was granted by the Board of Directors.
Exceptional compensation	25,424	An exceptional compensation was granted by the Board of Directors. The Board thanked Alain de Rouvray's role at the head of the Company as the management transition phase comes to an end.
Stock-options and performance shares	n/a	No stock-options nor performance shares were granted by the Board of Directors.
Benefits in kind	0	Alain de Rouvray does not receive an allowance for a company vehicle or accommodation.
Severance pay	n/a	Alain de Rouvray is not a beneficiary of any severance pay.
Retirement compensation	n/a	Alain de Rouvray is not a beneficiary of any retirement compensation.
Non-compete compensation	n/a	Alain de Rouvray is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Alain de Rouvray is not a beneficiary of any supplementary retirement plan.

Compensation payable or granted for 2020 financial year to Cristel de Rouvray, Chief Executive Officer

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation	311,635	The fixed compensation payable to Cristel de Rouvray as Chief Executive Officer and for her other mandates exercised within the Group in respect of 2020 financial year amounts to €311,635.
Variable annual compensation	–	The amount of the variable annual compensation payable to Cristel de Rouvray is limited to 50% of his fixed compensation. It is subject to an assessment based exclusively on quantitative criteria related to the profitability of the Group. These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation Committee. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation Committee at the end of the year.
Long term or deferred compensation	n/a	No long term of differed compensation was granted by the Board of Directors.
Exceptional compensation	35,000	The Board of Directors granted an exceptional compensation on March 15, 2021. The Board emphasized Cristel de Rouvray's exceptional leadership during the year 2020 and her ability to continue to motivate all the teams to pursue the intense transformation underway and ensure a positive net result in a particularly adverse context linked to the pandemic.
Compensation for Director's mandate	8,500	The compensation for her Director's mandate amounts to €8,500 for 2020 financial year. It should be noted that given the health crisis causing impacts on companies and staff compensation, the Board of Directors approved, at its meeting of December 18, 2020, a 15% reduction in the overall amount of his compensation for the 2020 financial year, the payment of which will take place after the approval of the 2020 financial statements by the Shareholders' Meeting in 2021.
Stock-options and performance shares	–	No grant done during FY 2020.
Benefits in kind	10,517	The benefits in kind include an allowance for vehicle of €10,517.
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.

Compensation payable or granted for 2020 financial year to Vincent Chaillou, Chief Operating Officer until June 22, 2021

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation	198,550	The fixed compensation payable to Vincent Chaillou as Chief Operating Officer in respect of 2020 financial year amounts to €198,550.
Variable annual compensation	–	The amount of the variable annual compensation payable to Vincent Chaillou is limited to 60% of his fixed compensation. It is subject to an assessment based exclusively on quantitative criteria related to the profitability of the Group. These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation Committee. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation Committee at the end of the year.
Long term or deferred compensation	n/a	No long term of differed compensation was granted by the Board of Directors.
Exceptional compensation	30,000	The Board of Directors, at its meeting of March 15, 2021, decided to grant exceptional compensation of € 30,000 for the 2020 financial year. The Board emphasized Vincent Chaillou's support in maintaining ESI's visibility in an ecosystem disrupted by the pandemic situation and in continuing to help the group remain positioned with industry leaders.
Compensation for Director's mandate	5,100	The compensation for his Director's mandate amounts to €5,100. It should be noted that given the health crisis causing impacts on companies and staff compensation, the Board of Directors approved, at its meeting of December 18, 2020, a 15% reduction in the overall amount of his compensation for the 2020 financial year, the payment of which will take place after the approval of the 2020 financial statements by the Shareholders' Meeting in 2021.
Stock-options and performance shares	–	No grant done during FY 2020.
Benefits in kind	7,168	The benefits in kind include an allowance for vehicle of €7,168.
Severance pay	n/a	Vincent Chaillou is not a beneficiary of any severance pay.
Retirement compensation	n/a	Vincent Chaillou is not a beneficiary of any retirement compensation.
Non-compete compensation	n/a	Vincent Chaillou is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Vincent Chaillou is not a beneficiary of any supplementary retirement plan.

Compensation payable or granted for 2020 financial year to Christopher St John, Chief Operating Officer until June 30, 2020

Components of the compensation	Amount or accounting valuation submitted for approval *(in €)*	Description
Fixed compensation	228,829	The fixed compensation payable to Christopher St John as Chief Operating Officer in respect of 2020 financial year amounts to €228,829.
Variable annual compensation	–	The amount of the variable annual compensation payable to Christopher St John is limited to 60% of his fixed compensation. It is subject to an assessment based exclusively on quantitative criteria related to the profitability of the Group. These objectives are set at the beginning of the year by the Board of Directors on the recommendation of the Compensation Committee. The variable compensation is assessed by the Board of Directors following the recommendation of the Compensation Committee at the end of the year.
Long term or deferred compensation	n/a	No long term of differed compensation was granted by the Board of Directors.
Exceptional compensation	–	No exceptional compensation was granted by the Board of Directors.
Compensation for Director's mandate	n/a	Christopher St John is not a member of the Board of Directors.
Stock-options and performance shares	–	No grant done during FY 2020.
Benefits in kind	3,469	The benefits in kind include a housing allowance of €3,469.
Severance pay	n/a	Christopher St John is not beneficiary of a severance pay.
Retirement plan	71,346	Christopher St John is beneficiary of a retirement compensation.
Non-compete compensation	n/a	Christopher St John is not a beneficiary any non-compete compensation.
Supplementary retirement plan	n/a	Christopher St John 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 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 2020 financial year is set out under section 2.6 below. To the best of the Company's knowledge, there are no other agreements and regulated commitments.

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. DELEGATIONS OF AUTHORITY

At the date of this Universal Registration Document, the Company's share capital amounted to €18,109,776. It was divided into 6,036,592 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 2020 financial year

Resolution number	Purpose	Term	Expiration date	Maximum	Used in 2020 and available as at December 31, 2020
Combined General Meeting of July 18, 2019					
Resolution 14	Company's purchase of its own shares	18 months	January 2021	Not to exceed 10% of the Company's share capital	None
Resolution 15	Increase of the share capital via the issue of shares of common stock or any securities convertible into equity with maintenance of the shareholders' preferential subscription rights	26 months	September 2021	Global amount of capital increases: less than €20,000,000 Nominal amount of the debt securities: less than €300,000,000	None
Resolution 16	Increase of the share capital via the issue of shares of common stock or of any securities convertible into equity through public offerings with cancellation of the shareholders' preferential subscription rights	26 months	September 2021	Global amount of capital increases: less than €20,000,000 Nominal amount of the debt securities: less than €300,000,000	None
Resolution 17	Increase of the issue amount in the event of over-demand	26 months	September 2021	Not to exceed 15% of the value of the original issue (referred to in resolutions 15 and 16), and the total ceiling of €20,000,000	None
Resolution 18	Increase of the share capital by the capitalization of premiums, reserves, profits and other amounts	26 months	September 2021	Not to exceed the total amount of reserves, premiums and profits existing at the time of the capital increase or a ceiling of €100,000 (that might be reduced to the amount of capital increases undertaken pursuant to resolutions 15 to 20)	None

Resolution number	Purpose	Term	Expiration date	Maximum	Used in 2020 and available as at December 31, 2020
Resolution 19	Issue of shares without preferential subscription rights as compensation for contributions of shares equivalents granted to the Company as part of a contribution in kind	26 months	September 2021	Not to exceed 10% of the Company's share capital, and the total ceiling of €20,000,000	None
Resolution 20	Increase of the share capital without preferential subscription rights through private placement	26 months	September 2021	Not to exceed 20% of the Company's share capital, and the total ceiling of €20,000,000	None
Resolution 21	Increase of the share capital by issuing shares reserved for employees enrolled in the employee savings plan[(1)]	26 months	September 2021	Not to exceed 2% of the Company's share capital	None
Combined General Meeting of June 25, 2020					
Resolution 16	Company's purchase of its own shares	18 months	January 2022	Not to exceed 10% of the Company's share capital	None
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.* 299,600 shares	Options granted at the date of this Universal Registration Document: 0 Options remaining: 299,600
Resolution 19	Share capital reduction by canceling shares purchased by the Company under Article L. 225-209 of the French Commercial Code	26 months	August 2022	Not to exceed 10% of the Company's share capital per 24-month period	None
Resolution 20	Grant of free shares to eligible employees and executive corporate officers of the Company and affiliated companies	38 months	August 2023	Not to exceed 60,000 shares representing 1% of the share capital as of the date of the Combined General Meeting	Free shares granted during the year 2020: 3,000 Free shares to be allocated: 57,000

(1) Renewal of the delegation submitted to the vote of the Shareholders' Meeting on June 22, 2021.

2.5.3. PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE PARTICIPATION OF SHAREHOLDERS IN GENERAL MEETINGS

General Meetings (Article 18 of the articles of association)

In accordance with Article 18 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 identify, to take part in Meetings by attending them in person, by video conference or by other means of electronic telecommunication or transmission, or by returning the mail-in ballot or designating a proxy.

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 19 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.

2.5.4. 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 signed by the shareholders other than those mentioned in section 8.2.5 of this Universal Registration Document under the heading "Shareholders' agreements";
- 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)";
- There are no restrictions in the bylaws on the exercise of voting rights and the transfer of shares;
- 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 AUDITORS' REPORT ON REGULATED AGREEMENTS

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

(Annual General Meeting for the approval of the financial statements for the year ended December 31, 2020)

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to communicate to you, based on information provided to us, the characteristics, the principal terms and conditions, and the grounds of the interest to the Company of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying any other such agreements and commitments. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past fiscal year of any agreements and commitments previously approved by the Shareholders' General Meeting.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. These procedures consisted in verifying the concordance of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS' MEETING

Pursuant to Article L. 225-28 of the French Commercial Code, we have not been advised of any agreement authorized and concluded during the fiscal year to submit for approval to the Shareholders' Meeting.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

We have not been advised of any agreement previously approved by the Shareholders' Meeting, the execution of which has continued during the past financial year.

Neuilly-sur-Seine and Paris-La Défense, March 31, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Ernst & Young Audit
Thierry Charron	Pierre-Henri Pagnon

3 RISKS AND RISK MANAGEMENT

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3.1. RISK FACTORS

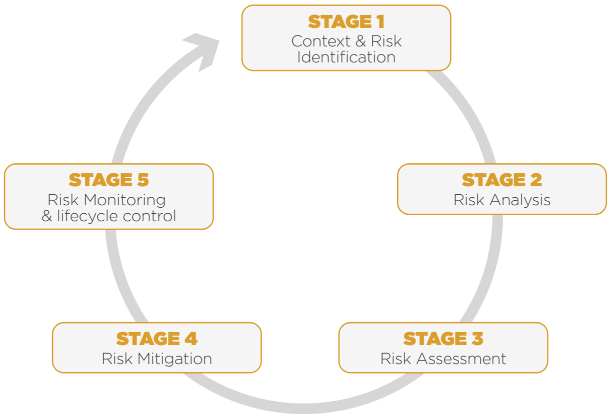
The Group has reviewed the major risks that could have a significant effect on its business, financial position or results. The data presented below constitute the main risks for the Group. Non-specific risks are not detailed in this document.

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	◆ Dependence on a single client or sector ◆ Competition and differentiation ◆ Intellectual Property ◆ Management of key personnel
Digital risk	◆ Information security
Risks related to the environment in which the Group operates	◆ International environment, geopolitical, and regulatory risks ◆ Pandemic crisis

Pandemic situation and Covid-19's impact on risk factors

Already in a profound transformation before the pandemic, industries and work organization are directly impacted by the health crisis. This crisis has altered the way we work (*e.g.*: accelerating digitalization, widespread work from home) and demonstrated to all our customers and prospects the urgency of change, to seek additional gains in performance at operational, economic, human and environmental levels. In this context, exposure levels have changed from previous years. A specific paragraph is added in section 3.1.4 related to the environment in which the Group operates. This section details the recent occurred or anticipated Covid-19's impact.

3.1.2. STRATEGIC AND OPERATIONAL RISKS

3.1.2.1. Dependence on a single client or sector

/ Risk identification and description

Most of ESI subsidiaries are confronted with the reality of managing a "major customer" with a significant weight in terms of turnover and growth. These customers are generally part of the Ground Transportation sector.

Impact: The Ground Transportation sector alone accounts for 59% of our booking.

Exposure level: Important.

/ Mitigation measures

The Group's intention is to be totally independent, both geographically and by sector. To this end, the Group has defined four main business sectors to reduce the impact of dependence on a single industrial sector, which are the subject of a dedicated strategic plan combined with a business development plan.

3.1.2.2. Competition (competitive edge), differentiation

/ Risk identification and description

The competitive environment in the Virtual Prototyping market and concentration of competitors could be perceived as a risk given the economic and/or technological power of large groups.

Impact: A strong consolidation of the sector or a reduction in the Group's scientific leadership could lead to a loss of market share.

Exposure level: Important.

/ Mitigation measures

The specific nature of ESI's business and its unique positioning in the Virtual Prototyping field make it very difficult to attempt to precisely define its market. The complexity of the problems on which the Group focuses, the long experience it has acquired by working in close partnership with the largest industrial, its significant investments in research and development, the wide range of solutions it offers and the many acquisitions it has made over the years are the main efforts to mitigate this risk.

The capacity for innovation is one of the major pillars of the ESI Group's competitiveness, particularly through the launch of high added-value solutions for customers, based on a special ecosystem allowing the active participation of all R&D players, in coordination with the Scientific Department and the Scientific Committee. Also, ESI has implemented steering and governance systems to take advantage of the sources of innovation (ecosystem) in order to ensure a better go to market activity. ESI Group's business is based on a wide knowledge and customer proximity that aims to meet clients' innovation needs in the different industrial sectors suitable for implementing Virtual Prototyping. The Group has also developed networks and assets (strategic partnerships with customers, academic partnerships, innovation projects co-financed,...) to ensure a continuous source of inputs to be at the forefront of new technologies for the development of its solutions and meet our customers' expectations.

3.1.2.3. Intellectual property

/ Risk identification and description

Due to the nature of the high added-value activities resulting from ESI's ecosystem experience and its culture of innovation, the Company is completely dependent on its software, which is its main asset to guarantee a source of income and continuous growth. Despite the implementation of protection systems (patents, trademarks, copyrights, etc.), the Company may be exposed to risks such as counterfeiting/piracy of specific products by individuals or companies, claims to intellectual property rights, fraudulent use of our technologies, etc.

Impact: The loss of intellectual property of our software and solutions would result in an automatic loss of turnover and the impossibility to guarantee and meet financial obligations towards our stakeholders.

Exposure level: Important.

/ Mitigation measures

Below are the main initiatives to alleviate the effects of this risk:

Counterfeiting of products marketed by the Group

The passwords used to access the Group's products are generated by ESI regardless of how the software is distributed (distributors and agents) and are linked to the FlexNet Publisher software (formerly known as Flexlm), which represents the world standard for securing computer codes. In the event that a way around the FlexNet Publisher password is found, ESI integrates on most of its products, a counterfeit detection tool together with a legal assistance service to prosecute counterfeiters.

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

With regard to the risk of third-party claims, the Group's software products are, broadly speaking, either developed within the Group or acquired through mergers or acquisitions. In rare cases, they are the result of development contracts signed with third parties.

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

For software codes acquired through an external growth operation, an intellectual property audit is conducted beforehand starting with the analysis of local intellectual property laws. Furthermore, acquisition agreements always include warranties of title. This particularly allows the Company to avoid buying an empty shell or software code with too many strings attached. Likewise, the Group relies on a systematic review process for software development contracts made with third parties, such as university partners, in order to ensure effective, risk-free transfer of intellectual property. The establishment of the EULA (End User License Agreement) for the Licensing business ensures the sustainability of the Group's intellectual property.

3.1.2.4. Management of key personnel

/ Risk identification and description

The expertise and experience of key personnel are currently being shared broadly among qualified teams. 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, particularly due to the changing expectations of the new generation of candidates, could pose a risk to access particular skills for the concerned business areas.

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: Low.

/ Mitigation measures

ESI has implemented a retention and loyalty policy, by setting up employee shareholding plans (stock options and free shares) and talent development plans. No employee is the sole owner of a code or know-how that is not shared with its teams. The ecosystem created by ESI enables it to have access to sources of human resources to ensure the continuity of the knowledge required to manage future innovations.

3.1.3. DIGITAL RISK

3.1.3.1. Information security

/ Risk identification and description

ESI Group's value chain, which includes R&D, Design, Development, Validation, Services and Delivery of our software and solutions, relies heavily on an IT infrastructure that is of a paramount importance in the processing, transmission and storage of data related to internal and external operations. Every day, the Company processes a significant amount of sensitive data transmitted by our customers and partners for the realization of projects and the improvement of solutions. Given that "zero risk" does not exist, the Company is aware that it is continuously 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 in the legal requirements environment.

Impact: Failure to comply with client requirements 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.

Exposure level: Medium.

/ Mitigation measures

ESI has embarked on the transformation of its information system through a dedicated initiative to implement the requirements of the international standard ISO 27001, aimed to establish an Information Security Management System (ISMS), based on an appropriate risk management of its "assets", to guarantee the Confidentiality, Integrity and Availability of information.

In the same approach, and in order to take into account the specific requirements of the Automotive sector, ESI Group obtained TISAX (Trusted Information Security Assessment Exchange) certification for ESI MECAS (Czech Republic), ESI GmbH (Germany) in 2019 and ESI Hispania (Spain) in 2020. Based on an Information Security Management System (ISMS) close to ISO 27001, this certification is adapted to the requirements of the Automotive sector to secure the creation and the exchanges of information between the different stakeholders.

The Global Quality Management System (ISO 9001), takes into account these requirements (TISAX, ISMS, GDPR) in order to integrate them into operational activities.

Finally, the Company has set up a global cyber insurance policy to cover its activities.

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 geo-political 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.

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 on those legal text.

Exposure level: Important.

/ Mitigation measures

The Group's presence in many countries protects it from the adverse effects of unfavorable local economic conditions. Specific action plans are set up to ensure compliance with laws and regulations as they evolve, when necessary.

3.1.4.2. Global pandemic and Covid-19's impact

/ Risk identification and description

The Covid-19 crisis showed the need to keep adapting and transforming the operational activities. 2021 remains a year of great uncertainty linked to the speed of the recovery from the global pandemic, particularly in terms of the effectiveness of vaccination. This situation could continue to influence the development of the Group.

Impact: Two types of impact are identified:

- External: Resilience of ESI Group's business model

  In this difficult context, the health crisis impacted our customers, particularly the automotive and aeronautics industries;
- Internal: Acceleration of digitalization and process agility

  The Covid-19 crisis accelerated the digitization and the implementation of widespread work from home. This context implied a critical support of our resources (IT, HR, general services,..) to maintain the business continuity. This year, particularly, the security of information, impacted by the need to protect the confidentiality of data and secure risks of cyber-attacks or others related digital risks, is reinforced by the ISO 27001 certification project with the implementation of specific measures as for instance (*e.g.* MFA (Multi Factor Authentification).

Exposure level: Medium.

/ Mitigation measures

With regards to employees, the Group put in place a crisis management system (see section 3.2.3 related to Crisis management) enabling identification of action plans and implementation of necessary measures to ensure the continuity of the activity while protecting the employees.

With regards to partners and customers, the Group increased its engagement, limited its revenue decrease and continued its corporate transformation. The resilience of the business model (firmly anchored on renewable software licenses) and its commitment to pursue the Group's transformation represents opportunities that will enable, after the crisis, an increasingly digitalised world mindful of its environmental footprint.

3.2. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

3.2.1. CONTROL ENVIRONMENT

General organization

ESI is a multinational corporation that includes 26 subsidiaries (the "subsidiaries"), 23 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 matrix-based structure organized around business activities and markets that ensures a Group-wide sharing of information;
- 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.

Group Executive Committee

The Group Executive Committee oversees effective implementation of the internal policies. The Group Executive Committee gives strategic orientation and make the arbitration decisions concerning the allocation of resources in order to ensure the Company's worldwide development. The Committee generally meets once a month.

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 corporate 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 and is divided into two branches:

- The Corporate Legal Affairs branch, which is responsible for monitoring and streamlining procedures, as well as providing corporate legal intelligence and coordinating the legal aspects of the operations of Group's subsidiaries;
- The Intellectual Property branch, which reviews, drafts, and negotiates various contracts with clients and partners in the industry, government bodies and academic institutions to ensure 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 GEC members 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 senior 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 Regional Directors of Human Resources. They coordinate the implementation of these objectives in collaboration with a team of HR operating managers located in each country, and with the support from the central HR functions.

/ Third-parties to the Company

Statutory Auditors

The Statutory Auditors, who certify the regularity, truthfulness and the fair presentation of the financial statements provided to the shareholders at closing date, may include in their audit opinions recommendations regarding the internal control system used to prepare financial information.

Legal counsel

The Company calls on renowned law firms for dispute management, as well as a tax advisory firm. The Company also calls on specialists from time to time to review the legal aspects of complex mergers and acquisitions.

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 countries where accounting is externalized is on 2021 road map, to achieve the target of having a worldwide single accounting tool. 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 outcome 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 Group Executive Committee 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.

Group internal matrix organization is based on crossing activities and geographies (Business Units) with teams in charge (Performance Units). Strengthening of tools and processes during last years (tools with worldwide scope of deployment, homogeneity of related processes, enhanced use of analytical dimensions) aims at preparing a reporting and performance indicators for each unit manager, to optimize piloting.

/ 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.

The Global Quality Management System (ISO 9001) has reached a coverage rate of approximately 98% of employees in 2020, following the integration of four new sites (ESI Netherland, ESI San Jose, ESI Shanghai and ESI Vietnam) into the Global Certification.

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

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

For its foreign subsidiaries, damages that would fall under operational civil liability coverage, including "employer liability" and/or "workers' compensation" policies and automobile-related risks, are excluded from this policy. The French policy (head office and subsidiaries) is not a replacement for those taken out outside of France in accordance with local laws from local insurance companies licensed to operate in the country in question.

ESI Group has also taken out an insurance policy covering civil liability of the managers and corporate officers of the Company and its subsidiaries (D&O), as well as insurance policies covering the Company's key protagonists and also a Group-wide international insurance policy to cover all employees who travel abroad.

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. Nowadays, the head of each entities are the active local relays.
- One crisis cell to ensure continuity of activities. This cell is composed of members at the corporate level from mainly support operations (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. This initiative was fully supported by Cristel de Rouvray, Chief Executive Officer of ESI Group, who led all presentations gathering all employees under the slogan "stay in touch, be agile and transform".

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.

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.

4 STATEMENT ON EXTRA-FINANCIAL PERFORMANCE

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4.1. ESI – THE PRODUCT PERFORMANCE LIFECYCLE COMPANY

4.1.1. VALUE CREATION

The development of certain products 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 can be time-consuming and can require significant amounts of materials and energy. Furthermore, it is difficult to assess the effects of time on a physical prototype, since we cannot abstract from the physical constraints.

The added value of ESI's solutions make it possible to meet these challenges: by dematerializing the innovation process, these solutions allow customers to accurately assess and evaluate the performance of their prototypes, virtually. In addition, ESI's solutions make it possible to simulate the consequences of time on their products, while making it possible to estimate the evolution of their performance during development and throughout their lifecycle. Hence, by means of ESI's offer, customers have the information they need to develop products that meet exacting standards more quickly, in a more efficient way and with a lower environmental impact.

This enriched software offer enables complete control of the lifecycle of an industrial product from its commissioning to its operational withdrawal. It also offers the possibility of anticipating possible developments during the lifecycle of the products while considering various contingencies such as defects, wear and tear maintenance operations, running-in of assisted piloting, etc. Henceforth, agile, smart and autonomous, Virtual Prototyping accompanies manufacturers in the era of the factory of the future and smart digital products.

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 & Land Transportation, Aerospace, Defense & Naval, 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.

The year 2020 had a major impact on the expectations and practices of both consumers and industrial players: Corporate Social Responsibility (CSR) has not been overshadowed but has become more important since the outbreak of the global pandemic. This has accelerated the importance of companies' commitment to a responsible approach to their employees, the environment and all their stakeholders. Since its creation, ESI has been committed to supporting strong social and environmental topics such as safety and the reduction of the industry's environmental footprint. In the current particular year, ESI has strengthened its various commitments, as you will discover in this chapter.

4.1.2. 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 and employees for more than 48 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 Group's ambition is to further strengthen its role as a leading player in Virtual Prototyping solutions, through a responsible innovation approach towards zero real tests, zero real prototypes and zero downtime. The Group thus intends to be its customers' preferred development 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 2020, ESI has created a CSR Steering Committee. Composed of various profiles, this structure ensures the alignment of the Group's commitments with its strategy and offer, through the implementation and monitoring of social, societal and environmental initiatives with and for the Group's stakeholders.

With the help of this new CSR Steering Committee, ESI has updated its materiality matrix in 2020 to visualize its various priority challenges and their impact on the Company and its main stakeholders. For more details, please refer to chapter 3 "Risks and risk management" and the following section of this chapter. ESI's CSR strategy, which is divided into four axes and cascaded into thirteen (13) commitments, aims to continue ensuring harmonious working conditions for its employees, to provide its customers with innovative solutions enabling them to become long-term partners, and to limit the environmental footprint of the Group and its customers while acting ethically and responsibly within civil society. 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.

ESI Group's CSR approach

The Group's CSR approach is aligned with its business strategy and contributes to the achievement of its strategic objectives. It enables ESI to create social and economic value for its four CSR pillars: stakeholders: employees, customers, society and planet.

2020 performance

	// SUSTAINABILITY CHALLENGES	// COMMITMENTS
EMPLOYEES	**The Group's success is highly related to its commitment, talents and the ingenuity of its employees who design, develop and market solutions that aim to constantly meet customers' needs.**	**BEING A COMMITTED EMPLOYER** - Developing talents and fostering growth of expertise - Encouraging Leadership and collaborative management - Promoting diversity, inclusion and multicultural exchanges - Fostering employee well-being and job satisfaction
CUSTOMERS	**Customers need to manage many parameters, efficiently and more quickly, in order to optimize the performance of their operations and products. Facing this growing complexity, ESI provides them with solutions enhancing their competitive advantage.**	**BEING AN OUTSTANDING PARTNER** - Supporting customers in their digital transformation from physical to virtual by unleashing and securing innovation while sustaining productivity (Performance) - Committing to continued customer satisfaction while meeting quality and safety requirements - Being a long-term trusted advisor and partner to support the delivery of customers' outcomes and business values, involving the entire ecosystem
CIVIL SOCIETY	**The social acceptability of ESI's operations is essential. Therefore, the Group ensures the integrity of its ethics and the robustness of its corporate governance. This enables ESI to ensure the sustainability of its business model.**	**BEING AN ETHICAL AND COMMITTED COMPANY** - Guaranteeing solid and diversified governance - Acting ethically and responsibly - Setting up initiatives to interact with civil society (give-back)
PLANET	**While the Group's business sector has an impact on the environment, its services help to reduce the environmental footprint of its customers' business. Therefore, to increase the positive impact of its business, ESI is committed to limiting the impact of its operations as much as possible.**	**BEING AN ENVIRONMENTALLY FRIENDLY PLAYER** - Developing solutions aiming to have a positive impact on planet - Moving toward the carbon-neutrality of the Group - Engaging employees in the creation of a green world

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// PERFORMANCE 2020

+1,200 EMPLOYEES SERVING CUSTOMERS WORLDWIDE, 80-100% WORKING FROM HOME OFFICE

3 "WELCOME DAYS" (ONLINE) HAVE BEEN ORGANIZED AROUND THE WORLD TO INTEGRATE NEW EMPLOYEES

11,916 HOURS DEVOTED TO TRAINING (+46% VS. 2019)

0 ALERT LINKED TO DISCRIMINATORY PRACTICESS

€97.3M STABLE REPEAT BUSINESS **+0%** AT CONSTANT RATE

31.4% OF LICENSES REVENUE HAS BEEN DEDICATED TO R&D EFFORTS

14 JOINT-EVENTS ORGANIZED WITH CUSTOMERS AND **15** PUBLISHED SUCCESS STORIES

0 CUSTOMER-RELATED DATA INCIDENT (GDPR)

63% OF THE BOARD OF DIRECTORS ARE INDEPENDENT MEMBERS

43% OF THE GROUP EXECUTIVE COMMITTEE (GEC) MEMBERS ARE WOMEN

93% OF EMPLOYEES HAVE TAKEN A TRAINING/QUIZ ON THE ETHICS CHARTER

4 ALERTS HAVE BEEN HANDED TO AND MANAGED BY THE ETHICS COMMITTEE

ESI IS INSTALLING ECO-RESPONSIBLE EQUIPMENT TO LIMIT ITS ENERGY CONSUMPTION(1)

85% LESS CO_2 EMISSIONS(2) RELATED TO EMPLOYEE TRAVEL BY TRAIN AND PLANE

-45% LESS PAPER(3) WAS CONSUMED COMPARED TO 2019

1,274 KM (DELIVERY DISTANCE) WERE SAVED(3) THANKS TO LOCAL AND ON-DEMAND PRINTING VIA GELATO

(1) Average calculated based on 2020 data provided by ESI sites in Germany, the United States, France, the Czech Republic, Russia and Tunisia.
(2) Average calculated based on 2020 data provided by all countries within the environmental scope of the study, representing 98,4% of the total workforce.
(3) Estimation for the year 2020, given by Gelato, a global print-on-demand platform used by ESI Group.

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 has updated its materiality matrix in 2020.

This matrix represents a key tool in the execution of the corporate strategy. It enables priorities to be defined according to their importance for internal and external stakeholders and their impact on ESI's performance.

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:

- Key parameters of reporting frameworks (SASB standards, GRI standards, the European directive on extra-financial reporting);
- 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 2019 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 2020 performance table), including 11 commitments from last year that have been slightly updated and two new commitments, related to leadership and collaborative management (Employees) and the objective to engage Group's employees in actions for the Planet.

In 2019, and for its first materiality matrix, ESI evaluated its commitments thanks to an internal workshop with a limited staff representing several departments. In 2020, the Group structured its approach while generalizing the materiality assessment and confronted the defined commitments with the concerns of ESI's internal and external stakeholders, by conducting two global surveys:

- Internal survey sent to all ESI's employees to evaluate the impact and importance of each commitment on/for them on a scale of 1 to 4. Participation rate was about 26% out of total workforce;
- External survey sent to some of the Group's key external stakeholders (customers, suppliers, investors, financial and legal ecosystem, etc.) to evaluate the impact and importance of each commitment on/for these external stakeholders on a scale of 1 to 4. Participation rate was about 40% out of the 30 contacted stakeholders.

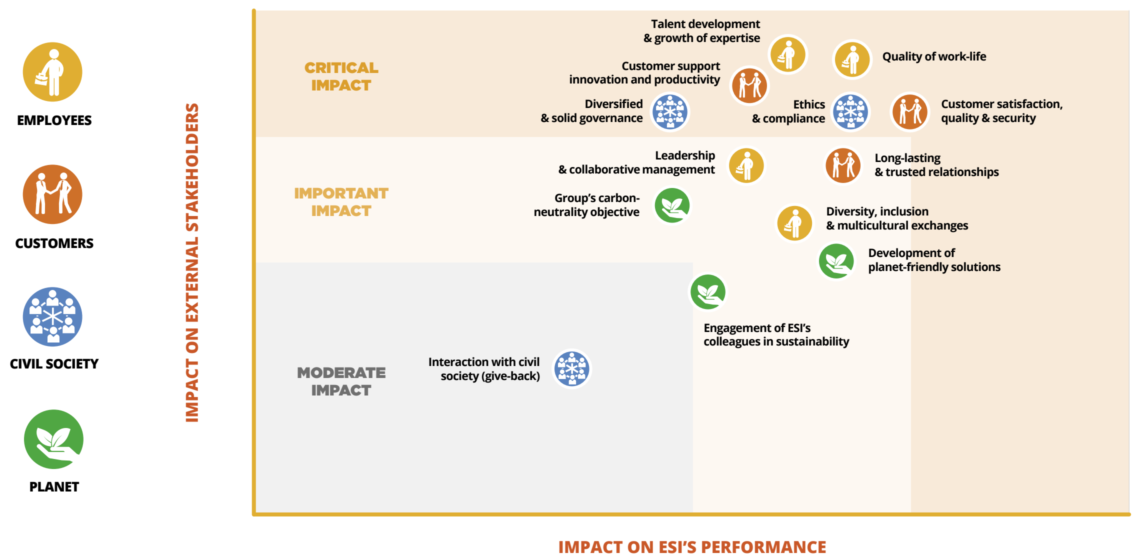
These commitments were then positioned in a matrix – the axes of which are represented by the two evaluated internal and external dimensions above, evaluated via the both surveys presented above.

/ 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 validated by the members of the Company's general management.

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.

Compared to last year, the commitments have been highly ranked this year, which has impacted the final shape of the matrix and changed the evaluation sections' size and content:

- **The "Critical Impact"** section contains ESI's six (6) priority commitments, which are closely linked to the evolution of the Company's business model and its positioning regarding its external stakeholders. Thus, these commitments reflect the Company's strategic priorities – top-tier commitments are related to customer satisfaction with a guarantee of quality and safety requirements, as ESI continues innovating and developing responsible solutions for its customers, while relying on the ever-growing expertise and talent of ESI's employees. Furthermore, employee's well-being and job satisfaction seem to be a critical commitment for both internal and external stakeholders. Also, the Group's commitment to ensuring solid and diversified governance has jumped up from the "important" to the "critical" section this year, especially as the global pandemic (Covid-19) reaffirmed the importance of solid and effective governance throughout 2020.
- **The "Important Impact"** section includes six (6) major commitments, mainly related to maintaining long-term and trusted relationships with customers, while acting ethically and responsibly and encouraging leadership and collaborative management internally. Moreover, all ESI's environment-related commitments are positioned under this section: developing eco-friendly solutions, moving toward the carbon-neutrality objective and engaging employees in the creation of a green world. However, on a mid-long-term point of view, these Planet commitments may be considered as having a critical impact on the Group's interaction with its ecosystem, as ESI is committed to developing planet-friendly solutions and to helping its customers to achieve their sustainable objectives, while aiming for the zero-neutrality objective when it comes to ESI's own environmental footprint.
- **The "Moderate Impact"** section contains one (1) commitment related to the Group's wiliness to implement and promote initiatives and partnerships within civil society. Compared to other commitments, and despite its importance, this one has a limited impact on the Group and its stakeholders.

Above and beyond, it's important to note that the defined commitments are interconnected and interdependent. They must be considered in their entirety. For example, ethics and employee well-being can have a direct and/or indirect impact on the performance of the Company and its relationship with its stakeholders.

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.

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:

4.2.3. CSR DISTINCTIONS

Gaïa Index

Being rewarded for its continuous improvement approach to its social, societal, environmental and governance practices, ESI Group has once again ranked first in the 2020 Gaïa campaign for mid-caps with annual revenues under €150 million. Also achieved between 2016 and 2018, this his distinction reflects, once again, the Group's continuous commitment to Corporate Social Responsibility.

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.

Grands Prix de la Transparence

In 2020, and for the second year in a row, ESI Group has been recognized for the quality of its financial and regulatory communication, by the *"Grands Prix de la Transparence"* and ranked third in the "non-SBF 120 companies" category.

For 11 years now, the *"Grands Prix de la Transparence"* measure and reward the public information materials provided by French CAC 40, SBF 120 companies, and non-SBF 120 companies since 2019, on the basis of four pillars defined with the regulator: Accessibility, Accuracy, Comparability and Availability of information, centered on 231 criteria. The purpose of this annual and objective evaluation is to make issuers aware of the quality of their transparency and to identify best practices in order to establish them as true market standards.

For more information, visit: www.grandsprixtransparence.com.

Global Compact

Since 2018, ESI Group signed the Global Compact (United Nations Global Compact) and thus undertakes to align its CSR strategy on the 10 United Nations principles, relating to human rights, international labor standards, the environment and the fight against corruption. 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.

4.3. BEING A COMMITTED EMPLOYER

ESI Group aims to be a leading employer among all software and service providers on the market and plans to stay that way on a long term.

ESI Group's employees consist primarily of highly trained engineers and PhDs from prestigious universities and institutes worldwide. In addition to the close relationship that the Group has always had with these schools, there are a number of other factors that exemplify ESI's commitment to value employees' experience and foster highly qualified recruitment and internal development. These factors include ESI's positioning in the field of virtual simulation that takes into account the physics of materials, the Group's prominence as a publicly listed company on the Paris stock exchange, the Group's continuing education programs, and its focus on internal promotion at an international level.

ESI Group's policy is based on the following axes:

- Develop talents and encourage leadership and collaborative management;
- Promote diversity and multicultural exchanges;
- Contribute to the well-being of employees.

This policy draws on various tools, including the Human Resources Information System (HR-IS) to consolidate the HR reporting process worldwide, and lends greater flexibility to the organization. It also promotes better use of resources by focusing on skills, to encourage a more involved, multi-disciplinary managerial culture. The platform provides an ongoing view of changes in employment indicators and makes it possible to drive our resource needs more easily.

A selection of HR KPI is provided monthly to the Group Executive Committee in order to measure the effectiveness of HR policies.

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

4.3.1. DEVELOPING TALENTS AND ENCOURAGING LEADERSHIP AND COLLABORATIVE MANAGEMENT

Human resources are the greatest value of ESI and are part of the two sustainable development objectives: "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". Talents development is thus a key issue for the Group's sustainability. Indeed, in order to respond to the increasingly complex issues facing manufacturers and remain at the forefront of technological innovation, the Group must retain its resources and continually improve their know-how.

Moreover, the Group's size and distribution across many countries require a cross-functional management of numerous projects involving various entities and cultures. Leadership, expertise and collaborative management are therefore essential qualities for the success of the Group's missions.

Also, the Group's transformation and its new solutions oriented towards the *Hybrid Twin,* in line with ESI's core business, are an opportunity to develop and enrich the professions and skills of existing teams.

/ Policies

In this way, ESI Group is committed to:

- Ensure the integration of new talents through "Welcome days" sessions (two to three days, organized in each region);
- Make the annual interviews more dynamic by promoting one to one interview in order to collect training needs and to develop competencies and to encourage the construction of plans of relevant and responsive local and/or global training to support business and strategy of ESI;
- Deploy training programs enabling employees to develop their expertise in terms of knowledge available in the portfolio of solutions and to strengthen their professional (technical, sales) and managerial skills;
- Develop partnership agreements with universities and engineering schools in order to participate actively in the training of junior population;
- Promote the dissemination of information to all employees of the Group.

/ Results

Recruiting and retention of talents

The Group pays particular attention to the integration of new talents through a locally managed induction program. In order to be more standard and global, an Intranet portal has 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 their first days, weeks and months at ESI Group.

Since 2018, a corporate integration program is organized internally, called "Welcome Days". 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.

Career path

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

The digitalisation of annual interviews has been implemented for the entire Group since 2017, on a common online tool, for all employees around the world. This new step in the performance evaluation process is intended to make the annual interviews more dynamic by encouraging exchanges and access to the history of the employees's career path, particularly for international teams (one third of managers supervise teams located in two to six countries)

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.

Training plan

At the same time, training programs are being rolled out in the Group's various subsidiaries. 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 20 countries. This platform suits to individual constraints and location, and helps to facilitate the sharing of knowledge and expertise across countries. In 2020, 378 employees took language courses, including 94% in English, 5% in French and the rest in German and Spanish.

In term of technical skills, the Group has set up a partnership with Pluralsight, an e-learning platform. 200 licenses have been given to employees to take part of several hundred online technical training courses. In 2020, 1,500 hours of online courses were taken in 14 countries, 25% of which concerned Python programming language and 8% C++ language.

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: Sup'Aero Toulouse, ENSAM (Bordeaux, Angers, Aix, Metz, Lille and Paris), INSA Lyon, UTT Troyes, UBS Lorient, *École Centrale Nantes*, UPHF Valenciennes, UTC Compiègne;
- In India: Indian Institute of Science, BMS College of Engineering, Rashtreeya Vidyalaya College of Engineering (RVCE), PES University, Dayanand Sagar College of Engineering;
- In Russia: Ural Federal University, Siberian Federal University, Toliatti State University, MISIS, Irkutsk State Technical University;
- In Malaysia and in Thailand with universities of SUT, KMUTNB and RUTR;
- In Spain: UPM, UJI, UJRC;
- In Czech Republic: University of West Bohemia;
- In Tunisia: ENIT.

In 2020, the Group has welcomed a total of 28 trainees from different universities and business school (interns and apprentices).

Internal communication and collaborative functioning

In order to efficiently communicate internally, ESI Group has set up several tools to address its messages to its teams based in 20 countries.

A welcome portal has been set up on the Group's Intranet website. It allows each new employee to discover the Group, its organization and its values and to easily access all the information that will be useful for a smooth integration.

In addition, the Group's internal social network, Chatter, enables all employees to exchange, share, inform or learn about numerous subjects in different fields. A new focus group was set up in 2019, around environmental issues. Each employee of the Group can share his/her eco-responsible actions set up in their professional or personal life.

Also, multiple communication actions are proposed in order to strengthen information sharing and cohesion within the Group, such as web conferences worldwide, monthly newsletters, Flash Corporate News, Business News and webinars.

In addition, several internal communication initiatives have been launched during last years, as part of a new change management approach:

- Q&A (Question & Answer) sessions have also been initiated in 2018 to allow a more fluid and transparent exchange between the management team and the employees of the Group; these sessions have evolved to a quarterly format in 2019. They are now information sessions on the Company's transformation and strategy and broadcast live for all the Group's teams;
- Since the start of the pandemic, a new internal exchange format has been created to update employees on the evolution of the global health situation, answer their questions and announce internal measures to ensure the continuity of the Group's activity; in 2020, 10 global sessions have been organized;
- In 2020, ESI launched a series of internal "informal" discussions with key people in the Company, called "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. In 2020, four sessions have been organized at the global level and one local session in India;
- Corporate events are also organized to allow different departments to exchange and meet on strategic issues. Two management meetings are organized each year, as well as one Kick Off Meeting more focused on sales and marketing of products. The Product Operations team organizes once a year an Engineering Management Meeting, a one-week seminar where the key managers of the organization as well as certain experts can meet. Unlike previous years, in 2020, these events took place online, due to the global pandemic;
- In order to develop and optimize employee experience, the Corporate Communications Department, in collaboration with other concerned departments, has created a global network, called "ESI Change Ambassadors", aiming 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;
- Adopted since 2019, the use of "Teams", a Microsoft platform, enables employees to exchange and organize remote meetings easily and more efficiently. During the pandemic, this tool has enabled employees to work from home efficiently, while continuing to keep in touch with their colleagues around the world, with a connectivity rate that has doubled compared to the pre-Covid period.

4.3.2. PROMOTING DIVERSITY, INCLUSION AND MULTICULTURAL EXCHANGES

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

The Group's highly innovative solutions enable ESI to successfully develop its business throughout the world. As an international company, ESI Group is proud to be able to have a multicultural and diversified workforce. The Group has always valued differences and encouraged its employees to share their ideas across borders in order to create a modern and efficient work environment, able to better support its international customers. 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".

/ 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 favor 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.

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/ Results

The following tables present the distribution of staff by geographical area and country:

Distribution of staff by geographical area

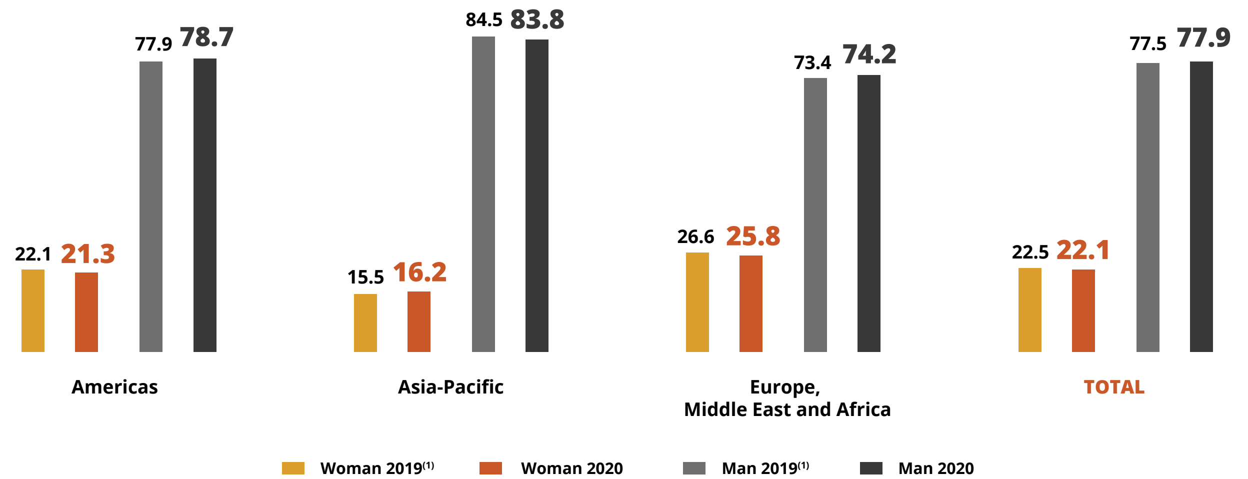
	2019 (Jan.-Dec.)	2020 (Jan.-Dec.)
Europe, Middle East and Africa	56.7%	56.6%
Asia-Pacific	33.4%	34.5%
Americas	9.9%	8.9%

Distribution of staff in the main countries

	2019 (Jan.-Dec.)	2020 (Jan.-Dec.)
France	26.3%	26.2%
India	19.9%	20.5%
Germany	15.6%	15.9%
United-Sates	9.1%	8.1%
Japan	6.9%	7.2%
Others	22.2%	22.1%

Gender distribution and equity

(In %)



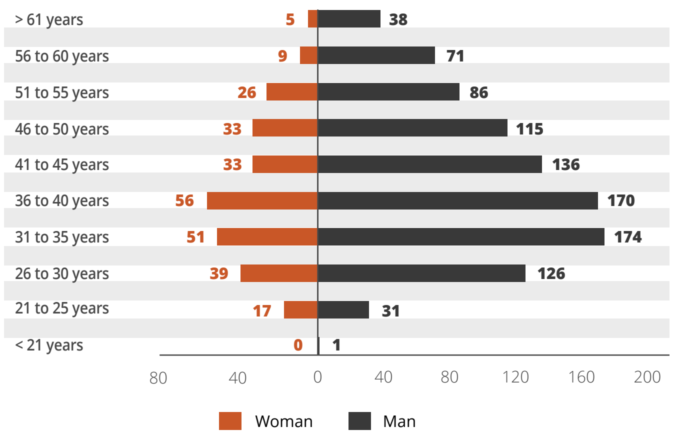
(1) January 1, 2019 – December 31, 2019.

The proportion of female employees with open-ended contracts, at 22.1%, is relatively low and stable compared to previous years. This low representativeness can be explained in particular by the low number of women in engineering schools that are the main source of recruitment for the Group, as well as by socio-geographical disparities that sometimes involve a relatively low female workforce participation rate.

Nonetheless, HR professionals are sensitive to the feminization of local teams as well as considering female candidates when recruiting for the Group. In 2020, 26 women joined the Group, representing 27% of total newcomers.

In this context, ESI is supporting Girls in Tech, an non-governmental organization focused on education and empowerment of women in the field of technology and entrepreneurship.

Age pyramid (2020)



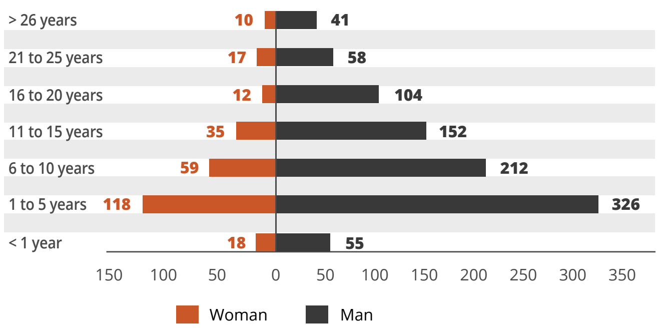
The average age of the Group's employees is 40.7 years (female employees: 39.1 years and male employees: 41.1 years).

ESI Group respects the laws in favor of the accession and retention of employees, regardless of their age. Thus, 19.3% of employees are over 50 years, *i.e.* 235 employees worldwide.

65.5% of the population aged over 50 is located in Europe, compared to 16.5% in the Americas and 18% in Asia.

In addition, 71% of employees hired on permanent contracts are under 35 years old.

Breakdown of workforce by seniority (2020)



The average seniority in the Group is 9.3 years (8.02 years for women and 9.64 years for men).

Non-discrimination policy

20% of employees are holding a management role, including 16% of women.

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

The Group is also committed to improve the gender balance of the Group.

"Gender equality" is an integral part of the Group's strategy, aiming to increase both the percentage of women managers and the percentage of women engineers.

Please note that, given the global health context, ESI did not carry out a global review of its salaries during the year 2020, which had an impact on the index result (as presented below) and in particular the indicator concerning employees returning from maternity leave. In this particular context, ESI is continuing its policy of monitoring professional equality and plans to establish a specific action plan in that sense.

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: 37/40;
- The gap in individual rates of pay increase: 20/20;
- The number of employees of the under-represented sex among the 10 highest paid employees: 5/10;
- The rate of employees having benefited from a salary in the year following their return from maternity leave: 0/15;
- The gap in promotion rates between women and men: 15/15;
- **Total:** 77/100, 2 points above the legal minimum.

In France, a panel of staff representatives, general management and the Human Resources Department has been engaged in a training program to identify and determine ways to combat sexual harassment.

India launched an Anti-Sexual Harassment Charter in July 2019 and established an Anti-Sexual Harassment Committee composed of a Chairperson and eight members. Local information sessions have been organized on the subject. ESI teams in the United States and South Korea are undergoing compulsory training on the same topic.

Integration of disabled workers

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

Six employees in Germany and France are currently recognised as disabled workers and benefit from specific accommodations linked to their disability, enabling them to carry out their duties.

ESI has been certified by Qualiopi as a training company. This implies the accessibility of the premises and training contents to employees with disabilities. A disability advisor has been nominated in France with the long term objective of deploying policy and process at national level. In October 2020, the process was presented to the nine ESI France trainers and validated by the CSSCT (Health and Safety and Working Conditions Commission).

4.3.3. CONTRIBUTING TO THE WELL-BEING OF EMPLOYEES AND ENSURING THE QUALITY OF WORKING LIFE

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

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

As an employer ESI strives to:

- Control its workforce in connection with the growth of the activity;
- Offer its employees the benefit of flexible management of their schedules;
- Improve working conditions, which has a direct impact on the well-being, efficiency and motivation of employees;
- Create a favourable social climate.

/ Results

Headcount data is calculated on the basis of the number of employees present at December 31, 2020.

Total Group headcount includes employees on permanent and fixed-term contracts, as well as student contracts such as work-study contracts and interns. They do not include temporary employees, consultants and networks of external distributions.

At December 31, 2020, ESI Group's workforce stood at 1,217 employees. 1,238 at December 31, 2019.

91% of the Group's workforce is hired 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 9% of the workforce. total. ESI continued to pursue its ambitions to control its workforce in line with business evolution.

Employee turnover

Recruitments	2018 (Jan.-Dec.)	2019 (Jan.-Dec.)	2020
Europe, Middle East and Africa	**107**	**88**	**67**
Apprenticeship/internship	25	20	15
Short-term contracts	25	22	13
Open-ended contracts	57	46	39
Americas	**17**	**24**	**8**
Apprenticeship/internship	6	15	4
Open-ended contracts	11	9	4
Asia-Pacific	**53**	**37**	**23**
Apprenticeship/internship	13	8	1
Short-term contracts	11	6	4
Open-ended contracts	29	23	18
TOTAL	**177**	**149**	**98**

Departures	2018 (Jan.-Dec.)	2019 (Jan.-Dec.)	2020
Europe, Middle East and Africa	**101**	**94**	**81**
Apprenticeship/internship	28	18	18
Short-term contracts	13	8	19
Open-ended contracts	60	68	44
Americas	**23**	**28**	**20**
Apprenticeship/internship	5	10	9
Short-term contracts	0	0	0
Open-ended contracts	18	18	11
Asia-pacific	**48**	**28**	**17**
Apprenticeship/internship	3	4	1
Short-term contracts	10	4	4
Open-ended contracts	35	20	12
TOTAL	**172**	**150**	**118**

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In 2020, ESI Group recruited 61 employees on open-ended contracts, *i.e.* 62% of total hirings (compared to 52% in 2019).

The departure rate of employees on open-ended contracts is 6% in 2020. (number of departures under open-ended contracts/total headcount under open-ended contracts at the beginning of the period) x 100] compared to 9.2% in 2019.

The turnover rate on open-ended contracts is 5.6% in 2020 [(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 8.1% for the year 2019.

Working time

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

In the vast majority of its establishments, ESI Group offers its employees the benefit of flexible management of their schedules. In some countries, such as Japan, the timetables are set to meet the expectations of the business but are limited to eight hours a day.

In France, the organization of working time is based on working time measured in fixed days or according to a set schedule. An employee with a fixed daily rate works a defined number of days in the year and an employee with an hourly rate works the number of hours defined in the agreements:

- Full-time managers working on a fixed number of days per year work 217 days per year, plus one day for the solidarity day;
- For other employees, the average working week is set at 37 hours, with 10 days of reduced working hours per year for full-time employees.

In 2020, part-time work accounted for 6% 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

Due to the global Covid context, and the deployment of home office, each country managed to adapt and show creativity in supporting it's teams in digital workplace and well-being actions. One of the objective was to maintain informal communication in this virtual work environment by using Team's tool:

- Organization of drawing and photo contests;
- E-coffee breaks and random coffee breaks to meet new colleagues;
- Digital Christmas meals;
- Digital yoga and fitness sessions in some countries, such as France and India.

Health and safety: a leitmotiv of the year 2020

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

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)

In order to maintain the well-being of the employees during the period of the Covid-19 epidemic, the Group has put in place several measures to protect its teams and ensure the continuity of its activities. The situation is managed globally and adapted to each local situation. Having a global presence, the Group's adaptability and reactivity are of paramount importance for all its stakeholders.

Among the measures implemented by the Group:

- The launch of the Group's Business Continuity Plan (BCP);
- The creation of a special Covid-19 crisis management team;
- The adoption of home office for all positions except for essential workers, while ensuring the safety of the workplaces;
- The ban on travel at Group level, in a more restrictive way according to the local situations;
- The use of digital tools and the organization of conferences and 100% digital events;
- The development of a communication plan to inform the employees on the preventive measures to be adopted in accordance with official recommendations, by email and via the Company's internal social network;
- The organization of internal activities (stress management tips, photo contest, drawing contest for children, etc.) and the creation of an online group for sharing advice, recipes, etc. during the confinement period;
- ESI has maintained a reasonable recruitment policy and has continued to invest in the training of its employees.

Health, Safety and Benefits

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.

13 out of 20 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, now offer a free medical check-up to employees once a year, and Tunisia now offers five days of holidays since February 2017 and has set up a mutual insurance company that has been offered to its employees from the beginning of 2020.

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.

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.

In Europe and the Americas, six subsidiaries have set up a system of indirect compensation for their employees.

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. At December 31, 2019, the FCPE held 29,500 shares of the Company, *i.e.* 0.49% of the capital.

4.4. BEING AN OUTSTANDING PARTNER

The Group solutions help its customers cope with the challenges of their digital transformation. These solutions meet the continuously changing regulations that govern the Group's businesses, in order to:

- Provide innovative solutions that meet our customers' requirements;
- Ensure customer satisfaction and meet quality and safety requirements;
- Maintain long term, trust-based relationships with stakeholders and ecosystem.

4.4.1. SUPPORTING CUSTOMERS IN THEIR DIGITAL TRANSFORMATION FROM PHYSICAL TO VIRTUAL BY UNLEASHING AND SECURING INNOVATION WHILE SUSTAINING PRODUCTIVITY (PERFORMANCE)

How can an organization bring innovative products to market while keeping costs and deadlines reasonable? How can an organization integrate new materials and processes safely? How can an organization reduce the impact of these new materials, such as composites on product performance and integrity? What are the best practices for optimizing the product lifecycle and maintenance costs? What processes will ensure that recycling requirements are met?

The solutions offered by ESI are used to bring to market innovative products at a lower cost and with greater reliability and contributes through this section to two Sustainable Development Goals, notably objectives 8 and 9: "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" and "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation".

/ Policies

In its approach, ESI strives to:

- Meet its customers' demand for ever more innovative products;
- Engage itself in a process toward zero real tests, zero real prototypes and zero downtime;
- Guarantee the quality of its products and services and ensure client satisfaction;
- Acquire a full global certification by 2021.

/ Outcomes

Innovative solutions to allow industries to make the right decisions at the right time

To meet its customers' demand for ever more innovative products, the Group offers Virtual Prototyping solutions that save manufacturers and their subcontractors significant amounts of time and money, and therefore support their efforts to innovate. These are all key advantages that help customers keep up with international competition. ESI gives its customers the capacity to perform virtual simulations as of the preliminary design phase, during detailed design phases, and throughout the product lifecycle, and also to approve the performance of their complete digital model step by step before producing a physical prototype. This approach makes it easier to make key decisions very early in the process. Innovation is made possible through reliable virtual prototypes and helps customers get their product right the first time. Virtual Prototyping makes it possible to prepare physical tests under the best conditions, going as far as pre-certification or eliminating the need to carry out physical tests until final validation.

Following the acquisitions of innovative companies in the last years, in new technologies such as Artificial Intelligence, Big Data, or Internet of Things, ESI is now able to represent the connected product as used in its operational environment, meaning after its launch on the market. This *Hybrid Twin* targets product predictive performance and maintenance, to optimize repairs, facilitate certification update, and minimize recalls. Once the brand-new product is "right the first time" thanks to its pre-certified Virtual Prototype, it must be kept right when in-Service, and perform right in real life, connected and operationally assisted in its digital version.

The Group's success also stems from an approach based on close collaboration with world leaders in each sector where the Group is active, including Renault-Nissan, Fiat Chrysler and Volkswagen in the Automotive industry, Boeing and Airbus in the Aeronautic industry, as well as EDF and Framatome in the Energy industry. By building strong relations with large industrial firms, the Group can perfectly match their Virtual Prototyping needs. These strategic partnerships help the Group's customers assess their innovation requirements and implement them jointly with ESI Group.

For instance, using Virtual Prototyping to design airbags or to reduce the manufacturing time of complex composite parts increases the safety and lightweight of vehicles for consumers.

To remain at the forefront of innovation while sustaining productivity, the Group invested 31.4% of its Licenses activity revenues in R&D in 2020.

4.4.2. COMMITTING TO CONTINUED CUSTOMER SATISFACTION WHILE MEETING QUALITY AND SAFETY REQUIREMENTS

In 2000, ESI Group obtained its first ISO 9001 certification, followed by the independent certification of its subsidiaries, to guarantee the quality of its products and services and ensure client satisfaction. The benefits of ISO 9001 certification accrue to external as well as in-company stakeholders. Outside the Company, certification guarantees that ESI provides products and services that meet the needs of its clients, while it continues to evaluate and improve its processes. Within the Company, certification calls on employees to actively engage in an overall consistent quality management system and in the growth of performance.

Since 2010, ESI has extended the scope of its certification using a global system common to all its subsidiaries. Since risk management and quality management are closely linked, this worldwide certification is a sign of confidence in the quality of the solutions that the Group offers its customers and guarantees that particular attention is paid to excellence and to the alignment of all the Group's processes. ESI's objective is to have full global certification in 2021 with the integration of the last four sites.

In 2020, the global certification applied to 98% of the workforce.

Global certification is now successfully applied in Europe, Asia and the United States, within the ESI Group parent company and most of its subsidiaries: ESI France; for Germany the certification covers the following companies (ESI SW Germany, ESI GmbH and ESI ITI GmbH); MECAS ESI (Czech Republic); for the Southern Europe area the certification comprises ESI Hispania and ESI Italia; for the Northern European area the certification includes ESI UK and ESI Open CDF (in the United Kingdom) and ESI Nordics AB (in Sweden); ESI Tunisia; ESI India; ESI Japan, ESI Vietnam, ESI China and ESI Korea; for the Unites States the certification encompasses ESI NA and ESI US R&D.

ESI Group is also involved in an ISO 27001 certification project, and is implementing an information security management system that, through appropriate risk asset management, guarantees the confidentiality, integrity and availability of its information. This project considers specific demands of clients, particularly those from the automotive sector and crystallized under the TISAX. The TISAX (Trusted Information Security Assessment Exchange) certification was created on the initiative of the VDA (Association of the German Automotive Industry). This standard is based on the requirements of ISO 27001 and adapted to the specificities of this sector to secure exchanges between various players. In 2019, ESI achieved the TISAX certification for, ESI MECAS (Czech Republic) and ESI GmbH (Germany) and for ESI Hispania (Spain) in 2020.

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. BEING A LONG-TERM TRUSTED ADVISOR AND PARTNER TO SUPPORT THE DELIVERY OF CUSTOMERS OUTCOMES AND BUSINESS VALUES, INVOLVING THE ENTIRE ECOSYSTEM

By developing a partnership ecosystem that respects the Group's values and commitments, ESI contributes to the Sustainable Development Goal 12: "Ensure sustainable consumption and production patterns", and goal 17: "Strengthen the means of implementation and revitalize the global partnership for sustainable development".

Maintaining long-term, trust-based relationships with stakeholders and ecosystem

ESI aims to continue being a long-term trusted advisor and partner to support it customers' digital transformation journey. In close collaboration with both customers and partners, ESI is organizing a series of Live Events where industry thought leaders are coming together to exemplify how they are addressing future challenges and needs and how they support the delivery of customer outcomes and business values. In 2020, ESI organized around 14 joint-events with its customers.

The Group has a wide range of internal skills that cover its Software edition activity on the one hand and its services activities on the other one. However, when it is necessary to mobilize resources outside its usual scope of business, or when specific expertise is recommended, ESI may occasionally use external contractors.

ESI's ecosystem does not only contain subcontractors, but also collaborations with Research Institutes, Innovation Partners (Government) and Universities, which have a key role in ESI's development strategy.

Supporting customers' outcomes delivery and business values, involving the entire ecosystem

ESI remains fully responsible for all external subcontractors. In this regard, subcontractors are subject to the same rules and verifications as any other employee of the Group. ESI and its subcontractors shall, throughout all operations, be committed to ethical conduct and the respect for human rights in the spirit of internationally recognized standards.

To continue delivering quality customers' outcomes, ESI:

- Monitors and regularly evaluates all suppliers influencing quality through a questionnaire completed in-house to assess the supplier based on the service provided. A list of approved suppliers is made available for this purpose on the intranet and updated periodically;
- Includes an environmental criterion (energy consumption for operation, local purchasing, possibility of recycling the product, etc.) in the purchasing procedure of its suppliers and subcontractors;
- Makes sure not to create a situation of dependence on suppliers and subcontractors.

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.

Since its creation in 1973, ESI has placed Civil Society at the heart of its commitments.

People first!

For ESI, the main driver for technological progress is related to the impact on society in general, by using some applications which have been developed to help saving lives (for instance: the first simulation of a crash test in 1985), to improve the operational performance of industrial processes and to enhance workers' well-being, using virtual reality and artificial intelligence. These commitments provide the foundations of the Group's operational ethics.

Furthermore, ESI is hiring profiles with new technology skill-sets, thus preparing to be well positioned in the technological landscape for the coming decades.

Innovating sustainably and responsibly

Innovation is essential to preparing the future of society, but innovating responsibly is even more so. By developing solutions with a positive and optimal impact on the environment and the economy for its customers, and which are also safe, secure and human-centric, ESI contributes to the development of a safer and more responsible society.

ESI strongly believes that its ability to innovate and research is a key factor in its differentiation therefore of its competitiveness, which are the two key drivers to ensure a sustainable growth.

4.5.1. GUARANTEEING SOLID AND DIVERSIFIED GOVERNANCE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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.

The Group strives to maintain a mixed and efficient governance model. Since February 2020, the functions of CEO and President of the Board of Directors are held by two different members, thus ensuring a better balance of power. The CEO relies on an array of operational committees both at Group level (*e.g.* sales, technologies, finance, HR) and at local level through piloting bodies, giving access to and benefiting from the wide range of diverse expertise skill of ESI's organizational piloting structure.

Being an international company, ESI aims to ensure that its governance represents the various nationalities of the different territories where it is present. Thus, beyond fulfilling the legal requirements with respect to the gender ratio, the Board of Directors also reflects the same diversity of nationalities, horizons, educational and professional backgrounds (see section 4.3 of the present document).

4.5.2. ACT ETHICALLY AND RESPONSIBLY – ETHICS CHARTER

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.

A new version of the Charter has been communicated to all employees in 2018. This version strengthens the Group's position on corruption and frauds, and that in application of the French law "Sapin II". A new version will be available in 2021.

The full document can be consulted here (https://bit.ly/3ab78o3).

A three-member Ethics Committee (two women and one man) 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. This Committee meets regularly, at least once a year, to discuss ethics issues and propose corrective measures, if necessary.

Whistle-blowing policy

Any ESI employee, client, supplier, partner or third party who suspects or is informed of a possible breach of this charter or a violation of the 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 procedure for reporting abuse is as follows:

- The first contact is the local/regional HR correspondent or the direct manager;
- In the event of a conflict of interest involving the HR correspondent or the direct manager, contact the Group's HR Corporate Directors or the N+2 manager;
- Otherwise, contact the Ethics Committee directly at the following address: ethics@esi-group.com.

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 regularly updated treatment register;
- A public privacy policy available on the Group's digital platforms (websites, applications, etc.);
- Internal procedures to respect the rights of individuals and to manage incidents;
- Policies to guarantee data security "Implementation of ISO 27001 certification: ongoing";
- A contract to guarantee and control intergroup transfers;
- An impact analysis relating to data protection;
- Employee awareness via an e-Learning platform: Metacompliance;
- "Candidatus" recruitment platform to control compliance in the processing of applications. "Implementation in France".

As part of its continuous improvement approach, the Group has started using the "Metacompliance" platform, an innovative solution providing access to quality learning content on cybersecurity and compliance for all employees, mainly:

- E-Learning: to set up training dedicated to cybersecurity;
- Phishing: to simulate phishing attacks and raise awareness among our users;
- Privacy: to improve monitoring of GDPR compliance through a complete, visual and interactive interface.

4.5.3. SET UP INITIATIVES TO INTERACT WITH CIVIL SOCIETY (GIVE-BACK)

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 17 PARTNERSHIPS FOR THE GOALS

By developing partnerships 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 specialists and leading international professors, acts in support of the Group's research policy and strategy. This Committee has relays in some subsidiaries: the first one was created in 2019 in Germany, followed by two others, in Japan and USA, in the process of being set up (delayed by the pandemic).

ESI has built a fully comprehensive program of initiatives to support universities and research laboratories around the world. 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 hybrid twins combining physics-based and data-based models;

- With Zaragoza University in Spain, on the subject of virtual and augmented multi-sensorial reality;
- With CEU-UCH University in Valencia in Spain, on the subject of real time process control;
- With ENISE, CNRS, Safran, Cetim, Airbus Helicopters, Framatome: the MISU chair *(Maîtrise de l'Intégrité de Surface des pièces Usinées)*, regarding machine tooled piece integrity control.

ESI and CNRS partnered to build the "DesCartes" project supported by CNRS@CREATE, in Singapore, flagship project on hybrid modeling in the context of the digitally connected city.

In addition to the core activities covered by the Chair directly, an extended network of academic collaborators is also established in order to support widening the range of research topics, as well as to design and deliver some advanced teaching courses at the following universities:

- In Germany/Austria: HTW Berlin, RWTH Aachen, *Technikerschule München,* TU Dresden, TU Wein;
- In Spain: UPV (Valence), CEU (Valence), *Universidad de Saragossa, Universitad Cadiz* and Mondragon Bilbao University;
- In France: Valenciennes University, UBS (Bretagne Sud), *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.*

This network also extends well beyond Europe to include leading national universities across Brazil, China, Estonia, USA, Greece, Ireland, Japan, Mexico, Portugal, Russia, Sweden and Switzerland.

Targeting to reach out further and support the wider academic community worldwide, by fully democratising access to its software for all students as part of their studies and research, ESI has created a new web-based portal (ESI Academy).

Industrial Innovation Programs

ESI participates in several innovative projects and industrial programs which promote technological progress in our society:

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

For instance:

- Excelcar: ESI is also one of the founding members of the Excelcar association, which aims 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. 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;
- CORAC: ESI actively participates in initiatives from the Council for Civil Aeronautics Research (CORAC) undertaken as part of the *"Plan d'Investissement d'Avenir"*. Thanks to ESI's participation in several projects, the Group helps to make commercial aircraft cockpits safer and more comfortable, and thus keep cost margins under control for manufacturing important parts in helicopter gear boxes.

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), I-Trans (Nord-Pas-de-Calais and Picardie), ID4CAR (Nouvelle Aquitaine, Brittany and Pays-de-la-Loire), Systematic (Île-de-France), Pôle Viameca (Auvergne-Rhône-Alpes).

A few more detailed examples:

- ID4CAR: This cluster has appointed Vincent Chaillou, Chief Operating Officer of ESI Group, as the President of ID4CAR in February 2018, after a regular attendance to its Board of Directors since 2012. The aim of this cluster is to increase the competitiveness of the sustainable vehicles and transportation sector in western France through innovation. Through this presidency, ESI Group contributed to the development of its strategic plan for the automotive industry;
- 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;
- 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.

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), 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 an active member of TECH IN France, association which helps promote the software publishing industry and develop digital simulation.

And also in Europe: The Group contributes to several European organisations and initiatives, namely: European Green Vehicles Initiative, European Factories of the Future Research Association, European Technology Platform for Road Transport and ETP4HPC Association (European Technology Platform For High Performance Computing), BATTERIES EUROPE, EARPA.

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:

- Developing solutions that helps reducing the environmental footprint of customers;
- Progressing toward the Group's carbon neutrality;
- Engaging employees in the creation of a more sustainable world.

4.6.1. DEVELOPING SOLUTIONS AIMING TO HAVE A POSITIVE IMPACT ON PLANET

From the outset, by developing innovative Virtual Prototyping products, ESI Group has sought to measure the impact of its solutions on society. Indeed, ESI's solutions enable reductions in the number of physical prototypes, which are costly and require large amounts of energy, raw materials and time, and bringing more environmentally friendly production to the market. ESI Group contributes to through this challenge to the Sustainable Development Goal 9 of the United Nations "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation", as well as Goal 12: "Ensure sustainable consumption and production patterns".

/ Policies

ESI is committed through its solutions to helping its customers to:

- Reduce time-to-market;
- Reduce total product weight;
- Reduce waste associated with prototyping and manufacturing;
- Improve useful life of products;
- Reduce the environmental footprint of products.

/ Outcomes

Tighter regulations on greenhouse gas emissions and recycling requirements, higher fuel prices and consumers' growing environmental concerns are all boosting demand for more planet-friendly products. In 2020, the Covid-19 health crisis has reinforced the quest for meaning, responsibility and limitation of the environmental impact of customers, as well as the need for industries to evolve toward standards more in line with these values. In this context, the solutions developed by ESI are undoubtedly essential.

Throughout 2020, ESI has supported its industrial partners and customers in developing products and solutions that meet their environmental expectations, while enhancing productivity and business continuity in a global context of limited presence in offices.

Among these topics, we can mention:

- Supporting the integration of new materials in manufacturing processes;
- Optimizing battery life for electric vehicles;
- Supporting for the definition of secure and adapted scenarios to allow the return to offices and assembly lines in the context of Covid-19;
- Reducing the number of prototypes and physical tests, which not only saves time and costs, but also reduces waste and raw materials or consumables;
- Using virtual reality solutions to design collaboratively and train operators remotely, thus reducing the need of travelling;
- Supporting the development of new products or business models – ecological by nature.

Several illustrations of these topics can be found on the Company's website (under the Press or Customer Success Stories sections) and on its blog and social networks.

In 2020, six press releases have spotlighted examples in this sense, as well as three customer success stories, six blog articles, as well as video testimonials presented during the 100% digital ESI Live event organized in November of the same year.

4.6.2. MOVING FORWARD TO THE CARBON-NEUTRALITY OF THE GROUP

Reducing greenhouse gas emissions

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.

/ Outcomes

Employees' business travel

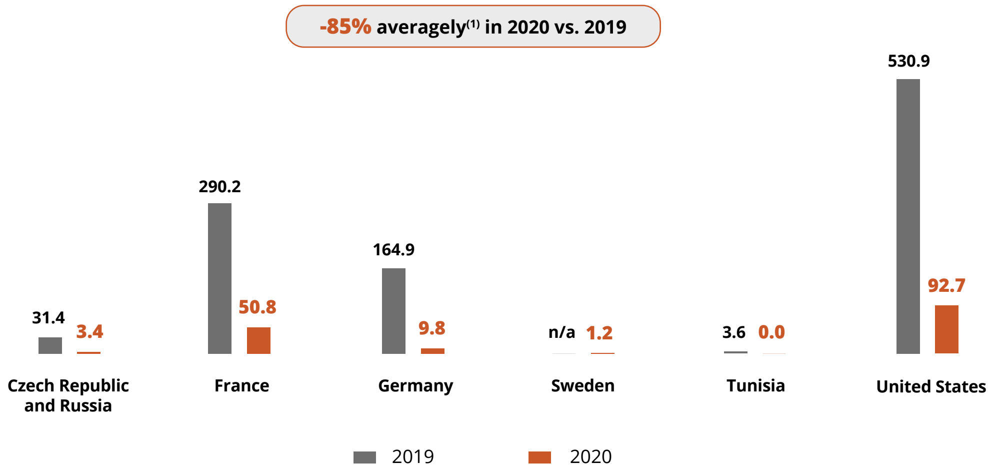
In order to limit travel, the Group has updated its travel policy. This policy is global and adapts to local specificities. Employees are encouraged to travel by train rather than plane for journeys of less than three hours. ESI is using a tool to centralise travel requests and employee expenses at a global level, which allows better monitoring of travel requests globally. The implementation of this option has been delayed due to the global pandemic, as business travelling was restricted at the Group level. On the other hand, in 2020, a vehicle charter has been implemented worldwide, applicable to employees holding company cars.

In 2020, emissions due to employee travel decreased significantly, in view of international and local travel restrictions and the implementation of home office, in the aim to limit the spread of the pandemic. In the upcoming years, the Group intends to continue to limit these emissions by promoting home office and 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)



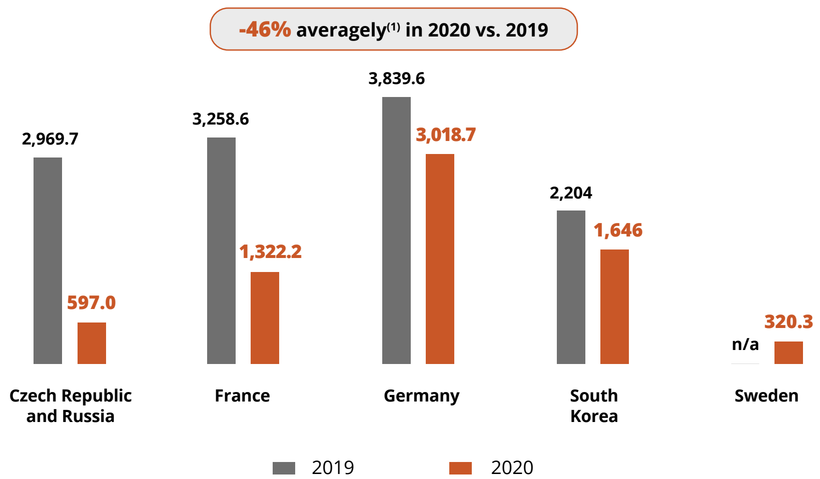
(1) Average of emissions above, excluding Sweden which joined the reporting scope for the first time in 2020.

For Czech Republic, France, Germany, Russia, Tunisia and the United States, these emissions amounted to 156.8 tons, down 85% compared to 2019. For Sweden, which joined the scope of analysis for the first time in 2020, these emissions were about 1.2 tons in 2020. Please note that data are provided by local travel agencies that manage directly travel bookings. Any reservations made directly by employees are not accounted due to lack of information.

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 Kg:car)



(1) Average of emissions above, excluding Sweden which joined the reporting scope for the first time in 2020.

In 2020, 46 employees had a company car in France, 45 in Germany, 33 in the Czech Republic, five in Spain, five in Italy and four in Sweden. In China, India, Japan, South Korea and Switzerland, only one person had a company car. There were no company cars in Brazil, the United States, the United Kingdom and Tunisia in 2020. 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 Czech Republic, France, Germany, Russia and South Korea, these emissions amounted to 1.64 tons/car averagely, down 46% compared to 2019. For Sweden, which joined the scope of analysis for the first time in 2020, these emissions were about 0.32 tons/car averagely.

For the safety of its employees, the Group has adopted and promoted home office in 2020, using Microsoft's "Teams" platform, allowing more efficient online audio-visual meetings for up to 250 people. In 2020, and due to the evolution of the Covid-19 pandemic, the use of "Teams" increased by 87% compared to 2019, with more than 560 meetings/day averagely.

Goods and documents transportation

For several years now, ESI has digitized the delivery of its software and associated documentation through its MyESI customer portal. For various reasons (practices, regulations, network infrastructure), some countries in the Group's Asia region still use physical formats. The Group's objective is to extend the coverage of this practice to its entire perimeter.

In addition, among the measures taken over the past several years, the adoption of the Gelato platform, which allows subsidiaries to order locally the amount of documents they need. This solution enabled the Group to save paper thanks to print-on-demand. In 2020, Gelato has enabled the Group to avoid the equivalent of 1,274 km, a 68% saving on the average distances taken to deliver brochures and other documents.

Managing resources in a more sustainable way

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

In 2020, energy consumption has dropped significantly at several sites, mainly due to the adoption of work-from-home at the Group's level. Below is a presentation of the collected and consolidated data from different sites.

For France:

Before 2020, for France, the Group reported mainly on electricity consumption at the Rungis site. In 2020, ESI has integrated other sites within the French perimeter, including Aix-en-Provence, Compiègne, Ter@tec, Colomiers and Paris (definitely closed at the end of 2020). The Group estimates that these sites are accounting for approximately 98% of total electricity consumption; data from other French sites are not available as it is included in rental or collective bills.

Thus, total consumption at the above-mentioned sites amounted to 883,611 kWh in 2020, including the Rungis site consumption of 105,301 kWh in 2020 (a significant drop of 77%).

For other countries:

- In Brazil, Czech Republic, Germany, India and Russia, average consumption per employee accounted to 2,463.2 kWh, down 12% compared to 2019;
- In China, electricity consumption was about 1,304.1 kWh per employee averagely. This consumption doubled in 2020 due to the integration of new IT servers that require permanent air conditioning;
- In Japan and South Korea, consumption per employee averagely accounted to 2,641.6 kWh and 7,949.3 kWh respectively, with an increase of 4 and 6% respectively. This consumption was slightly higher than in 2019 – this is due to the fact that air-conditioned offices remained open for employees who wanted to work in there and air conditioning was maintained;
- In Tunisia, total consumption was about 71,948 kWh in 2020, with a decrease of 14.7% compared to 2019. On the other hand, electricity consumption per employee increased by 16% in 2020 (5,139.1 kWh) due to a 26% drop in the total Tunisian workforce;
- In Spain, consumption data are only available in the Madrid site, representing an average of 362.9 kWh per employee, with a decrease of 48% compared to 2019;
- In the United States, consumption is only measurable at the San Jose site, representing 885.8 kWh per employee averagely in 2020;
- Finally, energy consumption is not measurable in Italy, Switzerland and other sites not mentioned above. For these sites, energy consumption is included in common bills, measured annually along several parameters other than electricity.

To minimize energy consumption, the Group has installed LED lights at its Rungis, Paris and Ter@tec offices in France and at its offices in India. In addition, during upgrades of certain workspaces in France, the Group has given preference to lighting with low power consumption, removed hot water tanks from restrooms, and refurbished air conditioning systems. Motion sensors have been installed for lighting systems in Tunisia, in San Jose in the USA, and also in ESI Software in Germany (Stuttgart). In Japan, the lights automatically turn off after a while, in the absence of physical presence.

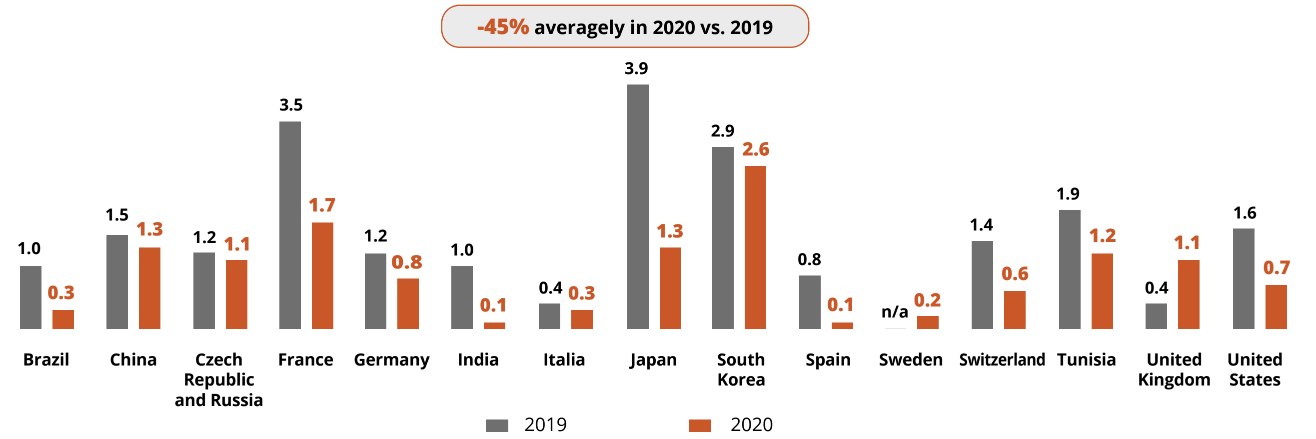
Finally, the Spanish office in Madrid has received a certification of compliance with the requirements of the LEED (Leadership in Energy and Environmental Design) standard, carried out by the building owner.

Paper consumption

Everyday use by employees is the main source of paper consumption.

Paper consumption per employee

(In number of reams of 500 sheets)



For the entire reporting scope, average paper consumption decreased by 45% in 2020, with an average of 0.9 reams of paper per employee (vs. 2 in 2018 and 1.6 in 2019). This is mainly due to the adoption of home office, as well as the evolvement of employees' behaviour toward reasonable and more sustainable consumption.

Paper consumption increased significantly in the United Kingdom (1.1 reams per employee vs. 0.4 in 2019), due to the inclusion of the legal entity "ESI OpenCFD" in the reporting scope.

Please note that, in view of the integration of the employees of AECC-ESI (Beijing) Technology Co. Ltd (joint-venture) in the environmental perimeter, paper consumption for China, in 2019, has been corrected to include them in the basis of calculation, and thus changed from 2.9 to 1.5 reams per employee. Thus, the overall average consumption in 2019 has also been corrected from 1.7 to 1.6 reams per employee.

Here are some of the actions taken to reduce paper consumption or develop the use of recycled paper internally:

- Japan made 100% of its prints with recycled paper, followed by Spain on 50% of its prints and China on 35%. More than 80% of the countries included in the scope have automatically set up black and white and double-sided printing;
- 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;
- In order to reduce the need to print contracts, invoices and other documents requiring an official signature, and to simplify the associated processes, the Group has implemented Docusign, a platform that enables authenticated and electronically traced signatures. This service has become all the more essential in 2020 with the low office presence due to the health crisis context;
- In early 2017, employee representatives in France were elected via a fully electronic voting process, preventing the need to print ballots for the nine offices in France. Annual assessments have been 100% digitized thanks to the use of Loopline Systems platform;
- ESI also offers its employees in France the possibility to create a safe account on Digiposte to dematerialize HR documents such as periodic pay slips;
- The use of Gelato platform, a local printing and delivery tool, allows subsidiaries to locally order the necessary quantity of documents they need. Ultimately, this tool saves paper by printing on demand, which allows ordering only what is needed and on a local basis;
- Finally, since last year, the Group has decided to stop printing its Universal Registration Document in paper format, reflecting ESI's desire to continue reducing paper consumption and avoid waste of paper. 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.

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 the nature of its activity, ESI mainly generates non-hazardous waste, paper, cardboard and plastic. To the best of its knowledge, the Group does not generate any hazardous waste, except Waste Electrical and Electronic Equipment (WEEE).

In France, almost 100% of employees were made aware of the importance of selective wasting sorting in their daily lives, mainly thanks to the implementation of dedicated containers. At the Rungis and Lyon sites, ESI uses Elise's services, a waste collection and recycling company that provides stable employment for people with integration difficulties, particularly due to disabilities. In 2020, Elise recovered 822 kg of waste, including 194 kg of paper. Recycling this waste saved the equivalent of 256 kg of CO_2 emissions, 1,782.1 kWh of energy and 5.4 trees.

All the German, American, Czech, Japanese, Spanish, Italian and Swiss 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. Waste management is 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.

4.6.3. ENGAGING EMPLOYEES IN THE CREATION OF A GREEN WORLD

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 (https://www.youtube.com/watch?v=nUIdRRLDgRk&ab_channel=ESIGroup).

In 2019, a new online discussion group was set up, on the internal communication platform "Chatter", around environmental issues. This has enabled employees to share the eco-responsible actions carried out in their professional and/or personal environment around the world.

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.

4.7. REPORTING

4.7.1. 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, Russia, Spain, Sweden, Switzerland 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 2020, 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 98.4% of total workforce in 2020:

  It includes Brazil, China, the Czech Republic, France, Germany, India, Italy, Japan, Russia, South Korea, Spain, Sweden, Switzerland, Tunisia, the United Kingdom and the United States. Sweden integrated in the reporting scope for the first time in 2020, as well as the legal entity "ESI OpenCFD" under the United Kingdom.

  Please note that, even though AECC-ESI (Beijing) Technology Co., Ltd (joint-venture) is not included in the Company's employee database, its employees are included in the environmental perimeter. 2019 data for China has been corrected as explained earlier in this document.
- Scope of societal reporting:

  Societal information is provided at a global level. Hence, the reporting scope represents 100% of ESI's headcount since 2016.

4.7.2. REPORT OF THE INSPECTING ORGANIZATION

Year ending December 31, 2020

To shareholders,

Following the request received from ESI Group (referred to hereinafter as "the entity") and in our capacity as an independent third-party body with an accreditation granted by the COFRAC Inspection under registration N° 3-1081 (available on www.cofrac.fr), we hereby present our report on the consolidated statement on non-financial performance for the year ending December, 31 2020 (referred to hereinafter as the "Statement"), presented in the group's management report in accordance with the statutory and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French *Code of Commerce*.

Entity's duty

The Board of Directors has a duty to draw up a Statement that complies with statutory and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in view of these risks together with the results of those policies, including key performance indicators.

The Statement has been drawn up according to the authoritative accounting pronouncements used, (referred to hereinafter as the "Pronouncements") by the entity whose significant elements available upon request from the Company's head office.

Independence and quality control

Our independence is defined in the provisions of L. 822-11-3 of the French Commercial Code and the profession's Code of Conduct. Moreover, we have set up a quality control system that includes documented policies and procedures aiming to ensure that rules of conduct, professional ethics and the applicable statutory and regulatory provisions are complied with.

Duty of the independent third-party body

We have a duty, on the basis of our work, to formulate a reasoned opinion expressing a conclusion of a moderate level of assurance as to:

- The Statement's compliance with the provisions set out in Article R. 225-105 of the French Commercial Code;
- The sincerity of the information furnished in application of 3° of I and of II of Article R. 225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators and actions relating to the main risks, referred to hereinafter as the "Information".

However, we have no duty to give an opinion on:

- Whether the entity has complied with other applicable statutory and regulatory provisions, including, matters relating to the vigilance plan and the fight against corruption and tax evasion;
- Compliance of products and services with applicable regulations.

Nature and scope of the work

We carried out the work in accordance with standards that apply in France and that determine the ways in which the independent third-party body carries out its mission, and with international standard ISAE 3000.

We carried out our work between February 15, 2021 and March 29, 2021 for a period of approximately eight days/person.

We held two interviews with people in charge of the Statement.

We carried out the work enabling us to evaluate the extent to which the Statement complies with the regulatory provisions and the sincerity of the Information:

- We informed ourselves of the activity of all of the companies falling within the scope of the consolidation, of the exposure to the main corporate and environmental risks linked to this activity, and of its effects on human rights and the fight against corruption and tax evasion together with the policies that ensue and their results;
- We looked into the appropriateness of the Pronouncements with a view to their relevance, exhaustiveness, reliability, neutrality and comprehensive nature, taking into account, where necessary, the sector's good practices;
- We checked that the Statement covered each category of information provided under III of Article L. 225-102-1 on corporate and environmental matters and whether human rights were being complied with and the fight against corruption and tax evasion;
- We checked that the Statement presents the business model and the main risks linked to the activity of all of the companies falling within the scope of the consolidation, including, where relevant and proportionate, the risks created by business relations, products or services as well as policies, actions and results along with key performance indicators;
- We checked, where relevant in view of the main risks or policies presented, that the Statement presents information set out in II of Article R. 225-105;
- We looked into the selection and validation process of the main risks;
- We enquired about the existence of internal verification and risk management procedures set up by the entity;
- We looked into the coherence of results and of key performance indicators used in view of the main risks and policies presented;

- We checked that the Statement covers the consolidated scope, namely all of the companies falling within the scope of consolidation in accordance with Article L. 233-16 with the limits set out in the paragraph;
- We studied the information-gathering process set up by the entity aiming to obtain information that is exhaustive and sincere;
- With regard to key performance indicators and other quantitative results that we consider to be the most important, we implemented:
  - analytical procedures consisting of checks to ensure that the data collected was consolidated correctly and that its evolution was coherent,
  - detailed tests on the basis of surveys, consisting of checks to ensure definition and procedures were applied correctly and of checks linking data to supporting documentation. This work was carried out with a selection of contributing entities(1) and covered between 15% and 100% of the consolidated data of the key performance indicators selected for these tests(2);
- We consulted documentary sources and held interviews to corroborate what we considered to be the most important qualitative information (actions and results);
- We looked into the overall coherence of the Statement with reference to our knowledge of the companies as a whole falling within in the scope of the consolidation.

We consider that the work carried out and, exercising our professional judgment, enables us to formulate a conclusion of a moderate level of assurance; a higher level of assurance would have required more extensive verification work.

In view of the fact that sampling techniques were used and that there are other limits inherent to the functioning of any system of information and internal control, we cannot rule out totally the risk that a significative anomaly in the Statement has not been detected.

Conclusion

On the basis of our work, we did not note any significant anomaly of such a nature as to cast any doubt on the fact that the statement of non-financial performance complies with the applicable regulatory provisions and that that Information, as a whole, has been presented with sincerity, in accordance with the Pronouncements.

Lyon, on March 31, 2021

FINEXFI

Isabelle Lhoste

Partner

(1) Social indicators: ESI Group SA. Environmental indicators: ESI site in France (Rungis & Lyon sites), USA sites.

(2) Promoting diversity, inclusion and multicultural exchanges; Giving meaning to work and offering a high level environment; Working hours, health, safety and benefits results; Innovative solutions to enable manufacturers to make the right decisions at the right time; Maintaining long-term relationships of trust with its partners and ecosystem; Responsible and committed innovation; Reducing greenhouse gas emissions; Energy consumption; Paper consumption; Waste treatment and recycling.

5 MANAGEMENT REPORT

Financial year ended December 31, 2020

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In accordance with the resolution of the General Meeting of July 18, 2019, the Group now closes its financial statements at 31 December of each fiscal year.

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 validated by the Board of Directors on March 15, 2021. This report accounts for the Company's activities during the 2020 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 2020 FINANCIAL YEAR

5.1.1. HIGHLIGHTS OF 2020 FINANCIAL YEAR

Communicated a year ago, ESI has organized its value-proposition around four main industries and four main customer outcomes.

Development roadmaps are now defined for each industry. These roadmaps are used to align the multi-year investments priorities and guide the teams. ESI delivers compelling solutions in mission critical applications that enable its customers to make the right decisions at the right time. Some success stories that the Group shared in 2020 illustrate this:

- With ESI's help, Nissan Motors succeeded to create the right methodology and took the right engineering decisions in order to industrialize a new material – the CFRP (Carbon Fiber Reinforced Polymer); a key strategic milestone to reach their CO_2 reduction targets;
- Thanks to ESI's human centric solution, Latécoère reduced its industrialization lead times while involving all stakeholders early in the development process to obtain their feedback and train operators in other regions of the world;
- A world leading heavy machinery OEM remained productive during the Covid-19 crisis while using from home ESI's virtual reality solutions.

On the sales side, capitalizing on its strong installed base, the Group has defined a go-to-market strategy based on customer segmentation to, on one hand, strengthen the relationship and increase the business with existing top accounts and, on the other hand, drive new business opportunities globally.

This alignment has also allowed the Group to rationalize some elements of the Group's cost structure (align software development to return-on-investment, fewer facilities, global and streamlined events and marketing) the benefits of which were partly visible in 2020, and will continue to materialize in 2021 and future years.

Evolution of Group Governance

ESI Group announced on February 8, 2021 the appointment as Director and Board of Directors Chairman of Alex Davern (starting February 8, 2021), changes in the organization of the Board of Directors, and retirement at end 2021 of Vincent Chaillou, COO.

Financial position

/ Impact of Covid-19 crisis

The Covid-19 pandemic and the resulting global slowdown in activity are impacting the Group.

Revenue declined by €13.6 million compared to 2019 comparable 12-month period, due to the decrease in Licensing new business activity and in Services consulting activity.

At the same time, current global situation enabled a reduction in costs which limited the impact on profitability of the slowdown in activity, notably with travel restrictions and the introduction of widespread teleworking, and with the replacement of face-to-face marketing events by digital events.

As a result, adjusted EBIT decreased by €4.6 million compared to comparable 2019 period, to €3.7 million.

/ Financing

In the context of Covid-19 pandemic and related potential risk on cash position, ESI Group signed two State guaranteed loans for a total amount of €13.75 million, in August 2020 with BPI France (€1.75 million) and in October 2020 with the bank pool of the syndicated loan (€12 million).

5.1.2. CONSOLIDATED FINANCIAL STATEMENTS

5.1.2.1. Review of financial performance

Further to the change of closing date and to ensure good comparability of information, the main aggregates of 2019 financial statements have been recalculated on comparable basis from January to December 2019, in accordance with AMF Recommendation 2013-08.

The consolidated financial information presented below is compliant with IFRS standards.

(In € millions)	2020	2019 (Jan.-Dec.)	Variation at actual currency rate	Variation at constant currency rate
Total sales	**132.6**	**146.2**	**(9.3)%**	**(8.7)%**
Licenses	109.2	115.9		
Services	23.4	30.3		
Gross margin	**98.7**	**107.4**	**(8.1)%**	**(7.5)%**
% of sales	*74.5%*	*73.4%*		
EBIT (Adjusted[1])	**3.7**	**8.3**	**(55.7)%**	**(58.7)%**
% of sales	*2.8%*	*5.7%*		
EBIT	**4.0**	**8.4**	**(52.0)%**	**(55.0)%**
Net result	**1.4**	**n/a**		
% of sales	*1.1%*	*n/a*		
Cash	**22.5**	**20.2**		

(1) Adjusted EBIT before integration of IFRS 16 effect.

Revenue and adjusted EBIT evolution are explained in Section 1.4 of the present document.

5.1.2.2. Financial situation

Despite a tough global environment in 2020, ESI Group has demonstrated its capacity to maintain a strong balance sheet.

The net financial debt decreased to €24.9 million vs. €29.4 million at end 2019, with a gearing at 28.4% (Net debt/Equity) vs. 34.2% end 2019.

Gross financial debt amounts to €47.4 million (compared to €49.6 million at end 2019) and includes €13.75 million of State guaranteed loans. ESI Group did not use its short term RCF (Revolving Credit Facility) end of this year vs. a usage of €10 million last year.

Cash position at December 31, 2020 amounted to €22.5 million compared to €20.2 million at end 2019. The €2.2 million increase results from:

- An operating cash-flow of +€5.9 million: compared with a 12-month recalculated operating cash-flow for 2019 of +€5.7 million, the operating cash-flow slightly increases by +€0.2 million despite results drop, thanks to forex gain on realized transactions (vs. losses in previous year) and lower income tax paid in 2020 (use of tax losses created in 2019 due to the 11-month fiscal year);
- A change in working capital requirements (WCR) of -€2.8 million;
- Current capital expenditures paid of -€2.0 million (compared to -€2.6 million on a comparable 12-month period in 2019);
- Other financing and investing operations representing a net inflow of +€1.1 million, out of which +€0.5 million of capital increase further to the exercise of stock-options by Group employees, and flows from loans globally balanced (inflows from State guaranteed loan of +€13.75 million, reimbursement of revolving credit facility of -€10 million, payment of syndicated loan yearly instalment of -€3.5 million).

At December 31, 2020, ESI Group held 6.0% 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) and according to proximity to customers. This distribution ensures a better human and financial balance by reducing dependence on exchange rate effects and optimizing associated costs.

5.1.3.2. Intellectual property (excluding trademarks)

Most of the Company's intellectual property consists of software and databases that are protected by international copyright, 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 held by its subsidiaries (which were owners of related intellectual property rights before being acquired by the Company).

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

The Company is the beneficiary of publishing contracts for the few products that belong to third parties. These products represent either software integrated within 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 patents directly or through its subsidiaries.

ESI also owns a broad portfolio of brands, including its *Product Performance Lifecycle* (PPL) and *Hybrid Twin* brands.

Product Performance Lifecycle™

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 revenue stands at €82.9 million in 2020, compared with €88.8 million for the comparable 12-month period in 2019.

It is composed of revenue realized with other Group entities for €70.7 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 €11.2 million and of consulting revenue for €1 million.

Decrease vs. comparable 12-month period in 2019 results from the global slowdown of Licensing new business activity in the Group, which impacted the level of royalties received from distribution subsidiaries.

Operating result for 2020 is a loss of -€1.6 million, compared with a profit of €1.4 million recalculated on comparable 12-month period in 2019. The drop of €3 million results from revenue decrease by -€5.9 million and costs reduction by +€2.9 million.

Indeed,current global situation enabled a reduction in costs which limited the impact on profitability of the slowdown in activity, notably with travel restrictions and the introduction of widespread teleworking, and with the replacement of face-to-face marketing events by digital events.

Financial result of ESI Group is a net loss of -€15.8 million, compared with -€5.2 million in 2019 (11-month fiscal year). It is mostly composed of -€9.3 million of investments impairment further to several business transfers among Group entities which modified their individual activity profiles and thus valuations, and of forex result of -€4.1 million (probable losses on reevaluation of receivables and payables booked in French accounting standards, whereas probable gains are not booked).

ESI Group also recorded exceptional losses of -€0.9 million, corresponding mainly to expired foreign tax credits.

Consequently, result before tax amounts to -€17.4 million. Income tax is an income of +€3.1 million (R&D tax credit for 2020).

Net result is a loss of -€15.2 million.

The Company's equity stands at €58.2 million due to 2020 net result, compared to €72.7 million end 2019.

Financial debt remains stable at €46.6 million (compared with €46.4 million end 2019), flows from loans being globally balanced: inflows from State guaranteed loan of +€13.75 million, reimbursement of revolving credit facility of -€10 million, payment of syndicated loan yearly instalment of -€3.5 million.

Breakdown of invoices issued and received at December 31, 2020 (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	44	105	42	47	858	1,052
Total amount of the invoices (all taxes included)	1,586	2,159	8,487	4,493	39,565	54,703
Percentage based on total of revenue of the year (all taxes included)	1.87%	2.54%	9.99%	5.29%	46.57%	64.39%
Total amount of invoices excluded related to doubtful receivables or not yet issued					3,043	3,043

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	139	170	64	68	2,489	2,791
Total amount of the invoices (all taxes includes)	4,020	21,976	10,656	682	29,808	63,122
Percentage based on total of expenses of the year (all taxes included)	6.98%	38.16%	18.50%	1.18%	51.76%	109.61%
Total amount of invoices excluded that are related to bad debts or debts not invoiced or recorded						

Two branches are 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, 2020:

- Net loss for the year: -€15,173,986.32;
- Profit carried forward: €13,056,116.22;
- Total to be allocated: -€15,173,986.32.

Allocation:

- -€15,173,986.32 to profit carried forward.

Following this allocation, the legal reserve stands at €1,805,367.60. Profit carried forward stands at -€2,117,870.10.

5.2. OUTLOOK

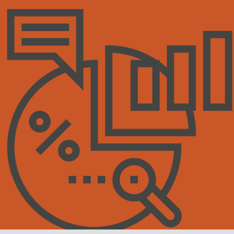
ESI was built on its ability to tackle the complex challenges of engineers across domains and across industries. During the past 18 months, the Group made a strong transformation effort to align its teams across the globe, to adopt best practices in systems, processes and tools, and to focus its strategy on its core business. The Group organization and roadmap are now set to tackle long-term objectives: deliver strong top-line growth while significantly improving the bottom-line.

5.3. TABLE SUMMARIZING THE RESULTS OF PAST FIVE FINANCIAL YEARS

Closing date	12/31/2020	12/31/2019	01/31/2019	01/31/2018	01/31/2017
Duration of financial year *(number of months)*	12	11	12	12	12
Capital at balance sheet date					
Share capital *(in €)*	18,109,776	18,055,476	18,053,676	18,049,326	17,975,976
Number of shares					
◆ ordinary shares	6,036,592	6,018,492	6,017,892	6,016,442	5,991,992
◆ preference shares					
Maximum number of shares to be created					
◆ via convertible bonds					
◆ via subscription rights	120,210	205,334	151,448	108,843	175,733
Operations and results *(in €)*					
Revenue (excl. tax)	82,935,829	55,295,671	86,022,988	83,883,977	84,313,214
Earnings before tax, employee profit-sharing, allowances for amortization and provisions	28,948,002	(2,973,365)	27,025,120	31,555,313	28,651,433
Income tax	3,122,046	(3,024,257)	(2,698,695)	(2,228,379)	(1,669,380)
Employee profit-sharing					15,967
Allowances for amortization and provisions	47,244,034	33,849,027	26,903,999	28,762,466	28,688,439
Net income	(15,173,986)	(27,851,406)	2,819,816	5,546,976	1,632,374
Distributed earnings					
Earnings per share *(in €)*					
Earnings after tax and employee profit-sharing, before allowances for amortization and provisions	5.31	–	5	6	5
Earnings after tax, employee profit-sharing, allowances for amortization and provisions	(2.51)	(5)	–	1	–
Dividend					
Personnel					
Average headcount(1)	259	258	264	243	234
Payroll *(in €)*	16,903,205	15,027,428	15,880,764	14,766,952	14,159,959
Amounts paid in benefits (social security, social welfare, etc.) *(in €)*	7,689,415	6,969,914	7,466,508	6,971,314	6,711,622

(1) Average headcount in France and in branches outside France, presented starting financial year ending January 2019.

6 FINANCIAL STATEMENTS



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In accordance with the resolution of the General Meeting of July 18, 2019, the Group now closes its financial statements at 31 December of each fiscal year.

6.1. CONSOLIDATED FINANCIAL STATEMENTS

6.1.1. CONSOLIDATED INCOME STATEMENT

(In € thousands)	Note	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Licenses and maintenance		109,201	75,320
Consulting		22,864	25,718
Other		508	1,159
Revenue	**4.1**	**132,573**	**102,197**
Cost of sales	4.8	(33,838)	(33,873)
Research and development costs	6.1.2	(30,867)	(29,832)
Selling and marketing expenses		(40,242)	(38,841)
General and administrative expenses		(23,589)	(21,476)
Current operating result		**4,037**	**(21,825)**
Other operating income and expenses		9	1
EBIT		**4,046**	**(21,824)**
Financial result	**7.2**	**(1,355)**	**(2,563)**
Share of profit of associates		(258)	26
Income before income tax expense and minority interests		**2,433**	**(24,361)**
Provision for income tax	8.1	1,008	(3,447)
Net income before minority interests		**1,425**	**(20,914)**
Minority interests		11	32
NET INCOME (GROUP SHARE)		**1,414**	**(20,946)**
Earnings per share *(in €)*	9.3	0.25	(4.06)
Diluted earnings per share *(in €)*	9.3	0.25	(4.06)

Statement of comprehensive income

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Net income before minority interests	**1,425**	**(20,914)**
Other comprehensive income recycled to income		
Change in the fair value of hedging instruments	11	(12)
Translation differences	(1,698)	866
Other comprehensive income (loss) not recycled to income		
Actuarial gains and losses	(133)	(688)
Income and expenses recorded directly in equity	**(1,820)**	**166**
COMPREHENSIVE INCOME	**(395)**	**(20,748)**
Attributable to Group equity holders	(403)	(20,792)
Attributable to minority interests	8	44

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

6.1.2. CONSOLIDATED BALANCE SHEET

(In € thousands)	Note	December 31, 2020	December 31, 2019
Assets			
Non-current assets		**145,297**	**151,473**
Goodwill	3.2	41,002	41,448
Intangible assets	6.1	63,424	62,139
Property, plant and equipment	6.2	4,696	5,633
Rights-of-use assets	4.7	17,742	20,680
Investment in associates		728	1,099
Deferred tax assets	8.2	14,685	17,204
Other non-current assets	10.1.1	3,014	3,264
Cash-flow hedging instruments	7.1.4	6	6
Current assets		**71,062**	**82,182**
Trade receivables	4.2	33,486	44,732
Other current receivables	10.1.2	11,912	13,720
Prepaid expenses	10.1.3	3,198	3,489
Cash and cash equivalents	7.1.3	22,466	20,241
TOTAL ASSETS		**216,359**	**233,655**
Liabilities			
Equity		**87,861**	**85,983**
Equity (Group share)	**9.1**	**87,779**	**85,912**
Capital		18,110	18,055
Additional paid-in capital		26,280	25,833
Reserves and retained earnings		42,477	61,982
Net income (loss)		1,414	(20,946)
Translation differences		(502)	987
Minority interests		**82**	**71**
Non-current liabilities		**63,737**	**62,166**
Long term share of financial debt	7.1.2	39,264	30,457
Non-current lease obligation	4.7	12,324	16,227
Provision for employee benefits	5.3	11,474	11,016
Deferred tax liabilities	8.2	–	3,761
Cash-flow hedging instruments	7.1.4	14	28
Other long term debt and provisions	10.2.2	661	677
Current liabilities		**64,761**	**85,506**
Short-term share of financial debt	7.1.2	8,148	19,143
Current lease obligation	4.7	5,184	4,406
Trade payables		6,655	8,631
Accrued compensation; taxes and others short-term liabilities	10.2.1	22,754	24,230
Current provisions	10.2.2	1,624	675
Contract liabilities	4.3	20,396	28,421
TOTAL LIABILITIES		**216,359**	**233,655**

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 January 31, 2019	**6,017,892**	**18,053**	**25,818**	**61,197**	**(205)**	**104,861**	**771**	**105,632**
Change in fair value of hedging instruments				(12)		(12)		(12)
Translation differences					848	848	18	866
Actuarial gains and losses				(682)		(682)	(6)	(688)
Income and expenses recognized directly in equity				**(694)**	**848**	**154**	**12**	**166**
Net income				(20,946)		(20,946)	32	(20,914)
Comprehensive income				**(21,640)**	**848**	**(20,792)**	**44**	**(20,748)**
Proceeds from issue of shares	600	2	15			17		17
Treasury shares				22		22		22
Share-based payments				690		690		690
Transactions with non-controlling interests				583	344	927	(750)	177
Other movements				187		187	6	193
At December 31, 2019	**6,018,492**	**18,055**	**25,833**	**41,039**	**987**	**85,912**	**71**	**85,983**
Change in fair value of hedging Instruments				11		11		11
Translation differences					(1,695)	(1,695)	(3)	(1,698)
Actuarial gains and losses				(133)		(133)	–	(133)
Income and expenses recognized directly in equity				**(122)**	**(1,695)**	**(1,817)**	**(3)**	**(1,820)**
Net income				1,414		1,414	11	1,425
Comprehensive income				**1,292**	**(1,695)**	**(403)**	**8**	**(395)**
Proceeds from issue of shares	18,100	54	447	25		526		526
Treasury shares				33		33		33
Share-based payments				783		783		783
Transactions with non-controlling interests						–		–
Other movements				722	206	928	3	931
AT DECEMBER 31, 2020	**6,036,592**	**18,109**	**26,280**	**43,894**	**(502)**	**87,779**	**82**	**87,861**

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

6.1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Net income before minority interests	**1,425**	**(20,914)**
Share of profit of associates	258	(26)
Amortization and provisions(1)	11,575	8,882
Net impact of capitalization of research & development costs	(1,841)	(1,300)
Income taxes (current and deferred)	1,008	(3,446)
Income taxes paid	(1,620)	(1,980)
Unrealized financial gains and losses	114	100
Share-based payment transactions	783	690
Gains (losses) on sales of assets	20	114
Operating cash flow(1)	**11,722**	**(17,880)**
Trade receivables	9,544	19,446
Trade payables	(1,865)	(293)
Other receivables and other liabilities	(10,445)	(865)
Change in working capital requirement	**(2,766)**	**18,288**
Net cash from operating activities	**8,956**	**408**
Purchase of intangible assets	(918)	(591)
Purchase of property, plant and equipment	(1,105)	(1,390)
Proceeds from the sale of assets	175	
Acquisition of subsidiaries, net of cash acquired		(795)
Other investment operations	131	(7)
Net cash used for investing activities	**(1,717)**	**(2,783)**
Proceeds from loans	13,723	14,422
Repayment of borrowings and lease debt(1)	(19,351)	(10,148)
Proceeds from issue of shares	526	17
Purchase and proceeds from disposal of treasury shares	33	22
Dividends paid		
Net cash used for financing activities	**(5,069)**	**4,313**
Effect of exchange rate changes on cash and cash equivalents	55	216
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,225**	**2,154**
Opening cash position	20,241	18,087
Closing cash position	22,466	20,241
NET CHANGE IN CASH AND CASH EQUIVALENTS	**2,225**	**2,154**

(1) 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 +€5.7 million in 2020 (vs. +€5.2 million in previous year), and increase of repayments in the financing part of the Cash Flow Statement for -€5.7 million (vs. -€5.2 million in 2019).

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

6.1.5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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. ESI Group SA is the parent company of 26 subsidiaries operating throughout the world (see Chapter 1.3.2 of this document), together comprising ESI Group.

ESI Group is a leading innovator in Virtual Prototyping solutions and a global enabler of industrial transformation. Thanks to the company's unique know-how in the physics of materials, it has developed and refined, over the last 48 years, advanced simulation capabilities.

Having identified gaps in the traditional approach to Product Lifecycle Management (PLM), ESI has introduced a holistic methodology centered on industrial productivity and product performance throughout its entire lifecycle, i.e. Product Performance Lifecycle, from engineering to manufacturing and in operation.

The Group's financial year runs from January 1 to December 31, 2020.

Financial statements are presented in thousands of euros. The 2020 financial statements were approved by the Board of Directors on March 15, 2021 and will be submitted for approval to the General Meeting of June 22, 2021.

NOTE 1.2. ACCOUNTING STANDARDS APPLIED

The consolidated financial statements at December 31, 2020 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, 2020

New standard mandatory for fiscal years beginning on January 1, 2020: Nothing to report.

The Group has applied, with retroactive effect from January 1, 2019, the interpretation of IFRS IC relating to the assessment 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. The application of this interpretation led the Group to recognize an additional right of use of €1.2 million and a lease debt for the same amount. Details of IFRS 16 impacts are presented in note 4.7.

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, valuation of deferred tax assets, valuation of derivative instruments, capitalized development costs, provisions for depreciation of doubtful receivables, income tax expense, provisions for risks and litigation and provisions for post-employment commitments.

NOTE 2. SIGNIFICANT EVENTS OF THE YEAR

/ Comparability with 2019 results

Further to the change of closing date and to ensure good comparability of information, the main aggregates of 2019 financial statements have been recalculated on comparable basis from January to December 2019, in accordance with AMF Recommendation 2013-08. These recalculated data can be directly compared to 2020 ones.

Please note that data presented here below have been adjusted from IFRS 16 standard application (impact on 2020 EBIT of +€0.4 million and on 2020 Operating Cash flow of +€5.7 million).

(In € millions)	2020 (Jan.-Dec.)	2019 (Jan.-Dec.)	Variation	Variation %
Revenue	132.6	146.2	(13.6)	(9.3)%
Gross margin	98.7	107.4	(8.7)	(8.1)%
Research and development costs	(30.9)	(31.7)	0.8	(2.7)%
Selling and marketing expenses	(40.2)	(44.3)	4.1	(9.2)%
General and administrative expenses adjusted (before IFRS 16)	(23.9)	(23.1)	(0.8)	3.1%
EBIT (adjusted – before IFRS 16)	3.7	8.3	(4.6)	(55.7)%

(In € millions)	2020 (Jan.-Dec.)	2019 (Jan.-Dec.)
Operating Cash flow adjusted (before IFRS 16)	5.9	5.7
Change in working capital requirement	(2.8)	4.9
Acquisitions of intangible and tangible assets	(2.0)	(2.6)
Other investment and financing flows adjusted (before IFRS 16)	1.1	(0.2)
Total change in cash explained	2.2	7.8
Opening cash position	20.2	12.4
Closing cash position	22.4	20.2
Change in cash position	2.2	7.8

The 12 months comparable income statement substantially differ from 11 months results due to materiality of revenue recognized in January.

2019 comparable information have been established through performing additional consolidation closing for ESI Group and all subsidiaries as of December 31, 2018, enabling to add January 2019 income statement to the one of 11 month fiscal year. The consolidation process applied was the same as for a usual year-end closing.

More specifically, licensing revenue being calculated on a monthly basis, as well as costs directly linked to revenue (royalties paid to third parties, commissions paid to agents), staff costs, net impact of the capitalization of development costs and net amortization, depreciation and provisions, these items of the income statement were calculated as of December 31, 2018.

Services revenue, which consists mainly of consulting fees, was recognized according to the percentage of completion method at end December 2018, for all entities with monthly monitoring. In the absence of monthly monitoring, a prorata by month for the last quarter of fiscal year 2018 has been calculated – this approach being acceptable given the month-to-month linearity of this activity's sales.

Some other external costs may result from *prorata temporis* estimates, such as office rental expenses which are invoiced quarterly.

The components of the cash flow were determined through a cash flow statement drawn up according to the usual consolidation process.

/ Impact of Covid-19 crisis

The Covid-19 pandemic and the resulting global slowdown in activity are impacting the Group's EBIT.

Revenue declined by €13.6 million compared to 2019 comparable 12-month period, due to the decrease in Licensing new business activity and in Services consulting activity.

At the same time, current global situation enabled a reduction in costs which limited the impact on profitability of the slowdown in activity, notably with travel restrictions and the introduction of widespread teleworking, and with the replacement of face-to-face marketing events by digital events.

As a result, adjusted EBIT decreased by €4.6 million compared to comparable 2019 period, to €3.7 million.

/ Financing

In the context of Covid-19 pandemic and related potential risk on cash position, ESI Group signed two State guaranteed loans for a total amount of €13.75 million, in August 2020 with BPI France (€1.75 million) and in October 2020 with the bank pool of the syndicated loan (€12 million).

In addition, in October 2020 the Group repaid the annual instalment of the syndicated loan, amounting to -€3.5 million. As a result, adjusted EBIT decreased by €4.6 million compared to comparable 2019 period, to €3.7 million.

/ Change in scope of consolidation

During the year ended December 31, 2020:

- In June, ESI Group sold 10% of the shares of the Chinese joint-venture AECC-ESI for €183 thousand, and now holds 35% of the entity's shares;
- In October, the American subsidiary Mineset Inc. was absorbed by ESI US R&D Inc;
- In December, ESI Group acquired 20% minority share of the French subsidiary Civitec for symbolic €1, Frech entity Scilab Enterprises was absorbed by ESI Group and the Chinese ESI-ATE Technology China Ltd was dissolved.

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 long term debt" or "Other short-term 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 – codes are amortized over five years in research and development costs, customer relationships are amortized in selling and marketing expenses 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 R&D efforts and the integration of acquired technologies (source codes, algorithms, etc.).

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, 2020 is the Group's weighted average cost of capital (WACC) adjusted with a risk premium. It stands at 8.56% compared to 9.95% at December 31, 2019.

The present value of the CGU is determined by adding:

- the present value of forecasted future cash flows over the explicit period of 5 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 3%.

This present value of the CGU either confirms the fair value of the assets of the CGU, or serves as a basis for calculating potential impairment.

The impairment test performed on the CGU at December 31, 2020 did not identify any loss in value for these assets. The test was analyzed 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, 2020

(In € thousands)	December 31, 2019	Increase	Decrease	Foreign exchange gain/loss	December 31, 2020
Gross values	41,449		–	(447)	41,002
TOTAL NET VALUES	**41,449**		–	**(447)**	**41,002**

/ For the year ended December 31, 2019

(In € thousands)	January 31, 2019	Increase	Decrease	Foreign exchange gain/loss	December 31, 2019
Gross values	41,404		(92)	137	41,449
TOTAL NET VALUES	**41,404**		**(92)**	**137**	**41,449**

No acquisition took place during financial years 2019 and 2020.

NOTE 3.3. AMORTIZATION OF INTANGIBLES ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Starting from January 31, 2019, 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, 2020, the amortization of codes amounts to €819 thousand (€561 thousand as of December 31, 2019), and the amortization of the customer relationships stands at €406 thousand (€373 thousand as of December 31, 2019).

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, 2020	December 31, 2019
Fully consolidated subsidiaries				
Engineering System International	April 1973	Paris, France	100%	100%
Engineering System International GmbH	July 1979	Eschborn, Germany	100%	100%
ESI Japan, Ltd.	July 1991	Tokyo, Japan	97%	97%
ESI North America, Inc.	March 1992	Troy, Michigan, USA	100%	100%
Hankook ESI Co., Ltd.	September 1995	Seoul, South Korea	99%	99%
ESI Group Hispania s.l.	February 2001	Madrid, Spain	100%	100%
STRACO SA	April 2001	Compiègne, France	98%	98%
Mecas ESI s.r.o.	May 2001	Plzen, Czech Republic	95%	95%
ESI UK Ltd.	January 2002	London, England	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%
Calcom ESI SA	December 2002	Lausanne, Switzerland	99%	99%
ESI Software (India) Private Ltd.	February 2004	Bangalore, India	100%	100%
Hong Kong ESI Co., Ltd.	February 2004	Hong Kong, China	100%	100%
ESI-ATE Holdings Ltd.	July 2006	Hong Kong, China	100%	100%
ESI ATE Technology (China), Ltd.	August 2006	Beijing, China	0%	100%
ESI South America Comércio e Serviços de Informatica, Ltda	June 2008	São Paulo, Brazil	95%	95%
ESI Italia s.r.l.	September 2008	Bologna, Italy	100%	100%
ESI Services Tunisia	April 2009	Tunis, Tunisia	95%	95%
ESI Group Beijing Co., Ltd.	October 2010	Beijing, China	100%	100%
ESI Software Germany GmbH	August 2011	Stuttgart, Germany	100%	100%
ESI Nordics AB	December 2011	Sollentuna, Sweden	100%	100%
OpenCFD Ltd.	September 2012	Berkshire, England	100%	100%
ESI Services Vietnam Co., Ltd.	December 2013	Ho Chi Minh City, Vietnam	100%	100%
CIVITEC SARL	March 2015	Versailles, France	100%	80%
ITI GmbH	January 2016	Dresden, Germany	100%	100%
ITI Southern Europe SARL	January 2016	Rungis, France	100%	100%
Mineset Inc.	February 2016	Milpitas, United States	0%	100%
Scilab Enterprises	February 2017	Paris, France	0%	100%
Subsidiaries accounted for using the equity method				
JV AECC-ESI (Beijing) Technology Co., Ltd.	February 2014	Beijing, China	35%	45%

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

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, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Total licenses and maintenance	**109,201**	**75,320**
Consulting	22,864	25,718
Other revenue	508	1,159
Total services	**23,372**	**26,877**
CONSOLIDATED REVENUE	**132,573**	**102,197**
O/w total co-financed research and development projects included in service revenue	**4,020**	**4,102**

Backlog as of December 31, 2020 amounts to €37 million (compared with €23.2 million in 2019), out of which €35 million for Licensing (compared with €22 million in 2019) and €2 million for Services (compared with €1.2 million in 2019).

Revenue realized with Group 20 top customers amounts to €62.9 million, representing 47% of total revenue, out of which €50.6 million for Licensing activity and €12.3 million for Services activity. In 2019 (on a 12-month comparable period), revenue realized with these customers amounted to €65.1 million, out of which €48.4 million for Licensing and 16.6 million for Services.

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, 2020	December 31, 2019
Trade receivables	38,569	46,191
Depreciation of trade receivables	(4,227)	(4,214)
TOTAL TRADE RECEIVABLES, NET OF IMPAIRMENT	**34,342**	**41,977**

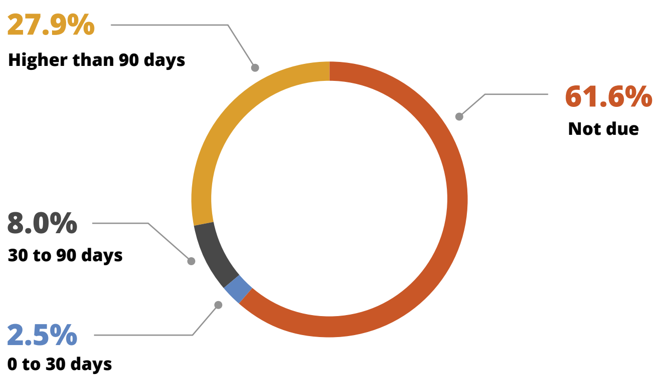
(In € thousands)	December 31, 2019	Consolidation scope change	Provisions	Reversals	Foreign exchange gain/loss	Other movements	December 31, 2020
Depreciation	(4,214)	483	(634)	34	34	71	(4,226)
TOTAL	**(4,214)**	**483**	**(634)**	**34**	**34**	**71**	**(4,226)**

The amount presented in the column "Consolidation scope change" refers to the dissolution of ESI-ATE Technology China Ltd. (fully impaired very old receivables).

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.

Age of trade receivables as of December 31, 2020



	December 31, 2020	December 31, 2019
Not due	21,138	21,894
0 to 30 days	862	5,114
30 to 90 days	2,762	5,266
Higher than 90 days	9,580	9,703
TOTAL	**34,342**	**41,977**

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 relating to the Licensing activity are invoiced at the beginning of the software access period, and all revenues remaining to be recognized in the following year are therefore contract liabilities. 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. OPERATING EXPENSES

(In € thousands)	**December 31, 2020 (Jan.-Dec.)**	December 31, 2019 (Feb.-Dec.)
Other purchases and external expenses	(10,705)	(9,339)
Short-term and low-value assets leases	(1,971)	(1,818)
Fees	(4,362)	(3,990)
Taxes and duties	(604)	(598)
Amortization and provisions	(9,838)	(8,954)
Personnel costs[(1)]	(93,441)	(86,787)
Other external expenses and income	(6,390)	(12,535)
Total current operating expenses	**(127,310)**	**(124,021)**
Other operating income and expenses	9	1
TOTAL OPERATING EXPENSES	**(127,302)**	**(124,020)**

(1) Details on personnel costs are presented in note 5.2.

NOTE 4.5. INFORMATION BY GEOGRAPHIC AREA

The Group develops sells and provides technical support for its softwares which allow engineers to predict and improve, by virtual tests, the performance and the expected quality of a product. 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).

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, 2020					
External clients	62,598	50,109	19,867		132,573
Affiliate companies	77,114	9,267	6,242	(92,623)	
Net sales	**139,711**	**59,376**	**26,109**	**(92,623)**	**132,573**
ASSETS ALLOCATED	**326,225**	**53,362**	**33,419**	**(196,648)**	**216,359**
Year ended December 31, 2019					
External clients	43,538	41,076	17,583		102,197
Affiliate companies	48,888	8,053	6,478	(63,420)	
Net sales	**92,425**	**49,129**	**24,062**	**(63,420)**	**102,197**
ASSETS ALLOCATED	**276,090**	**41,735**	**14,306**	**(98,476)**	**233,655**

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

At December 31, 2020, ESI Group had a rent security deposit with Crédit du Nord in an amount of €82 thousand, established in November 2012 and expiring November 28, 2021 plus six months.

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

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 €17.742 million, of which a gross value of €28.264 million and the amortization of €10.522 million.

(In € thousands)	December 31, 2019[1]	Increase	Decrease	Others	December 31, 2020
Right-of-use – Gross value	**27,155**	**1,394**	**(574)**	**288**	**28,264**
For offices	25,174	642	(333)	4	25,486
For cars	1,981	753	(241)	285	2,778
Right-of-use – amortization	**(5,372)**	**(5,765)**	**532**	**84**	**(10,522)**
For offices	(4,633)	(4,887)	333	(2)	(9,189)
For cars	(739)	(879)	199	85	(1,333)
Right-of-use – Net value	**21,783**	**(4,371)**	**(42)**	**372**	**17,742**
For offices	20,541	(4,245)		2	16,298
For cars	1,242	(126)	(42)	370	1,444

(1) The 2020 opening has been restated in accordance with the application of the IFRS IC interpretation on tacitly renewable contracts.

In the liabilities of the balance sheet, the lease debts are split between €12.318 million of non-current debts (compared with €16.227 million in 2019) and €5.190 million of current debts (compared with €4.406 million in 2019).

Maturity of lease debts as at December 31, 2020:

(In € thousands)	< 1 year	Between 1 and 2 years	Between 2 and 4 years	More than 5 years	December 31, 2020
Debts – leased offices	4,459	3,357	4,130	4,115	16,062
Debts – leased cars	724	441	281		1,446
LEASE DEBTS	**5,184**	**3,798**	**4,411**	**4,115**	**17,508**

In the income statement, the restatement of rental expenses amounted to €5.765 million (compared with €5.351 million in 2019), almost entirely offset by the right-of-use amortization: the impact on the operational result is +€377 thousand (compared with €158 thousand in 2019). The impact of IFRS 16 restatement on financial result is an additional expense of -€301 thousand (compared with -€115 thousand in 2019). The impact on the result net is +€74 thousand (compared with +€44 thousand in 2019).

In the cash flow statement, IFRS 16's impact is an increase of amortization and an improvement of cash flow amounted to +€5.775 million (compared with +€5.236 million in 2019), against a reimbursement of lease debts in the financial part of the cash flow statement for -€5.775 million (compared with -€5.236 million in 2019).

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 5. PERSONNEL COSTS AND EMPLOYEE BENEFITS

NOTE 5.1. HEADCOUNT

Headcount is calculated on a "Full-Time Equivalent" (FTE) basis and distributed as follows:

	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
France	317	326
Rest of the world	900	912
TOTAL	**1,217**	**1,238**

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, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Salaries	(74,137)	(69,556)
Payroll taxes	(17,850)	(15,914)
Share-based payments	(783)	(689)
Post-employment benefits	(670)	(627)
TOTAL PERSONNEL COSTS	**(93,441)**	**(86,786)**

Personnel costs recalculated for 2019 on a comparable 12-month period (January to December) amount to €95.9 million. Thus, this sub-total slightly decreases in 2020 compared with 2019.

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.

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.

1 2 3 4 5 6 7 8 9

5.3.1. Actuarial assumptions

Discount rates	December 31, 2020	December 31, 2019
France	0.35%	0.80%
Germany	0.88%	0.88%
Japan	0.41%	0.27%
South Korea	1.84%	1.70%
India	6.67%	7.25%

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, 2020	December 31, 2019
France	2.50%	2.50%
Germany	2.00%	2.00%
Japan	3.00%	3.00%
South Korea	4.00%	4.00%
India	10.00%	10.00%

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, 2020 (Jan.-Dec.)**	December 31, 2019 (Feb.-Dec.)
Change in commitments		
Commitments at opening	**(13,521)**	**(12,034)**
Acquired companies		
Costs of services rendered in the period	(1,046)	(869)
Interest expenses	(209)	(228)
Benefits paid	592	525
Actuarial gains and losses	(22)	(855)
Others	48	
Foreign exchange gain/loss	357	(59)
COMMITMENTS AT CLOSING	**(13,801)**	**(13,521)**
Change in fair value of assets		
Fair value of assets at opening	**2,536**	**2,086**
Acquired companies		
Yield on assets	76	52
Employer contributions	350	793
Benefits paid	(322)	(310)
Actuarial gains and losses booked in equity	(146)	(82)
Foreign exchange gains and other	**(136)**	**(3)**
FAIR VALUE OF ASSETS AT CLOSING	**2,359**	**2,536**
Net expense for the year		
Costs of services rendered	(1,046)	(869)
Finance charges	(132)	(176)
Interest expenses	(209)	(228)
Yield on assets	76	52
Others	48	
NET EXPENSE FOR THE YEAR	**(1,130)**	**(1,045)**
Provision recorded in the balance sheet		
Commitments financed	(4,934)	(5,367)
Fair value of assets	2,414	2,591
Net commitments financed	**(2,520)**	**(2,776)**
Commitments not financed	(8,953)	(8,239)
PROVISION AT CLOSING	**(11,473)**	**(11,015)**
Change in provision		
Provision at opening	**(11,017)**	**(9,979)**
Net expense for the year	(1,131)	(1,045)
Actuarial gains and losses	(167)	(936)
Employer contributions	350	793
Benefits paid	270	215
Acquired companies		
Foreign exchange gain/loss	221	(64)
Others		
PROVISION AT CLOSING	**(11,474)**	**(11,016)**

The commitments financed break down as follow by country: 21% in France, 36% in South Korea, 36% in India and 7% 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, 2020**
Commitment -0.5%	(13,733)
Commitment	(13,802)
Commitment +0.5%	(13,871)

(In € thousands)	**December 31, 2020**
Experience adjustment	398
Change in financial assumptions	(560)
Yield on assets	(5)
Change in demographic assumptions	
TOTAL ACTUARIAL GAINS/LOSSES	**(167)**

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, 2020	Limit year for exercising options
Plan 10 (GM 2012)	12/19/2012		150,850	62,300	27.82	24,100	2021
Plan 10 *bis* (GM 2012)	02/07/2014		11,000		24.42	375	2022
Plan 10 *ter* (GM 2012)	03/26/2015		15,000		21.66		2025
Plan 10 *quater* (GM 2012)	07/22/2015		3,150		27.17	1,050	2025
	Total GM 2012	**180,000**	**180,000**	**62,300**		**25,525**	
Plan 17 (GM 2014)	07/22/2015		7,350		27.17	2,450	2023
Plan 17 *bis* (GM 2014)	03/11/2016		10,000		23.35		2026
Plan 17 *ter* (GM 2014)	05/05/2017		18,175		50.92	14,700	2025
Plan 17 *quater* (GM 2014)	05/05/2017		1,875	1,875	50.92		2025
	Total GM 2014	**180,000**	**37,400**	**1,875**		**17,150**	
Plan 19 (GM 2017)	07/18/2018		43,950	32,963	42.97	34,350	2026
Plan 19 *bis* (GM 2017)	02/01/2019		20,000	15,000	27.04	20,000	2027
Plan 19 *ter* (GM 2017)	12/18/2019		25,785		29.12	23,785	2027
	Total GM 2017	**180,000**	**89,735**	**47,963**		**78,135**	
TOTAL STOCK-OPTIONS		**540,000**	**307,135**	**112,138**		**120,810**	

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, 2020	End of vesting period
Plan 6 (GM 2016)	07/21/2016		25,000			2020
Plan 7 (GM 2016)	12/23/2016	60,000	2,275			2020
Plan 8 (GM 2016)	08/01/2017		9,000		2,501	2021
Plan 9 (GM 2018)	07/18/2018		10,617	7,964	10,200	2021
Plan 9 *bis* (GM 2018)	07/18/2018		2,441			2020
Plan 9 *ter* (GM 2018)	07/18/2018		15,500		7,336	2022
Plan 9 *quater* (GM 2018)	07/18/2018	60,000	16,250		16,250	2023
Plan 9 *quinquies* (GM 2018)	12/18/2019		6,337		6,237	2022
Plan 9 *sexies* (GM 2018)	12/18/2019		2,521		2,400	2021
Plan 9 *septies* (GM 2018)	03/19/2020		5,000		5,000	2023
Plan 10 (GM 2020)	06/25/2020	60,000	3,000		3,000	2023
TOTAL FREE SHARES		**180,000**	**97,941**	**7,964**	**52,924**	

The total expense related to stock-options plans for the financial year ended December 31, 2020 stands at €138 thousand, *vs.* €164 thousand for the previous year. That related to free shares plans stands at €645 thousand, *vs.* €526 thousand in 2019.

All stock options and free shares plans include a continued employment requirement.

/ Movements in stock options

	2020		2019	
	Numbers of options	Weighted average exercise price	Numbers of options	Weighted average exercise price
Stock options existing at the opening	**145,135**	**33.71**	**105,675**	**24.49**
Stock options granted	0	0	44,660	28.19
Stock options expired or canceled	(7,350)	36.19	(4,600)	27.04
Stock options exercised	(18,100)	22.44	(600)	25.95
Stock options existing at the closing	**120,810**	**34.36**	**145,135**	**33.71**
OPTIONS THAT MAY BE EXERCISED AT THE CLOSING	**27,975**	**27.08**	**43,625**	**26.68**

/ 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 No. 10 (02/01/2013)	26.99	5	24.80%	0%	1.30%
Plan No. 10 *bis* (02/07/2014)	24.50	5	23.73%	0%	0.30%
Plan No. 10 *ter* (02/01/2015)	24.94	6	22.13%	0%	0.36%
Plan No. 10 *quater* (07/22/2015)	28.31	6	23.36%	0%	0.65%
Plan No. 15 (02/01/2015)	24.94	6	23.36%	0%	0.65%
Plan No. 17 (07/22/2015)	28.31	6	22.13%	0%	0.36%
Plan No. 17 *bis* (03/11/2016)	24.39	7.5	22.79%	0%	0.65%
Plan No. 17 *ter* (05/05/2017)	55.56	5.5	28.16%	0%	0.86%
Plan No. 17 *quater* (05/05/2017)	55.56	5.5	28.16%	0%	0.86%
Plan No. 19 (07/18/2018)	42.97	5.5	37.33%	0%	0.66%
Plan No. 19 *bis* (02/01/2019)	27.04	5.5	34.56%	0%	0.61%
Plan No. 19 *ter* (12/12/2019)	29.12	5.5	26.76%	0%	0.65%

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 6 (Board of 07/21/2016)	30.30	1 to 2	1.20%
Plan 7 (Board of 12/23/2016)	45.73	0 to 2	1.10%
Plan 8 (Board of 08/01/2017)	46.19	1 to 2	1.10%
Plan 9/9 *bis*/9 *ter* (Board of 07/18/2018)	42.97	1 to 3	0.95%
Plan 9 *quater*	31.40	1 to 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 to 2	0.80%

NOTE 6. INTANGIBLE AND TANGIBLE ASSETS

NOTE 6.1. INTANGIBLE ASSETS

/ 6.1.1. Change in the gross value, amortization and net value of intangible assets

(In € thousands)	December 31, 2019	Increase	Decrease	Foreign exchange gain/loss	Other movements	December 31, 2020
Gross values						
Development costs	69,525	31,211	(24,953)			75,783
Intangible assets with an indefinite useful life	12,044					12,044
Other intangible assets	22,143	918	(320)	115	42	22,899
TOTAL	**103,712**	**32,129**	**(25,272)**	**115**	**42**	**110,726**
Amortization	–					–
Development costs	(24,075)	(29,370)	24,953			(28,492)
Intangible assets with an indefinite useful life	(73)					(73)
Other intangible assets	(17,427)	(1,464)	304	(117)	(35)	(18,739)
TOTAL	**(41,575)**	**(30,834)**	**25,257**	**(117)**	**(35)**	**(47,304)**
Net carrying amounts						
Development costs	45,452	1,841				47,293
Intangible assets with an indefinite useful life	11,971					11,971
Other intangible assets	4,715	(546)	(16)	(2)	7	4,158
TOTAL	**62,139**	**1,295**	**(16)**	**(2)**	**7**	**63,424**

/ 6.1.2. Capitalized 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;
- the Group has the ability to reliably measure the expenses attributable to the research and development project.

The expenses thus converted into assets include the cost of direct labor as well as sub-contracting.

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.

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.

Net impact of the capitalization of development costs

(In € thousands)	December 31, 2020	December 31, 2019
Development costs capitalized during the period	31,211	28,323
Development costs amortized during the period	(29,370)	(27,024)
NET IMPACT OF THE CAPITALIZATION OF DEVELOPMENT COSTS	**1,841**	**1,300**

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 16.5 months of research and development costs (€47.3 million) incurred at December 31, 2020, compared to 15 months (€45.5 million) at December 31, 2019.

Reconciliation of R&D costs incurred and accounted for in the income statement

(In € thousands)	December 31, 2020	December 31, 2019
R&D costs incurred during the period(1)	**(35,060)**	**(33,656)**
Development costs capitalized during the period	31,211	28,323
Development costs amortized during the period	(29,370)	(27,024)
French R&D tax credit	3,172	3,086
Amortization of codes acquired in business combinations	(819)	(562)
TOTAL R&D COSTS RECOGNIZED AS EXPENSES DURING THE FINANCIAL YEAR	**(30,867)**	**(29,832)**

(1) Including €3,098 million in expenses accounted for as direct costs in 2020, compared to €5,332 million in 2019.

/ 6.1.3. Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life include source codes that allow the Company to obtain intellectual property rights to the software code. Specifically, it involves the translation of the laws of physics into programming language in the form of algorithms that make it possible to simulate the reaction of materials under external constraints.

The intangible assets stemming from the purchase of business units are deemed to have indefinite useful lives as long as no substitute technology currently exists and as long as the recurrent business model (yearly leases) ensure that the installed base continues to generate revenue over the long term.

The Group is of the opinion that the useful life of these intangible assets cannot be determined as long as the underlying scientific content in purchased products is not challenged by a technological breakthrough that would render it obsolete. Furthermore, significant research and development efforts (accounting for 30% of revenue from licensing) focusing on these up-and-coming products guarantee the long term value of the asset.

Assets with an indefinite useful life are not amortized. They are subject to impairment tests performed each year. The impairment testing process and results at December 31, 2020 are described in note 3.1.

The useful life of an intangible asset with an indefinite useful life is reviewed each year to determine whether events and circumstances continue to support an indefinite useful life assessment for this asset. If they do not, the change in the useful life assessment from indefinite to finite must be accounted for prospectively.

/ 6.1.4. Other intangible assets

Intangible assets with a finite useful life consist mainly of software. In accordance with IAS 38, they are valued at cost.

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 an intangible asset 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 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.

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, 2019	Increase	Decrease	Other movements	Foreign exchange gain/loss	December 31, 2020
Gross values						
Fixtures and fittings	4,735	46	(177)	49	(63)	4,589
Computer hardware	15,777	942	(29)	(844)	(403)	15,443
Office furnishings and other tangible assets	3,412	78	(269)	704	(114)	3,811
TOTAL	**23,924**	**1,066**	**(475)**	**(92)**	**(580)**	**23,843**
Amortization						
Fixtures and fittings	(2,555)	(276)	147	(45)	42	(2,687)
Computer hardware	(13,070)	(1,272)	35	660	312	(13,334)
Office furnishings and other tangible assets	(2,666)	(208)	295	(625)	79	(3,125)
TOTAL	**(18,291)**	**(1,756)**	**477**	**(10)**	**433**	**(19,147)**
Net carrying amounts						
Fixtures and fittings	2,180	(230)	(30)	3	(21)	1,902
Computer hardware	2,707	(331)	6	(184)	(91)	2,108
Office furnishings and other tangible assets	746	(130)	26	78	(35)	686
TOTAL	**5,633**	**(691)**	**2**	**(103)**	**(147)**	**4,696**

NOTE 7. FINANCING AND FINANCIAL INSTRUMENTS

NOTE .7.1. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities mainly comprise:

- long term financial debts, short-term borrowings and overdrafts, together comprising gross debt – see details in note 7.1.2;
- loans and other short-term 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, 2020
(In € thousands)	Amortized cost	Fair value through equity	Fair value through profit and loss	Total
Assets				
Non-consolidated investments			14	14
Deposits and guarantees	2,661			2,661
Trade receivables	34,646			34,646
Cash and cash equivalents			22,465	22,465
Liabilities				
Bank borrowings	47,410			47,410
Derivative liabilities		14		14
Other financial liabilities		75		75
Payables	6,655			6,655

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.

Debts on earnouts, put options (other financial liabilities) and investments in non-consolidated companies are valued using level 3.

/ 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 €24.5 million at end 2020, and of a €10 million revolving credit, not used at end 2020. Yearly instalments of the long-term part are paid on April 30 each year, until April 30, 2025. Exceptionally in 2020 the yearly instalment has been paid in October as ESI benefited from governmental Covid-19 measure authorizing later payment. 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 in 2020 was 2.25%.

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. Interests paid on these loans during the first year correspond to the remuneration of the State guarantee only, which is 0,5% for Medium Size Groups. Between eight and ten months after the signing of each State guaranteed loan contract, ESI Group will confirm its choice to reimburse fully, partially or not reimburse the loans, and in the latter case decide the period over which reimbursement will be done (up to five years) and its frequency. Different interests rates will be applied by each bank on their respective financing share. As of December 31, 2020 ESI Group choice regarding future reimbursement terms is not decided yet. At end 2020 the €13.75 million loans are thus presented in the tables here below with a maturity 2025 and beyond, and at fixed rate.

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, 2020

	Maturity at December 31					
(In € thousands)	2021	2022	2023	2024	2025 and beyond	Total
Syndicated loan	4,500	4,904	4,904	4,904	4,904	24,116
Short-term revolving loan						
State-guaranteed loans					13,680	13,680
Other bank borrowings	3,590	800	2,375	800	800	8,365
Repayable advances		241	210		740	1,191
Other financial debts	58					58
TOTAL	**8,148**	**5,945**	**7,489**	**5,704**	**20,124**	**47,410**
	CURRENT: 8,148					**NON-CURRENT: 39,263**

As of December 31, 2019

	Maturity at December 31					
(In € thousands)	2020	2021	2022	2023	2024 and beyond	Total
Syndicated loan	3,500	4,405	4,905	4,905	9,810	27,525
Short-term revolving loan	10,000					10,000
Other bank borrowings	2,900	800	800	800	2,775	8,075
Factoring of French R&D 2016 tax credit	2,433					2,433
Repayable advances	–	451			740	1,191
Other financial debts	309	65				374
TOTAL	**19,142**	**5,721**	**5,705**	**5,705**	**13,325**	**49,598**
	CURRENT: 19,142					**NON-CURRENT: 30,457**

Financial debt by type of interest rate and maturity

As of December 31, 2020

	Maturity at December 31					
(In € thousands)	2021	2022	2023	2024	2025 and beyond	Total
Fixed-rate debt	800	800	2,375	800	14,480	19,255
Variable-rate debt	7,000	4,904	4,904	4,904	4,904	26,616
No-interest debt	348	241	210		740	1,539
TOTAL	**8,148**	**5,945**	**7,489**	**5,704**	**20,124**	**47,410**
	CURRENT: 8,148					**NON-CURRENT: 39,263**

The following table shows the changes in financial debt in 2020, with a split between flows with cash impact and flows without cash impact.

(In € thousands)	At December 31, 2019	Flows with cash impact			Flows without cash impact			At December 31, 2020
		New borrowings	Repayment	Other cash flows from financing activities	Change in consolidation scope	Foreign exchange gain/loss	Other movement	
Syndicated loan	27,525		(3,500)				91	24,116
Short-term revolving loan	10,000		(10,000)					–
State-guaranteed loans		13,750					(70)	13,680
Other bank borrowings	8,075			–	–		290	8,365
Factoring of French R&D tax credit	2,433	–		–	–	–	(2,433)	–
Profit-sharing funds	1,191			–	–	–		1,191
Other financial debts	374			–	–		(316)	58
TOTAL	**49,598**	**13,750**	**(13,500)**	**–**	**–**	**–**	**(2,438)**	**47,410**

Other movement related to factoring of French R&D tax credit represents the repayment by the French state of 2016 receivable directly to the factoring bank. These others flows have no cash impact for ESI Group.

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, 2020	December 31, 2019
Cash	22,465	20,241
Marketable securities	–	–
TOTAL CASH AND CASH EQUIVALENTS	**22,465**	**20,241**

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 2019 first semester, with a nominal value of €7 million each, ESI Group receiving variable rate 3-month Euribor (with a 0% floor) and paying a fixed rate of 0.085% and 0.092%. At the end of 2020, the underlying assets covered by each of these contracts amounted to €6,13 million.

At December 31, 2020, the market value of these instruments was -€14 thousand.

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. There were no foreign exchange instrument subscribed in 2020.

NOTE 7.2. FINANCIAL INCOME AND EXPENSES

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Interest and related expenses on borrowings	(979)	(994)
Interest income	12	16
Foreign exchange gain/(loss)	314	(998)
Interest for provisions for employee benefits	(136)	(177)
Interest for rights-of-use assets	(301)	(115)
Other financial expenses	(265)	(295)
FINANCIAL RESULT	**(1,355)**	**(2,563)**

Details on foreign exchange gains and losses are as follows:

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
USD	(426)	(708)
JPY	111	(23)
KRW	(128)	44
Other currencies	757	(311)
TOTAL	**314**	**(998)**

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, 2020, 47.2% of the Group's revenue was generated in Europe, 37.8% in Asia (mainly Japan, South Korea, China and India) and 14.9% 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, 2020, 42.8% of revenue was generated in EUR, 18.2% in USD (US dollar), 21.1% in JPY (Japanese yen), 4.2% in KRW (Korean won) and 5.1% in CZK (Czech koruna).

Furthermore, 58% of costs are spent in EUR, 13.8% in USD, 8.4% in JPY, 6.6% in INR (Indian rupee), 2.7% in KRW, 3.1% in CZK and 2.2% in CHF (Swiss franc).

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	121.78	133.95	(1.6)
KRW	1,345.11	1,479.62	(0.2)
CZK	26.46	29.10	(0.2)
USD	1.14	1.26	(0.2)
INR	84.58	93.04	0.5
CHF	1.07	1.18	0.3

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, 2020 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	(7,000)	(14,712)	(4,904)	(26,616)
Variable rate financial assets				
Off-balance sheet commitments		(7,842)		
NET POSITION	**(7,000)**	**(22,554)**	**(4,904)**	**(26,616)**
Sensitivity to a 1-point decrease				–
Sensitivity to a 1-point increase				(95)

/ 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.

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, 2020, the threshold to be respected is 3.5%. At December 31, 2020, 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 2017, 2018 and 2019 which have been respectively factored in 2018 for €2.441 million, in 2019 for €2.659 million and in 2020 for €2.742 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 three tax groups:

- in France, with the parent company, ESI Group, as head company;
- in Germany, with ESI Software Germany GmbH as head company;
- in the United Kingdom, with ESI ESI UK as head company.

/ 8.1.1. Income tax expense

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Current taxes	(2,192)	(2,372)
Deferred taxes	1,184	5,818
TOTAL	**(1,008)**	**3,446**

/ 8.1.2. Tax proof

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Net income before taxes	**2,433**	**(24,360)**
Including share of profit of associates	(258)	26
Theoretical tax rate	**28%**	**28%**
Theoretical tax (expense)/benefit	**(754)**	**6,828**
Permanent differences between net result and taxable income	65	(2,202)
Impact of liability method	(15)	13
Impact of standard tax rate differentials between parent company and subsidiaries	104	44
Unrecognized deferred tax assets and unused tax losses	(419)	(1,319)
Recognition of previously unrecognized deferred tax assets	11	81
GROUP INCOME TAX EXPENSE	**(1,008)**	**3,446**
Effective tax rate	(37.5) %	(14.1) %

NOTE 8.2. DEFERRED TAXES

/ Breakdown of deferred taxes by tax base

(In € thousands)	December 31, 2020	December 31, 2019
Deferred tax assets		
Tax loss carryforwards	9,741	8,801
Temporary differences related to tax treatment of maintenance	966	2,632
Provisions for employee benefit commitments	3,248	3,322
Temporary differences related to personnel	(145)	876
Provisions and other adjustments	4,636	1,574
Total deferred tax assets	**18,446**	**17,204**
Deferred tax liabilities		
Amortization of acquired intangible assets	(436)	(808)
Other	(3,324)	(2,953)
Total deferred tax liabilities	**(3,760)**	**(3,761)**
NET DEFERRED TAX	**14,686**	**13,443**

Please note that as of December 31, 2020 deferred tax assets and liabilities are offset at the boundaries of the tax consolidation groups.

In 2020, the tax loss carryforwards amounted to €39.8 million against €36.7 million in 2019. Unrecognized deferred tax assets on tax loss carryforwards came to €2.8 million. The timeframe used for estimating the recoverability of these deferred tax assets is generally five years.

/ Reconciliation of deferred income tax expense on the balance sheet and income statement

(In € thousands)	
Net deferred tax assets at opening (January 1, 2020)	**13,443**
Acquired companies	–
Deferred tax expenses recorded in the income statement	1,184
Deferred tax expenses recognized directly in equity (IAS 19 revised)	48
Foreign exchange gain/loss on deferred tax expenses	70
Other movements	(59)
NET DEFERRED TAX ASSETS AT CLOSING (DECEMBER 31, 2020)	**14,685**

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 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, 2020, ESI Group's share capital was €18.11 million, comprising 6,036,592 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 declined by 13,158 shares over the financial year.

The percentage of capital held as treasury shares following these transactions stood at 6% at December 31, 2020, compared to 6.3% at December 31, 2019. The Group owns a total of 364,178 treasury shares, purchased at a historical cost of €3.958 million and with a market value of €16.68 million at the same date.

/ 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. EARNINGS PER SHARE

The table below details the net income (Group share) per share:

(In € thousands)	**December 31, 2020 (Jan.-Dec.)**	December 31, 2019 (Feb.-Dec.)
NET INCOME (GROUP SHARE)	**1,425**	**(20,946)**
Net earnings per share *(in €)*	0.25	(4.06)
Average number of shares	5,649,786	5,164,418
Diluted earnings per share *(in €)*	0.25	(4.06)
Average number of diluted shares	5,706,998	5,225,409

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, 2020	December 31, 2019
Security deposits	2,661	2,968
Other long term assets	236	266
Investments in non-consolidated companies	117	28
TOTAL OTHER NON-CURRENT ASSETS	**3,015**	**3,262**

Security deposits mainly concern real estate rentals and the factored French R&D tax credit receivables.

/ 10.1.2. Other current receivables

(In € thousands)	December 31, 2020	December 31, 2019
French R&D tax credit	3,172	5,847
Other tax credits	1,880	1,501
VAT and other receivables	6,860	6,371
TOTAL OTHER CURRENT ASSETS	**11,912**	**13,720**

French R&D tax credit receivable as of December 31, 2020 relates to costs incurred in 2020.

ESI Group does not use its Frech R&D tax credit to pay income tax, thus there is a factoring done on receivables each year. At end 2020 3 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 2017, 2018 and 2019 which have been respectively factored in 2018 for €2.441 million, in 2019 for €2.659 million and in 2020 for €2.742 million.

/ 10.1.3. Prepaid expenses

Prepaid expenses consist primarily of yearly software licenses 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, 2020	December 31, 2019
Employee-related liabilities	15,095	16,008
Tax payables	5,381	6,275
Other current liabilities	2,279	1,946
TAX PAYABLES, EMPLOYEE-RELATED LIABILITIES AND OTHER SHORT-TERM LIABILITIES	**22,754**	**24,229**

As of December 31, 2020 Tax payables consist primarily of VAT payables for €4.426 million (compared with €5.061 million at end 2019).

/ 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, 2019	Allowance	Reversals	Other comprehensive Income impact	Reclassifications ST/LT	Foreign exchange gain/loss	**December 31, 2020**
Other long term liabilities	431				(431)		–
Refurbishment of rented premises	153					(5)	148
Liabilities and earn out acquired companies	59			16			75
Others risks	34	22	(33)		459	(43)	439
PROVISIONS AND OTHER NON CURRENT LIABILITIES	**677**	**22**	**(33)**	**16**	**28**	**(48)**	**662**
Provisions for risks	675	1,501	–	(94)	(459)	–	1,623
CURRENT PROVISIONS	**675**	**1,501**	**–**	**(94)**	**(459)**	**–**	**1,623**

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, 2020 and December 31, 2019 breaks down as follows:

(In € thousands)	**December 31, 2020 (Jan.-Dec.)**	December 31, 2019 (Feb.-Dec.)
Fixed compensation	1,204	1,069
Variable compensation	–	–
Travel bonus	–	–
Benefits in kind	21	20
Directors' fees	100	98
TOTAL	**1,325**	**1,186**

Related party transactions

Nothing to report.

NOTE 12. FEES PAID TO STATUTORY AUDITORS

	PricewaterhouseCoopers Audit				Ernst & Young Audit				Total			
	Amount		%		Amount		%		Amount		%	
(In € thousands, excluding tax)	Y	Y-1	Y	Y-1	Y	Y-1	Y	Y-1	Y	Y-1	Y	Y-1
Certification, review of annual and consolidated financial statements												
◆ Parent company	164	160	57%	57%	195	191	53%	57%	359	351	55%	57%
◆ Fully consolidated subsidiaries	80	63	28%	23%	153	139	42%	41%	233	202	35%	33%
Sub-total	**244**	**223**	**85%**	**80%**	**348**	**330**	**98%**	**98%**	**592**	**553**	**90%**	**90%**
Services other than certification of accounts												
◆ Parent company	17	21	6%	7%	7	7	2%	2%	24	28	4%	4%
◆ Fully consolidated subsidiaries	26	34	9%	13%	13	–	3%	–	39	34	6%	6%
Sub-total	**43**	**55**	**15%**	**20%**	**20**	**7**	**5%**	**2%**	**63**	**62**	**10%**	**10%**
TOTAL	**287**	**278**	**100%**	**100%**	**368**	**337**	**100%**	**100%**	**655**	**615**	**100%**	**100%**

The Group opted to follow the recommendations of the French Association of Statutory Auditors (CNCC) to record, at the reporting date, expenses related to audit fees corresponding to services actually rendered during the period. The total budget for certification fees for the parent company and consolidated financial statements for the financial year ended December 31, 2020 came to €374 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

Nothing to report.

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 regulation 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 and other documents provided to 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 December 31, 2020

To the General Meeting of ESI Group,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of ESI Group for the year ended December 31, 2020.

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, 2020 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 independence rules applicable to us, for the period from February 1, 2019 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

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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.

/ Capitalization of development costs

Risk identified	In the balance sheet of the Group, non-current assets include capitalized development costs. As of December 31, 2019, their net book value amounts to €47,293 thousand. They correspond mostly to cost of direct labor as well as sub-contracting, incurred for the development of new annual versions or major improvements of existing ESI software. As indicated in note 6.1.2 to consolidated financial statements, development costs are capitalized in situations where the six requirements set forth under IAS 38, "Intangible Assets", are met. Capitalized development costs start to be amortized after the market release of the related version of the software. Capitalized expenses are amortized on a straight-line basis over a period of 12 months for new annual versions of software, and over 24 or 36 months for major improvements to existing products, depending on the degree of innovation. Regarding the significant impact on the consolidated income statement of capitalization of development costs and the significant capitalized costs asset in the consolidated balance sheet, any deviation from the procedures in place or any misinterpretation of the capitalization criteria could lead to significant impacts on the Group's consolidated financial statements and financial performance. The assessment of compliance with the criteria for capitalization of development costs, as well as the determination of the amortization period depending on the nature of the project, are very much based on Management's judgment and the reliability of the procedures applied for the identification and allocation of expenses between the different projects. On this basis, we considered capitalization of development costs as a key audit matter.
Our response	We examined the compliance of the Group's accounting treatment of research and development costs with current accounting standards. We also conducted a critical review of how this methodology was implemented. In particular, we conducted the following procedures: ◆ we have taken notice of the procedure followed by the Group to distinguish between research and development costs and, for the latter, the rules put in place to assess compliance with the capitalization criteria laid down in IAS 38; ◆ we tested by sampling the correct application of the procedures implemented for the identification, monitoring and recording of research and development costs; ◆ we audited, for a selection of projects, the correct application of the capitalization criteria set out in IAS 38 and tested the accuracy and completeness of the most significant expenses charged to these projects; ◆ we verified the correct calculation of amortization expense mainly by controlling the correct application of the rules for setting the straight-line amortization period, depending on the nature of the project (major improvement or new version). We have reconciled accounting and management data in order to assess the accuracy and completeness of information reporting process for recording.

/ Licensing revenue booking

Risk identified	A substantial amount of the Group's revenues results from software licensing and maintenance services. The revenue's recognition date and its allocation to the contracts' various elements may require some management judgment. In accordance with IFRS 15, the 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. Revenues from software licenses are determined regarding two performance obligations: access to the software (royalties for rights of use granted to end customers) and the associated maintenance service. The portion of revenues allocated to maintenance is determined according to the license sold's nature, as described in note 4.1 to the consolidated financial statements. This allocation between the various elements of a contract requires analyses and restatements that significantly impact the level of revenues recognized. For these reasons, we considered that software license revenue recognition is an audit key point.
Our response	As part of our audit, we conducted tests on all contracts deemed significant as well as on a sample of contracts selected at random, in order to (i) review the allocation (in accordance with the accounting principles described in note 4.1 to consolidated financial statements) of the revenue between each component of the contract; (ii) analyze the revenue recognition for the appropriate amount and the appropriate accounting period. These tests include analyzing the contractual terms, recalculating each item and examining the revenue recognition in accordance with the principles set out in note 4.1 to consolidated financial statements, which compliance with IFRS was previously assessed.

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 given in the Board of Directors's Group management report.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial information statement required by Article L. 225-102-1 of the French Commercial Code is presented in the Group's information given in the management report, being specified that, in accordance with Article L. 823-10 of this Code, the information given in this statement have not been verified by us with respect to the fair presentation and consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

/ Format of presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation 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*).

/ Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of ESI Group by the General Meeting held on June 25, 2009 for PricewaterhouseCoopers Audit and on December 16, 1997 for Ernst & Young Audit.

As at December 31, 2020, PricewaterhouseCoopers Audit and Ernst & Young Audit were respectively in the 12th year and 24th year of total uninterrupted engagement (which is the 21st year since 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 risks 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 taken 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, if any, significant deficiencies 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 such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 31, 2021

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	**Ernst & Young Audit**
Thierry Charron	Pierre-Henri Pagnon

6.2. ESI GROUP ANNUAL FINANCIAL STATEMENTS

6.2.1. INCOME STATEMENT

(In € thousands)	Notes	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Revenue	**E.1**	**82,936**	**55,296**
Production held as inventory		–	(495)
Capitalized production		33,188	29,478
Operating subsidies		–	131
Reversals of provisions and amortization, expense transfers		2,032	1,405
Other income		2,178	412
Operating income		**120,334**	**86,228**
Purchase and change in stock of goods		269	58
Other purchases and external expenses	E.3	59,341	56,220
Taxes and duties	E.4	1,147	1,044
Wages and salaries		16,904	15,027
Payroll taxes		7,689	6,970
Depreciation and amortization of non-current assets	E.5	31,202	27,821
Provisions	E.5	2,655	2,718
Other expenses	E.6	2,715	1,064
Operating expenses		**121,922**	**110,922**
OPERATING RESULT		**(1,588)**	**(24,694)**
FINANCIAL RESULT	**E.7**	**(15,803)**	**(5,223)**
CURRENT RESULT BEFORE TAX		**(17,391)**	**(29,916)**
EXCEPTIONAL RESULT	**E.8**	**(905)**	**(958)**
Employee profit-sharing		0	0
Income tax	F.5	3,122	3,024
NET PROFIT (LOSS)		**(15,174)**	**(27,851)**

6.2.2. BALANCE SHEET

Assets

(In € thousands)	Notes	December 31, 2020 Gross value	December 31, 2020 Amortization/ Provisions	December 31, 2020 Net value	December 31, 2019 Net value
Intangible assets	C.1	101,126	(32,866)	68,260	64,639
Property, plant and equipment	C.2	12,036	(9,617)	2,419	2,698
Financial assets	C.3	67,815	(18,284)	49,531	60,722
Non-current assets		**180,977**	**(60,767)**	**120,210**	**128,059**
Inventories		–		–	1,091
Down payments to suppliers		225		225	7
Trade receivables	C.4	70,069	(3,071)	66,998	40,019
Other receivables	C.4	27,947		27,947	10,042
Marketable securities (treasury shares)	C.5	3,889		3,889	4,036
Cash		6,358		6,358	5,178
Current assets		**108,488**	**(3,071)**	**105,417**	**60,373**
Prepaid expenses	C.6	2,207		2,207	2,498
Expenses capitalized, to be amortized	C.7	452		452	473
Foreign exchange gains and losses	C.7	5,644		5,644	1,435
TOTAL ASSETS		**297,768**	**(63,838)**	**233,930**	**192,838**

Liabilities

(In € thousands)	Notes	December 31, 2020	December 31, 2019
Share capital	D.2	18,110	18,055
Additional paid-in capital		38,811	38,364
Legal reserve		1,805	1,805
Retained earnings		13,056	40,908
Net profit (loss)		(15,174)	(27,851)
Regulated provisions		1,568	1,434
Equity	**D.10**	**58,176**	**72,715**
Other equity	**D.4**	**1,184**	**1,184**
Provisions for contingencies and charges	**D.5**	**12,829**	**6,566**
Bank borrowings	D.7	44,077	43,859
Miscellaneous financial debt	D.8	2,500	2,500
Financial liabilities		**46,577**	**46,359**
Down payments from clients	D.6	236	225
Trade payables		71,954	45,878
Tax payables and employee-related liabilities	D.9	7,459	7,288
Other liabilities	D.6 & D.10	29,429	9,076
Operating liabilities and miscellaneous debts		**109,078**	**62,498**
Deferred income		1,529	1,083
Foreign exchange gains and losses		4,557	2,432
TOTAL LIABILITIES		**233,930**	**192,838**

6.2.3. NOTES TO ESI GROUP ANNUAL FINANCIAL STATEMENTS

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Total balance sheet at December 31, 2020 amounts to €233.93 million and the income statement for the financial year shows net loss of -€15.174 million.

The financial statements were prepared in accordance with the French General Accounting Plan and generally accepted accounting principles (French GAAP Art. 831-1/1).

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

/ Comparability with 2019 results

Further to the change of closing date and to ensure good comparability of information, the main aggregates of 2019 financial statements have been recalculated on comparable basis from January to December 2019, in accordance with AMF Recommendation 2013-08. These recalculated data can be directly compared to 2020 ones.

(In € millions)	2020 (Jan.-Dec.)	2019 (Jan.-Dec.)
Revenue	82.9	88.8
Operating result	(1.6)	1.4

/ Impact of Covid-19 crisis

The Covid-19 pandemic and the resulting global slowdown in activity are impacting ESI Group revenue.

The decline in Licensing new business activity in the Group impacted the level of royalties received from distribution subsidiaries, which is the main source of revenue of the Company.

At the same time, current global situation enabled a reduction in costs which limited the impact on profitability of the slowdown in activity, notably with travel restrictions and the introduction of widespread teleworking, and with the replacement of face-to-face marketing events by digital events.

/ Financing

In the context of Covid-19 pandemic and related potential risk on cash position, ESI Group signed two State guaranteed loans for a total amount of €13.75 million, in August 2020 with BPI France (€1.75 million) and in October 2020 with the bank pool of the syndicated loan (€12 million).

In addition, in October 2020 the Group repaid the annual instalment of the syndicated loan, amounting to -€3.5 million.

Refer to note D.7.

/ Changes in scope occurred during the year

During the year ended December 31, 2020:

- In June, ESI Group sold 10% of the shares of the Chinese joint-venture AECC-ESI, and now holds 35% of the entity's shares;
- In October, the American subsidiary Mineset Inc. was absorbed by ESI US R&D Inc;
- In December, ESI Group acquired 20% minority share of the French subsidiary Civitec, and now holds 100% of the entity's shares;
- The French entity Scilab Enterprises was absorbed into ESI Group as of December 1, 2020, through a simplified merger.

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.

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 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 six 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 six criteria continue to be recognized as expenses in the income statement. Amortization starts upon release of the project. 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 years on a straight-line basis

Assets with an indefinite useful life (including goodwill) are not amortized. They are recorded on the balance sheet at their gross carrying amount. They are subject to impairment tests if there are signs of impairment or at least once per year. A provision based on the difference between the calculated value and the carrying amount is recorded if applicable.

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 years on a tapering 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 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 December 31, 2020, marketable securities were made up exclusively of the Company's treasury shares, valued according to the first in, first out method.

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;
- in financial result for the amount pertaining to interest on discounting to present value.

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.

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 and accepted;
- the amount of the user license for the software is determined or determinable;
- the recovery is likely.

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

During production of a co-financed project, recognized revenue is determined on the basis of the percentage of completion of the project, on a prorata basis with regard to the proportion financed.

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, 2019	Increase	Decrease	December 31, 2020
Development costs	47,736	30,475	(28,790)	49,421
Patents, licenses, brands	28,881	1,406		30,287
Goodwill	1,028			1,028
Intangible assets in progress, development costs	17,539	14,386	(11,542)	20,383
Other intangible assets in progress	449	677	(1,119)	7
Total gross value	**95,633**	**46,944**	**(41,451)**	**101,126**
Development costs	(19,787)	(29,931)	28,790	(20,928)
Patents, licenses, brands	(11,133)	(805)		(11,938)
Goodwill	(73)			(73)
Total amortization, provisions	**(30,993)**	**(30,736)**	**28,790**	**(32,939)**
Development costs	27,949	544	–	28,493
Patents, licenses, brands	17,748	601	–	18,349
Goodwill	955	–	–	955
Intangible assets in progress, development costs	17,539	14,386	(11,542)	20,383
Other intangible assets in progress	449	677	(1,119)	7
TOTAL NET VALUE	**64,640**	**16,208**	**(12,661)**	**68,187**

The decrease in development costs reflects scrapping of fully amortized assets.

The goodwill mainly reflects the acquisition on July 26, 1991 from the company Engineering System International, of the branch specialized in the edition of digital simulation software (Product in Applied Mechanics). It has not been impaired or amortized since this date.

NOTE C.2. PROPERTY PLANT AND EQUIPMENT

(In € thousands)	December 31, 2019	Increase	Decrease	December 31, 2020
Fixtures and fittings	3,003	50		3,053
Office furnishings and equipment	8,435	521		8,956
Other tangible non-current assets	27		–	27
Total gross value	**11,465**	**571**	**–**	**12,036**
Fixtures and fittings	(1,486)	(242)		(1,728)
Office furnishings and equipment	(7,261)	(601)		(7,862)
Other tangible non-current assets	(20)	(7)		(27)
Total amortization, provisions	**(8,767)**	**(850)**	**–**	**(9,617)**
Fixtures and fittings	1,517	(192)	–	1,325
Office furnishings and equipment	1,174	(80)	–	1,094
Other tangible non-current assets	7	(7)	–	–
TOTAL NET VALUE	**2,698**	**(279)**	**–**	**2,419**

NOTE C.3. FINANCIAL ASSETS

(In € thousands)	December 31, 2019	Increase	Decrease	December 31, 2020
Equity investments	55,797	4,017	(4,950)	54,864
Receivables related to equity investments	12,739		(1,048)	11,691
Other financial assets[(1)]	1,414	451	(606)	1,259
Total gross value	**69,950**	**4,468**	**(6,604)**	**67,814**
Provisions for impairment of equity investments	(6,190)	(9,254)		(15,444)
Provisions for receivables related to equity investments	(3,038)		271	(2,767)
Provisions for depreciation of other financial assets	(4)	(68)		(72)
Total amortization, provisions	**(9,232)**	**(9,322)**	**271**	**(18,283)**
Equity investments	49,607	(5,237)	(4,950)	39,420
Receivables related to equity investments	9,701	–	(777)	8,924
Other investments	1,410	383	(606)	1,187
TOTAL NET VALUE	**60,718**	**(4,854)**	**(6,333)**	**49,531**

(1) This line primarily includes deposits and guarantees on rental properties and factoring guarantee.

/ Movements in equity investments (gross value)

(In € thousands)	December 31, 2019	Increase	Decrease	December 31, 2020
Engineering System International	458			458
ESI Japan, Ltd.	75			75
ESI North America, Inc.	3,726			3,726
ESI UK Ltd.	164			164
Calcom ESI SA	2,678			2,678
Hankook ESI Co., Ltd.	941			941
ESI Group Hispania s.l.	100			100
Mecas ESI s.r.o.	912			912
STRACO SA	1,789			1,789
ESI US Holding, Inc.	834			834
Acquisition costs Zhong Guo ESI Co., Ltd.	2			2
ESI Software (India) Private Ltd.	2			2
ESI US R&D, Inc.	111	4,017		4,128
Hong Kong ESI Co., Ltd.	119			119
Acquisition costs Hong Kong ESI Co., Ltd.	2			2
ESI-ATE Holdings Ltd.	1,737			1,737
Acquisition costs ESI-ATE Holdings Ltd.	56			56
ESI Italia s.r.l.	1,050			1,050
ESI South America Comércio e Serviços de Informática Ltda	6			6
ESI Services Tunisia	242			242
Acquisition costs ESI Services Tunisia	8			8
ESI Group Beijing Co., Ltd.	543			543
ESI Software Germany GmbH	10,708			10,708
Acquisition costs ESI Software Germany GmbH	322			322
ESI Nordics AB	446			446
Acquisition costs ESI Nordics AB	129			129
Open CFD Ltd.	2,351			2,351
Acquisition costs Open CFD Ltd.	162			162
ESI Services Vietnam Co., Ltd	124			124
Acquisition costs ESI Services Vietnam Co. Ltd.	14			14
Avic-ESI (Beijing) Technology Co. Ltd	576		(128)	448
Acquisition costs Avic-ESI (Beijing) Technology Co. Ltd.	87			87
Mineset Inc.	4,017		(4,017)	–
Acquisition costs Mineset Inc. merged into ESI US R&D Inc.	293			293
CIVITEC	900			900
Acquisition costs CIVITEC	62			62
ESI ITI GmbH	18,710			18,710
Acquisition costs ESI ITI GmbH	436			436
Scilab Enterprises	780		(780)	–
Acquisition costs Scilab Entreprises	25		(25)	–
Cademce SAS	100			100
TOTAL	**55,797**	**4,017**	**(4,950)**	**54,864**

Movements of the year are related to:

- the merger of Mineset Inc. into ESI US R&D Inc., done at equity value: no impact on total net book value of investments;
- the purchase of remaining 20% minority share of Civitec for symbolic €1;
- the simplified merger of Scilab Enterprises into ESI Group, resulting in a confusion loss of -€1,356 thousand recorded in financial result;
- the sale of 10% of the shares of the joint-venture AECC-ESI, decreasing ESI Group ownership to 35%. The gain realized on this transaction amounts to €56 thousand.

/ Movements in the provision for equity investments

(In € thousands)	December 31, 2019	Increase	Transfer - merger Mineset & ESI US R&D	December 31, 2020
ESI-ATE Holdings Limited	1,737			1,737
Hong Kong ESI CO., Limited	119			119
Open CFD Limited	755	834		1,589
Mineset	3,479		(3,479)	–
ESI US R&D Inc.			3,479	3,479
Cademce	100			100
Calcom		1,646		1,646
ESI ITI GmbH		5,990		5,990
Civitec		784		784
TOTAL	**6,190**	**9,254**	**–**	**15,444**

As at December 31, 2020, the net book value of investments in Calcom and Civitec has been aligned with their net equity. Net book value of investments in ESI ITI GmbH and Open CFD Limited has been aligned with the re-estimated value of each subsidiary (Note B.4). In the context of the merger of Mineset Inc. and ESI US R&D Inc., net book value of investment in Mineset Inc. has been incorporated in ESI US R&D Inc. investment, thus leading to a reversal of the provision booked at end 2019.

/ Receivables related to equity investments

	Gross value		
(In € thousands)	December 31, 2019	December 31, 2020	Remuneration rate
Loan ESI North America, Inc. ($9.7 million)	8,681	7,904	6-month Libor $ +1% margin
Loan Hong Kong ESI ($1.124 million)(1)	1,006	916	6-month Libor $ +1% margin
Loan ESI Group Hispania SL	1,020	1,020	Profit-sharing loan capped at 5%
Loan ESI ATE Holdings ($2.271 million)(1)	2,033	1,851	6-month Libor $ +1% margin
TOTAL	**12,740**	**11,691**	

(1) These two loans are fully impaired.

Movements of the year are related to foreign exchange reevaluation.

NOTE C.4. RECEIVABLES – PROVISIONS FOR DEPRECIATION OF RECEIVABLES

(In € thousands)	At December 31, 2020			At December 31, 2019
	Gross value	Due in 1 year or less	Due in between 1 and 5 years	Gross value
Loans granted to subsidiaries	11,691		11,691	12,739
Treasury shares	69		69	57
Deposits and guarantees	1,189		1,189	1,358
Doubtful or disputed receivables	3,043	3,043		2,502
Trade receivables	9,232	9,232		12,083
Trade receivables with affiliate companies	57,794	57,794		27,949
Income tax receivables – advance payment	–	–		327
R&D tax credit receivable	3,122	3,122		3,024
Competitiveness and employment tax credit receivable	378	378		553
Other tax credits	292	292		264
Value added tax (VAT)	2,549	2,549		1,735
Co-financed projects	2,708	2,708		2,607
Trade payables debtors	225	225		696
Group and associates	18,267	18,267		718
Other receivables	627	627		520
Prepaid expenses	2,208	2,208		2,095
TOTAL	**113,394**	**100,445**	**12,949**	**69,227**

/ Details of provisions for depreciation of receivables

(In € thousands)	December 31, 2019	Increase	Reversal unused	Reversal used	December 31, 2020
Provisions for doubtful receivables	2,515	556		–	3,071
Provisions for other receivables		–	–		–
TOTAL	**2,515**	**556**	**–**	**–**	**3,071**

NOTE C.5. TREASURY SHARES

Treasury shares in the balance sheet are classified in Financial assets for €69 thousand (liquidity contract) and in Marketable securities for €3,889 million.

/ Change in the number of treasury shares

	December 31, 2019	Increase	Decrease	December 31, 2020
TREASURY SHARES	**377,342**		**13,158**	**364,184**

The total value on the balance sheet is thus €3.958 million, compared to a market fair value of €16.680 million at December 31, 2020.

NOTE C.6. PREPAID EXPENSES AND EXPENSES CAPITALIZED, TO BE AMORTIZED

(In € thousands)	December 31, 2020	December 31, 2019
Prepaid rent	673	847
Maintenance prepaid expenses	1,464	903
Other prepaid expenses	71	749
Expenses related to syndicated loan and State guaranteed loans set up(1)	452	473
TOTAL	**2,660**	**2,971**

(1) Amortization over the duration of the loans.

NOTE C.7. FOREIGN EXCHANGE GAINS AND LOSSES

These gains and losses pertain to the following balance sheet items:

(In € thousands)	December 31, 2020	December 31, 2019
Trade receivables	4,691	897
Trade payables	867	538
Others	86	
TOTAL	**5,644**	**1,435**

NOTE C.8. ACCRUED INCOME

(In € thousands)	December 31, 2020	December 31, 2019
Receivables to be invoiced	3,500	2,594
Receivables to be invoiced from affiliate companies	7,384	731
Vendor credit notes to be issued	4	–
Group vendors credit notes to be issued	396	696
Miscellaneous income	–	17
TOTAL	**11,284**	**4,038**

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, 2019	Allocation of 2019 profit	2020 net result	Other	December 31, 2020
Capital	18,054			56	18,110
Share premium	25,834			446	26,280
ESI Software merger premium	9,677				9,677
Systus merger premium	2,854				2,854
Legal reserve	1,805				1,805
Retained earnings	40,907	(27,851)			13,056
Net result for the year	(27,851)	27,851	(15,174)		(15,174)
Regulated provisions	1,435			133	1,568
TOTAL	**72,715**	**–**	**(15,174)**	**635**	**58,176**

Movements presented in the "Other" column refer to the capital increase resulting from the exercise of 18,100 stock options (issuance of new shares with a nominal value of €3), and to regulated amortization of investments acquisition costs.

NOTE D.2. LEGAL 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)	6,036,592	18,100	–
O/w preferred shares (double voting rights)	2,254,387		–

The capital increase is attributable to the exercise of 18,100 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, 2020	Limit year for exercising options
Plan 10 (GM 2012)	12/19/2012		150,850	62,300	27.82	24,100	2021
Plan 10 *bis* (GM 2012)	02/07/2014		11,000		24.42	375	2022
Plan 10 *ter* (GM 2012)	03/26/2015		15,000		21.66		2025
Plan 10 *quater* (GM 2012)	07/22/2015		3,150		27.17	1,050	2025
	Total GM 2012	**180,000**	**180,000**	**62,300**		**25,525**	
Plan 15 (GM 2013)	02/01/2015	294,538	20,000	20,000	21.66		2025
Plan 17 (GM 2014)	07/22/2015		7,350		27.17	2,450	2023
Plan 17 *bis* (GM 2014)	03/11/2016		10,000		23.35		2026
Plan 17 *ter* (GM 2014)	05/05/2017		18,175		50.92	14,700	2025
Plan 17 *quater* (GM 2014)	05/05/2017		1,875	1,875	50.92		2025
	Total GM 2014	**180,000**	**37,400**	**1,875**		**17,150**	
Plan 19 (GM 2017)	07/18/2018		43,950	32,963	42.97	34,350	2026
Plan 19 *bis* (GM 2017)	02/01/2019		20,000	15,000	27.04	20,000	2027
Plan 19 *ter* (GM 2017)	12/18/2019		25,785		29.12	23,785	2027
	Total GM 2017	**180,000**	**89,735**	**47,963**		**78,135**	
Authorization given at the GM of July 2017		229,600					
TOTAL STOCK-OPTIONS		**540,000**	**307,135**	**112,138**		**120,810**	

/ 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, 2020	End of vesting period
Plan 6 (GM 2016)	07/21/2016		25,000			2020
Plan 7 (GM 2016)	12/23/2016	60,000	2,275			2020
Plan 8 (GM 2016)	08/01/2017		9,000		2,501	2021
Plan 9 (GM 2018)	07/18/2018		10,617	7,964	10,200	2021
Plan 9 *bis* (GM 2018)	07/18/2018		2,441			2020
Plan 9 *ter* (GM 2018)	07/18/2018		15,500		7,336	2022
Plan 9 *quater* (GM 2018)	07/18/2018	60,000	16,250		16,250	2023
Plan 9 *quinquies* (GM 2018)	12/18/2019		6,337		6,237	2022
Plan 9 *sexies* (GM 2018)	12/18/2019		2,521		2,400	2021
Plan 9 *septies* (GM 2018)	03/19/2020		5,000		5,000	2023
Plan 10 (GM 2020)	06/25/2020	60,000	3,000		3,000	2023
TOTAL FREE SHARES		**180,000**	**97,941**	**7,964**	**52,924**	

All stock options and free shares plans include a continued employment requirement.

NOTE D.4. CONDITIONAL ADVANCES

(In € thousands)	December 31, 2020	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2019
Ademe advance	803		70	733	803
Bpifrance advance	382		382		382
TOTAL	**1,185**		**452**	**733**	**1,185**

NOTE D.5. PROVISIONS FOR CONTINGENCIES AND CHARGES

(In € thousands)	December 31, 2019	Increase	Reversal	December 31, 2020
Foreign exchange unrealized losses (note C.7)	1,438	5,644	(1,438)	5,644
Provisions for contingencies and charges (operating result)	93	1,501		1,594
Provision for retirement obligations	5,035	698	(142)	5,591
TOTAL	**6,566**	**7,843**	**(1,580)**	**12,829**

Movements of the year mostly refer to foreign exchange rates fluctuations. Provisions for contingencies and charges (operating result) correspond to social risks and social charges.

Provision allowance for retirement obligations breaks down as follows:

- €698 thousand of operating allowance, o/w €312 thousand in costs for services rendered and €345 thousand in actuarial losses and -€142 thousand for indemnities paid by the employer;
- €40 thousand of financial allowance corresponding to interest expenses.

/ Actuarial assumptions for retirement obligations

	December 31, 2020	December 31, 2019
Discount rates	0.35%	0.80%
Rate of salary increase	2.50%	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, 2020	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2019
Banks borrowings (D.7)	44,077	5,552	33,525	5,000	43,859
Miscellaneous financial debt (D.8)	2,500	2,500			2,500
Trade payables	4,541	4,541			6,179
Group trade payables	67,355	67,355			39,647
Personnel and related receivables (D.9)	2,959	2,959			4,796
Payroll taxes (D.9)	2,945	2,945			1,607
Value-added tax (D.9)	1,245	1,245			626
Other tax expense (D.9)	310	310			259
Liabilities to fixed asset suppliers	57	57			52
Other operating payables – Group and associates (D.10)	26,967	26,967			7,762
Other operating payables – out of Group (D.10)	2,308	2,308			1,570
Deferred income	1,529	1,529			1,083
TOTAL	**156,793**	**118,268**	**33,525**	**5,000**	**109,940**

NOTE D.7. BANK BORROWINGS

At December 31, 2020, bank borrowings stand at €44.077 million and break down as follows:

- €24,500 thousand related to the part reimbursable over several years, of which €4,5 million to be repaid in 2021;
- €13,750 thousand related to two State guaranteed loans signed in 2020;
- €4,000 thousand related to a loan with BPI France, including €800 thousand to be repaid in 2021;
- €1,575 thousand corresponding to a loan to finance the cost of moving Rungis office – fully due October 2023;
- €252 thousand mostly on accrued interests on borrowings.

ESI Group's main source of financing is the syndicated loan, which consists of a part reimbursable over several years of €24.5 million at end 2020, and of a €10 million revolving credit, not used at end 2020. Yearly instalments of the long-term part are paid on April 30 each year, until April 30, 2025. Exceptionally in 2020 the yearly instalment has been paid in October as ESI benefited from governmental Covid-19 measure authorizing later payment. 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 in 2020 was 2.25%.

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. Interests paid on these loans during the first year correspond to the remuneration of the State guarantee only, which is 0,5% for Medium Size Groups. Between eight and ten months after the signing of each State guaranteed loan contract, ESI Group will confirm its choice to reimburse fully, partially or not reimburse the loans, and in the latter case decide the period over which reimbursement will be done (up to five years) and its frequency. Different interests rates will be applied by each bank on their respective financing share. As of December 31, 2020 ESI Group choice regarding future reimbursement terms is not decided yet.

Off-balance-sheet commitments associated with this syndicated loan are presented in note F.4.

NOTE D.8. MISCELLANEOUS FINANCIAL DEBT

(In € thousands)	December 31, 2020	Up to 1 year	1 to 5 years	More than 5 years	December 31, 2019
Promissory note	2,500	2,500			2,500
TOTAL	**2,500**	**2,500**			**2,500**

NOTE D.9. TAX PAYABLES AND EMPLOYEE-RELATED LIABILITIES

(In € thousands)	December 31, 2020	December 31, 2019
Provision for paid leave, including payroll taxes	2,313	2,295
Provision for bonuses to be paid to employees, including payroll taxes	2,101	2,501
Other payroll taxes	1,509	1,607
VAT collected	1,245	626
Other taxes	310	259
TOTAL	**7,478**	**7,288**

NOTE D.10. OTHER OPERATING PAYABLES

(In € thousands)	December 31, 2019	Increase	Decrease	December 31, 2020
Creditor trade receivables	256	11		267
Subsidiaries current account	7,762	26,967		34,729
Advances on co-financed projects	1,276		(836)	440
Other liabilities	37	79		116
TOTAL	**9,331**	**27,057**	**(836)**	**35,552**

NOTE D.11. FOREIGN EXCHANGE GAINS AND LOSSES

These gains and losses pertain to the following balance sheet items:

(In € thousands)	December 31, 2020	December 31, 2019
Trade receivables	2,938	304
Trade payables	1,511	505
Intercompany receivables	71	1,622
Other receivables and debts	37	
TOTAL	**4,557**	**2,431**

NOTE D.12. ACCRUED EXPENSES

(In € thousands)	December 31, 2020	December 31, 2019
Borrowings and financial debts	252	197
Trade payables	4,829	13,517
Provision for paid leave, including payroll taxes	2,313	2,293
Provision for bonuses to be paid to employees, including payroll taxes	2,101	2,592
Other tax expenses	150	229
Other liabilities (advances on co-financed projects)	440	1,276
TOTAL	**10,085**	**20,104**

NOTE E. DETAILS ON INCOME STATEMENT

NOTE E.1. REVENUE

/ Breakdown by type

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Software licenses	11,184	9,195
Sub-contracting, consulting and other income	1,013	2,214
Royalties received from Group distribution subsidiaries	63,255	35,270
Sub-contracting, consulting and other income – Group	1,270	3,422
Income from related activities – Group	2,127	1,859
Management fees Group	4,087	3,335
TOTAL	**82,936**	**55,295**

/ Breakdown by geographic area

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
France	9,390	4,477
Europe (except France)	27,377	14,807
Americas	12,988	10,419
Asia	33,181	25,593
TOTAL	**82,936**	**55,296**

NOTE E.2. OTHER INCOME FROM OPERATIONS

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Production held as inventory	–	(495)
Capitalized production	33,188	29,478
Reversal on depreciation and amortization	271	494
Reversal on foreign exchange provision on trade receivables and payables	1,438	890
Foreign exchange gains on trade receivables and payables	2,178	412
Other income	8	153
TOTAL OTHER INCOME	**37,083**	**30,932**

NOTE E.3. OTHER PURCHASES AND EXTERNAL EXPENSES

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Engineering studies and other services	6,594	4,858
Engineering studies and other services – Group	18,067	16,847
Research and development costs – Group	20,692	20,596
Materials and supplies	269	265
Leases and rental expenses	5,009	4,314
Maintenance and repairs	2,046	1,999
Insurance	201	206
Payments to intermediaries and fees	3,276	2,713
Royalties on third-party products and sales commissions	1,563	1,055
Advertising, external relations	493	858
Travel expenses	416	1,459
Postage, telecommunications expenses	325	388
Miscellaneous	635	662
TOTAL	**59,586**	**56,220**

NOTE E.4. INCOME TAX EXPENSE

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Corporate Value-Added Contribution (CVAE)	503	477
Corporate Real Estate Contribution (CFE)	158	208
Apprenticeship, continuing education and construction-related taxes	367	266
Other taxes	119	93
TOTAL	**1,147**	**1,044**

NOTE E.5. OPERATING ALLOWANCES

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Amortization allowance for development costs	29,931	26,309
Amortization allowance for other intangible assets	805	736
Amortization allowance for tangible assets	843	695
Amortization allowance for capitalized expenses to be amortized	91	81
Provision for impairment of trade receivables	546	578
Provision for retirement obligations	516	609
Provision for foreign exchange on trade receivables and payables	5,644	1,438
Provision for contingencies and charges	1,501	93
TOTAL	**39,877**	**30,539**

NOTE E.6. OTHER OPERATING EXPENSES

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Royalties	14	68
Directors' fees	329	263
Foreign exchange losses on trade receivables and payables	2,319	322
Loss on trades receivables	–	282
Miscellaneous expenses	53	129
TOTAL	**2,715**	**1,064**

NOTE E.7. FINANCIAL RESULT

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Foreign exchange gain/(loss) realized	(52)	103
Interest on borrowings	(904)	(857)
Interest on subsidiaries current account	(247)	(41)
Provision for retirement obligations	(40)	(57)
Provision for impairment equity investments and related receivables	(9,254)	(4,990)
Reversal provision for investments and related receivables	272	193
Loss on simplified merger	(1,356)	
Provision for foreign exchange loss	(4,206)	
Zhong Guo ESI Co, Ltd. dividend	–	194
Other financial income/(expenses)	(16)	(51)
TOTAL	**(15,803)**	**(5,506)**

NOTE E.8. EXCEPTIONAL RESULT

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Profit or loss on movements of treasury shares	(174)	(100)
Accelerated capital allowances	(159)	(150)
Loss of expired foreign tax credits	(616)	(748)
Presto additional payment		(3)
Miscellaneous	43	43
TOTAL	**(906)**	**(958)**

NOTE F. OTHER INFORMATION

NOTE F.1. AVERAGE HEADCOUNT

(In full-time equivalent)	December 31, 2020 Employees	December 31, 2019 Employees
Executives	245	240
Office personnel	14	18
TOTAL	**259**	**258**

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 four executive corporate officers are as follows:

(In € thousands)	December 31, 2020 (Jan.-Dec.)	December 31, 2019 (Feb.-Dec.)
Wages	427	345
Benefits in kind	10	10
Directors' fees	100	98
Compensation paid by controlled companies	777	724
Fringe benefits paid by controlled companies	11	10
TOTAL	**1,325**	**1,187**

NOTE F.3. BRANCHES

There are two branches integrated within ESI Group's financial statements:

Name	Address	Country
ESI Group Netherlands – Branch Office	Vlieland 11, 2716AA Zoetermeer Zuid-Holland	Netherlands
ESI Group Shanghai Representative Office	Cross Region Plaza, Unit 20D, 899 Lingling Road 200235 Shanghai	China

NOTE F.4. OFF-BALANCE SHEET COMMITMENTS

/ Future lease obligations

(In € thousands)	Less than 1 year	Between 1 and 5 years
Real estate rentals	2,245	10,204
Movable property rentals	262	343
TOTAL	**2,507**	**10,547**

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 commitments

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.

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 January 31, 2020, the threshold to be respected is 3.5%. At December 31, 2020, on the basis of the annual consolidated financial statements, the Group was in compliance with this ratio.

In terms of managing its exposure to changes in foreign exchange and interest rates, ESI Group has subscribed to the following financial instruments. Results at maturity are recognized in financial income for interest rate instruments and in operating income for foreign exchange instruments:

- Interest rate instruments:
  - 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 2019 first half to meet this requirement, with a nominal value of €7 million each, where ESI Group receives a 3 months Euribor (with a 0% floor) and pays a fixed rate of 0.085% and 0.092% respectively. At the end of 2020, the underlying assets covered by each of these contracts amounted to €6.130 million;
- 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 contract. There were no foreign exchange instrument subscribed in 2020.

/ Pledges

At December 31, 2020, ESI Group had a rent security deposit with Crédit du Nord in an amount of €82 thousand, established in November 2012 and expiring November 28, 2021 plus 6 months.

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)	(17,391)	11,206	(6,185)		(6,185)
Exceptional income	(905)	617	(288)		(288)
Competitiveness and employment tax credit			–		–
French R&D tax credit	3,122		3,122		3,122
TAX INCOME (LOSS)	**(15,174)**	**11,823**	**(3,351)**	**–**	**(3,351)**

NOTE F.6. INCREASES AND DECREASES IN FUTURE TAX LIABILITIES

(In € thousands)	December 31, 2020
Special social security contribution (*contribution sociale de solidarité*)	–
Retirement allowance	5,591
Translation differences	4,557
Interest	882
TOTAL TEMPORARY DIFFERENCES	**11,030**
NET DECREASE IN FUTURE INCOME TAX LIABILITIES (TAX RATE OF 28%)	**1,523**

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 2020, the Company tax losses carried-forward amounts to €29 million, mostly created in 2019 further to the change of closing date and related 11-month fiscal year.

NOTE F.7. ESI GROUP, CONSOLIDATING COMPANY

ESI Group is the consolidating holding company of the Group of the same name.

NOTE F.8. TABLE OF CONTROLLED ENTITIES AND AFFILIATES (AT DECEMBER 31, 2020)

(In € thousands)	Head-quarters	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 – Gross	Carrying number of shares held – Net	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
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	843	100.0	458	458	(16,812)		17,158	9	
STRACO SA	France	499	3,092	97.7	1,789	1,789	(509)		0	48	
ESI Japan, Ltd.	Japan	79	2,002	97.0	75	75			28,058	226	
Hankook ESI Co., Ltd.	South Korea	1,126	(2,380)	98.8	941	941			5,701	(370)	
ESI North America, Inc.	USA	0	(3,570)	100.0	3,726	3,726	7,905		23,710	(1,114)	
ESI Group Hispania s.l.	Spain	100	(1,187)	100.0	100	100	1,020		4,576	(304)	
Mecas ESI s.r.o.	Czech Republic	16	938	95.0	912	912	(1,212)		8,110	482	0
ESI UK Ltd.	United Kingdom	120	1,157	100.0	164	164			3,896	420	
ESI US R&D, Inc.	USA	208	2,672	74.0	4,128	649			10,352	416	
Calcom ESI SA	Switzerland	83	922	98.5	2,678	1,032			2,966	42	
ESI Software (India) Private Ltd.	India	1	5,877	100.0	2	2			11,507	1,422	
Hong Kong ESI Co., Ltd.	China	1	(764)	100.0	119	0	916		0	0	
ESI-ATE Holdings Ltd.	China	10	(873)	100.0	1,737	0	1,851		0	(89)	
ESI Italia s.r.l.	Italy	500	155	100.0	1,050	1,050			4,874	15	
ESI South America Comércio e Serviços de Informática, Ltda	Brazil	9	78	95.0	6	6			558	30	
ESI Services Tunisie	Tunisia	61	955	95.0	242	242			477	125	
ESI Group Beijing Co., Ltd.	China	650	954	100.0	543	543			6,866	1,173	
ESI Software Germany Gmbh	Germany	517	6,741	100.0	10,708	10,708	2,345		7,914	898	
ESI Nordics AB	Sweden	10	691	100.0	446	446	253		1,610	(171)	
Open CFD Ltd.	United Kingdom	0	(469)	100.0	2,351	762	(67)		982	(314)	
ESI Services Vietnam Co., Ltd.	Vietnam	73	27	100.0	124	124			212	17	
CIVITEC SARL	France	1,125	(1,452)	100.0	900	116	1,090		233	(230)	
ESI ITI Gmbh	Germany	26	3,412	100.0	18,710	12,720	(1,299)		4,617	(606)	
ESI US Holdings, Inc.	USA	631	(528)	100.0	834	834			0	0	
2. 10-50% owned subsidiaries											
JV AECC-ESI	Chine	1,275	672	35.0	576	576			0		

Data as of December 31, 2020 presented in this table are non-audited data.

NOTE F.9. SUBSEQUENT EVENTS

Nothing to report.

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 English-speaking users. This Statutory Auditors' report includes information required by European regulation 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 December 31, 2020

To the General Meeting of ESI Group,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying financial statements of ESI Group for the year ended December 31, 2020.

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, 2020 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 independence rules applicable to us, for the period from February 1, 2019 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

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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.

/ Capitalization of development costs

Risk identified	In the balance sheet of the Company, fixed assets include capitalized development costs. As of December 31, 2020 their net book value amounts to €48,876 thousand. They correspond mostly to direct labor costs as well as sub-contracting, incurred for the development of new annual versions or major improvements of existing ESI software. As indicated in note B.2 to annual financial statements, capitalization of development costs is subject to compliance with the six criteria defined in French accounting standards. Capitalized development costs start to be amortized after the market release of the related version of the software. Capitalized expenses are amortized on a straight-line basis over a period of 12 months for new annual versions of software, and over 24 or 36 months for major improvements to existing products, depending on the degree of innovation. Regarding the significant impact on the income statement of capitalization of development costs and the significant capitalized costs assets in the balance sheet, any deviation from the procedures in place or any misinterpretation of the capitalization criteria could lead to significant impacts on the Company's annual financial statements and financial performance. The assessment of compliance with the criteria for capitalization of development costs, as well as the determination of the amortization period depending on the nature of the project, are very much based on Management's judgment and the reliability of the procedures applied for the identification and allocation of expenses between the different projects. On this basis, we considered capitalization of development costs as a key audit matter.
Our response	We examined the compliance of the Company's accounting treatment of research and development costs with current accounting standards. We also conducted a critical review of how this methodology was implemented. In particular, we conducted the following procedures: ◆ we have taken notice of the procedure followed by the Company to distinguish between research and development costs and, for the latter, the rules put in place to assess compliance with the capitalization criteria laid down in French accounting rules and principles; ◆ we tested by sampling the correct application of the procedures implemented for the identification, monitoring and recording of research and development costs; ◆ we audited, for a selection of projects, the correct application of the capitalization criteria set out in French accounting rules and principles and tested the accuracy and completeness of the most significant expenses charged to these projects; ◆ we verified the correct calculation of amortization expense mainly by controlling the correct application of the rules for setting the straight-line amortization period, depending on the nature of the project (major improvement or new version).

/ Valuation of equity investments

Risk identified	In the balance sheet as of December 31, 2020, net book value of equity investments amounts to €39,420 thousand. At acquisition date, equity investments are valued at acquisition cost, which includes the purchase price and the costs directly attributable thereto. At each year-end, the net book value of equity investments is compared with its value in use, and if the value is lower than the net book value, a provision for depreciation is recorded in order to reduce the book value to the value in use of the asset. The different methods used to determine the value in use of equity investments are described in note B.4 to annual financial statements and are detailed as follows: ◆ 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 forecast 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. Estimating the value in use of equity investments requires the exercise of Management's judgment in identifying the criteria determining the choice of valuation method to be applied and the factors to be considered depending on the participating interests, particularly historical items (equity) or forecasts (profitability forecasts and economic conditions in related countries). We therefore considered equity investments valuation as a key audit matter.
Our response	We examined the compliance of the Company's methodology for the valuation of equity investments with the applicable accounting standards. Our work consisted of reviewing the justification provided by Management for the valuation method chosen and the data used. Our review of the methodology applied, for both types of equity investments, is detailed as follows: **For equity investments related to active subsidiaries:** ◆ Obtaining the multiple of revenue adjusted for net cash position of the subsidiary and assessing the consistency of the data used with the accounts of the corresponding entities; ◆ Obtaining the cash flow and operating forecasts of the entities concerned and assessing their consistency with the forecast data from the latest strategic plans, drawn up under the control of Senior Management and approved by the Board of Directors; ◆ Review of the consistency of assumptions used with the economic environment at the closing date; ◆ Comparison of the forecasts retained for previous periods with corresponding achievements in order to assess the achievement of past objectives; ◆ Verification that the value resulting from the cash flow forecasts has been adjusted for the indebtedness of the entity. **For equity investments in dormant subsidiaries or those with reduced activity:** ◆ Reconciliation of net equity attributable to ESI Group retained for the valuation with the accounts of the concerned entities and, if applicable, examination of the documentation justifying the adjustments made; ◆ If applicable, examination of the documentation justifying the adjustments made.

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 management report of the Board of Directors as at March 15, 2021 and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

/ Report on corporate governance

We attest that the Board of Directors' Report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. 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. 225-37-5 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 purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

/ Format of presentation of the financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation 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*).

/ Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of ESI Group by the General Meeting held on June 25, 2009 for PricewaterhouseCoopers Audit and on December 16, 1997 for Ernst & Young Audit.

As at December 31, 2020, PricewaterhouseCoopers Audit were in the 12th year of total uninterrupted engagement and Ernst & Young Audit were in the 24th year (which is the 21st year since 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 risks 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 taken 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, if any, significant deficiencies 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 such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 31, 2021

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	Ernst & Young Audit
Thierry Charron	Pierre-Henri Pagnon

7 RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

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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, 2020
2. Approval of the consolidated financial statements for the financial year ended December 31, 2020
3. Allocation of net profit for the year
4. Special report of the Statutory Auditors on the regulated agreements and commitments referred to in Article L. 225-38 of the French Commercial Code and absence of new regulated agreement
5. Ratification of the Board of Directors' decision to transfer the Company's registered office and of the related amendment to Article 4 "Registered Office" of the articles of association
6. Renewal of Cristel de Rouvray's mandate as Director
7. Ratification of co-optation and appointment of Alex Davern as Director
8. Nomination of Charles-Helen des Isnards as Board observer
9. Approval of the remuneration policy of the members of the Board of Directors for 2021 financial year
10. Approval of the remuneration policy of the Chairman of the Board of Directors for 2021 financial year
11. Approval of the remuneration policy of the Chief Executive Officer for 2021 financial year
12. Approval of the remuneration policy of the Chief Operating Officer for 2021 financial year
13. Approval of the components of the total compensation paid or allocated to Alain de Rouvray, Chairman of the Board of Directors, for the financial year ended on December 31, 2020
14. 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, 2020
15. Approval of the components of the total compensation paid or allocated to Vincent Chaillou, Chief Operating Officer, for the financial year ended on December 31, 2020
16. Approval of the components of the total compensation paid or allocated to Christopher St John, Chief Operating Officer, until June 30, 2020, for the financial year ended on December 31, 2020
17. Determination of the compensation paid to the members of the Board of Directors
18. Non-renewal of the Statutory Auditor PricewaterhouseCoopers audit and the Alternate Statutory Auditors: Auditex and Yves Nicolas
19. Renewal of the mandate of Ernst & Young Audit as Statutory Auditor for six years
20. Appointment of KPMG as Statutory Auditor for six years

DECISIONS FALLING WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

21. Amendment of Article 18 of the Company's articles of association in order to remove the obligation to appoint Alternate Statutory Auditors
22. Authorization given to the Board of Directors to increase the capital by issuing shares reserved for employees enrolled in the employee savings plan

JOINT DECISIONS

23. Powers for formalities

7.1. DECISIONS FALLING WITHIN THE COMPETENCE OF THE ORDINARY GENERAL MEETING

First resolution

Approval of the parent company financial statements for the financial year ended December 31, 2020

Statement of reasons

Based on the review of the management report of the Board of Directors, the reports of the Statutory Auditors on the parent company financial statements, the General Meeting is requested to approve the parent company financial statements for the financial year ended December 31, 2020, showing deficit of €-15,173,986.32.

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, 2020, approves the financial statements and balance sheet, as presented, showing a deficit of €-15,173,986.32.

It approves the transactions reflected in said financial statements or summarized in said reports.

The General Meeting also approves the total expenses and charges not deductible from profits subject to income tax, equal to €244,253.

Second resolution

Approval of the consolidated financial statements for the financial year ended December 31, 2020

Statement of reasons

Based on the review of the management report of the Board of Directors, and the reports of the Statutory Auditors on the consolidated financial statements, the General Meeting is requested to approve the consolidated financial statements for the financial year ended December 31, 2020 showing a net profit of €1,413,876.

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, 2020, approves these financial statements as presented, resulting in a net profit of €1,413,876.

Third resolution

Allocation of net profit for the year

Statement of reasons

The General Meeting is requested to allocate the deficit of €-15,173,986.32 as follows:

- €0 to the legal reserve;
- €-15,173,986.32 to retained earnings.

Following this allocation, the balance of the legal reserve will stand at €1,805,367,60.

Following this allocation, retained earnings will stand at €-2,117,870,10.

The Board of Directors reminds the General Meeting that no dividends have been paid out for the past three financial years.

The General Meeting, noting that the net deficit for the year ended December 31, 2020 amounted to €-15,173,986.32, decides, on a proposal from the Board of Directors, to allocate the result as follows:

Current position:

- Net result for the year: €-15,173,986.32;
- Retained earnings: €13,056,116.22;
- Total to be allocated: €-15,173,986.32.

Allocated as follows:

- €0 to the legal reserve;
- €-15,173,986.32 to retained earnings.

Following this allocation, the balance of the legal reserve will stand at €1,805,367.60.

Following this allocation, retained earnings will stand at €-2,117,870.10.

The Board of Directors reminds the General Meeting that no dividends have been paid out for the past three financial years.

Fourth 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 and absence of new regulated agreement

Statement of reasons

Based on the special report by the Statutory Auditors on regulated agreements presented in section 2.6 of the 2020 Universal Registration Document, the General Meeting is requested to acknowledge that during the financial year ended on December 31, 2020, no new agreement gave rise to the procedure provided for in Articles L. 225-38 *et seq.* of the French Commercial Code mentioning the absence of new regulated agreement.

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 mentioning the absence of new regulated agreement.

Fifth resolution

Ratification of the Board of Directors' decision to transfer the Company's registered office and of the related amendment to Article 4 "Registered Office" of the articles of association

Statement of reasons

At its Board meeting of December 18, 2020, the Board of Directors decided to transfer its registered office from Paris to Rungis pursuant to Article 4 of the articles of association and amended the article of associations.

This decision is subject to the approval of the Ordinary General Meeting pursuant to Article L. 225-36 of the French Commercial Code.

The General Meeting, having reviewed the report of the Board of Directors ratifies the transfer of the registered office pursuant to Article L. 225-36 of the French Commercial Code to 3 *bis*, rue Saarinen, Immeuble Le Séville – 94528 Rungis Cedex and the related amendment to Article 4 of the articles of association, decided by the Board of Directors at its meeting of December 18, 2020.

Sixth resolution

Renewal of Cristel de Rouvray's mandate as Director

Statement of reasons

As the directorship of Cristel de Rouvray expires at the end of this General Meeting, the shareholders are requested to renew her directorship for a term of four years, until the General Meeting to be convened in 2025 to approve the financial statements for 2024 financial year. The Board of Directors reminds the General Meeting that Cristel de Rouvray has been Director of the Company since 1999. She also exercises the function of Chief Executive Officer. Her biography is presented in the report of the Board of Directors on corporate governance in section 2.3.2 of the 2020 Universal Registration Document.

The General Meeting, having reviewed the report of the Board of Directors on corporate governance and noting that the term of office of Cristel de Rouvray expires at the end of the General Meeting, resolves to renew her directorship for a term of four years, expiring at the end of the General Meeting to be convened in 2025 to approve the financial statements for 2024 financial year.

Seventh resolution

Ratification of co-optation and appointment of Alex Davern as Director

Statement of reasons

In accordance with Article L. 225-24 of the French Commercial Code, the Board of Directors meeting of February 8, 2021 co-opted Alex Davern as a Director for the remaining term of Charles-Helen des Isnards until the present General Meeting of June 22, 2021. The General Meeting is asked to ratify this co-optation. Following the recommendation of the Nomination and Governance Committee, the Board of Directors proposes to the General Meeting the appointment of Alex Davern as an independent Director for a term of four years. His biography is presented in the report of the Board of Directors on corporate governance in section 2.3.2 of the 2020 Universal Registration Document.

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, decides, firstly, to ratify the cooptation of Alex Davern for the remaining term of office of Charles Helen des Isnards, until June 22, 2021, and secondly, to appoint Alex Davern as a Director for a term of four years as from this date. This term of office will expire at the end of the General Meeting to be convened in 2025 to approve the financial statements for 2024 financial year.

Eighth resolution

Nomination of Charles-Helen des Isnards as Board observer

Statement of reasons

In accordance with Article 16 of the articles of association, the General Meeting can appoint a Board observer. Charles-Helen des Isnard has resigned from his mandate as Director in February 2021. Based on the recommendation of the Nomination and Governance Committee, the Board of Directors recommends the appointment of Charles-Helen des Isnards as Board observer for a period of one year. Charles-Helen des Isnards will continue to provide his expertise in finance His biography is presented in the report of the Board of Directors on corporate governance in section 2.3.2 of the 2020 Universal Registration Document.

The General Meeting, having reviewed the report of the Board of Directors on corporate governance, decides, to appoint Charles-Helen des Isnards as a Board observer for a term of one year as from this date, expiring at the end of the General Meeting to be convened in 2022 to approve the financial statements for 2021 financial year.

Ninth, tenth, eleventh and twelfth resolutions

Approval of the remuneration policy for the members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers for 2021 financial year

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, Chief Executive Officer and the Chief Operating Officer, in respect to their mandate for 2021 financial year.

The remuneration policy applicable to corporate officers is presented in the report of the Board of Directors on corporate governance in section 2.4.1 of the 2020 Universal Registration Document.

Ninth resolution

The General Meeting, pursuant to Article L. 22-10-8 of the French Commercial Code (paragraph 1), approves the remuneration policy, attributable to members of the Board of Directors for 2021 financial year, as presented in the corporate governance report of the Board of Directors referred to in Article L. 225-37 of the French Commercial Code and set out in section 2.4.1.1 of the 2020 Universal Registration Document.

Tenth resolution

The General Meeting, pursuant to Article L. 22-10-8 of the French Commercial Code (paragraph 1), approves the remuneration policy, attributable to the Chairman of the Board of Directors for 2021 financial year, as presented in the corporate governance report of the Board of Directors referred to in Article L. 225-37 of the French Commercial Code and set out in section 2.4.1.1 of the 2020 Universal Registration Document.

Eleventh resolution

The General Meeting, pursuant to Article L. 22-10-8 of the French Commercial Code (paragraph 1), approves the remuneration policy, attributable to the Chief Executive Officer for 2021 financial year, as presented in the corporate governance report of the Board of Directors referred to in Article L. 225-37 of the French Commercial Code and set out in section 2.4.1.2 of the 2020 Universal Registration Document.

Twelfth resolution

The General Meeting, pursuant to Article L. 22-10-8 of the French Commercial Code (paragraph 1), approves the remuneration policy, attributable to the Chief Operating Officer for 2021 financial year, as presented in the corporate governance report of the Board of Directors referred to in Article L. 225-37 of the French Commercial Code and set out in section 2.4.1.2 of the 2020 Universal Registration Document.

Thirteenth, fourteenth, fifteenth and sixteenth resolution

Approval of the fixed, variable and exceptional components of the total remuneration paid or allocated to the Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officers for the financial year ended on December 31, 2020

Statement of reasons

In accordance with Article L. 225-100-III 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, Chief Executive Officer and Chief Operating Officers in respect to their mandate.

These components of the remuneration are presented in the report of the Board of Directors on corporate governance in section 2.4 of the 2020 Universal Registration Document, including in particular a summary table under section 2.4.3.1.13.

Thirteenth resolution

Approval of the components of the total compensation paid or allocated to Alain de Rouvray, Chairman of the Board of Directors, for the financial year ended on December 31, 2020

The General Meeting, in accordance with Article L. 225-100-III of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated to Alain de Rouvray, Chairman of the Board of Directors, for the financial year ended on December 31, 2020 as set out in the report of the Board of Directors on corporate governance pursuant to Article L. 225-37 of the French Commercial Code and presented in section 2.4.3.1.13 in the 2020 Universal Registration Document.

Fourteenth 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, 2020

The General Meeting, in accordance with Article L. 225-100-III of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated to Cristel de Rouvray, Chief Executive Officer, for the financial year ended on December 31, 2020, as set out in the report of the Board of Directors on corporate governance pursuant to Article L. 225-37 of the French Commercial Code and presented in section 2.4.3.1.13 in the 2020 Universal Registration Document.

Fifteenth resolution

Approval of the components of the total compensation paid or allocated to Vincent Chaillou, Chief Operating Officer, for the financial year ended on December 31, 2020

The General Meeting, in accordance with Article L. 225-100-III of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated to Vincent Chaillou, Chief Operating Officer, as set out in the report of the Board of Directors on corporate governance pursuant to Article L. 225-37 of the French Commercial Code, and presented in section 2.4.3.1.13 in the 2020 Universal Registration Document.

Sixteenth resolution

Approval of the components of the total compensation paid or allocated to Christopher St John, Chief Operating Officer, until June 30, 2020 for the financial year ended on December 31, 2020

The General Meeting, in accordance with Article L. 225-100-III of the French Commercial Code, approves the fixed, variable and exceptional components of the total compensation and benefits of all kinds paid or allocated to Christopher St John, Chief Operating Officer, as set out in the report of the Board of Directors on corporate governance pursuant to Article L. 225-37 of the French Commercial Code, and presented in section 2.4.3.1.13 in the 2020 Universal Registration Document.

Seventeenth resolution

Determination of the compensation paid to the members of Board of Directors

Statement of reasons

The General Meeting is requested to set the total annual amount of compensation to be allocated to members of the Board of Directors from 2021 financial year at €450,000 (vs. €350,000). This increase is part of the remuneration policy of the Directors as presented in the report of the Board of Directors on corporate governance in section 2.4.1.2 of the 2020 Universal Registration Document.

It will therefore allow the Directors to be allocated specific missions in favour of the transformation of the Company and to anticipate possible changes in the composition of the Board of Directors.

The General Meeting decides to set the annual compensation paid to the members of the Board of Directors at €450,000 from 2021 financial year.

The Board will freely distribute this amount among its members.

Eighteenth, Nineteenth and Twentieth resolutions

The resolutions Nos. 18, 19 and 20 are related to the mandates of the Statutory Auditors.

In accordance with the procedure for the appointment of Statutory Auditors, pursuant to Article 16 of EU Regulation 537/2014, ESI Group has launched a tender process to select the two Statutory Auditors for next mandate of six financial years (2021 to 2026), under the responsibility of the Audit Committee. Selection criteria have been presented in a specification book, addressed to a list of several audit firms required to participate to the tender process. On the basis of written proposals sent by all candidates, three have been selected for being interviewed with Audit Committee members and CFO. This process enabled the Audit Committee to issue a duly justified recommendation regarding new joint-auditors.

Eighteenth resolution

Non-renewal of the Statutory Auditor PricewaterhouseCoopers audit and the Alternate Statutory Auditors: Auditex and Yves Nicolas

Statement of reasons

The mandates of the Statutory Auditor, PricewaterhouseCoopers Audit and the Alternate Statutory Auditors, Auditex and Yves Nicolas, expire at this General Meeting. Based on the recommendation of the Audit Committee, the Board of Directors proposes to the General Meeting the non-renewal of PricewaterhouseCoopers Audit as Statutory Auditor and the Alternate Statutory Auditor, Auditex and Yves Nicolas.

It is specified that, in view of the non-renewal of the Alternate Auditors, the General Meeting will also be asked to approve an amendment to the articles of association to this effect, which is presented in the 21st resolution.

The General Meeting, having noted the expiration of the mandates of the Statutory Auditor, PricewaterhouseCoopers Audit. and the Alternate Auditors, Auditex and Yves Nicolas, and after having reviewed the Board of Directors' report on corporate governance, decides the non-renewal of the mandates of PricewaterhouseCoopers Audit, Auditex and Yves Nicolas.

Nineteenth resolution

Renewal of the mandate of Ernst & Young Audit as Statutory Auditor for six years

Statement of reasons

The mandate of Ernst & Young Audit as Statutory Auditor expires at the end of this General Meeting. The Board of Directors, based on the recommendation of the Audit Committee, proposes the renewal of the mandate of the current Statutory Auditor, Ernst & Young Audit, for a further period of six financial years.

Ernst & Young Audit's last mandate of six years as Statutory Auditor was carried out in compliance with regulations.

The General Meeting, after having reviewed the report of the Board of Directors, decides to renew, for a period of six financial years, the mandate of the Statutory Auditor, Ernst & Young Audit, La Défense 1, 1-2, place des Saisons, 92400 Courbevoie, whose term of office expires at the end of this Meeting. This mandate will expire at the end of the 2027 General Meeting convened to approve the financial statements for the year ended December 31, 2026.

Twentieth resolution

Appointment of KPMG as Statutory Auditor for six years

Statement of reasons

The Board of Directors, based on the recommendation of the Audit Committee, proposes to the General Meeting the appointment of KPMG Audit as Statutory Auditor for a period of six financial years to replace PricewaterhouseCoopers Audit, whose mandate expires at the present General Meeting.

The General Meeting, after having reviewed the report of the Board of Directors, decides to appoint the firm KPMG, located at Tour Eqho, 2, avenue Gambetta, 92066 Paris-La Défense Cedex. This mandate will expire at the end of the 2027 General Meeting convened to approve the financial statements for the year ended December 31, 2026.

7.2. DECISIONS FALLING WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

Twenty-first resolution

Amendment of Article 18 of the Company's articles of association in order to remove the obligation to appoint Alternate Statutory Auditors

Statement of reasons

Pursuant to the law No. 2016-1691 of December 9, 2016 (referred to as the "Sapin II" law), which removed the obligation for companies to appoint a Alternate Statutory Auditor, except in cases where the appointed Alternate Statutory Auditor is a natural person or a sole shareholder company, the Board of Directors recommends that Article 18 of the articles of association "Statutory Auditors" be amended.

The General Meeting, after having reviewed the report of the Board of Directors, decides to amend the Company's articles of association to conform to legal regulations pursuant to the French law 2016-1691 of December 9, 2016 (the so-called "Sapin II" law). Therefore, it decides to delete the reference to the notion of "Alternate Statutory Auditor" in the last paragraph of Article 18 of the articles of association "Statutory Auditors", which is amended as follows:

"Article 18 – Statutory Auditors

The Ordinary General Meeting appoints one or more Statutory Auditors, who are responsible for the missions fixed by law and the regulations that complement it.

The Statutory Auditors shall be appointed for a term of six financial years; their term of office shall expire at the Ordinary General Meeting called to approve the financial statements for the sixth financial year.

The Statutory Auditors are convened to all meetings of the Board of Directors that review or approve the annual or interim financial statements and to all General Meetings of Shareholders.

The Statutory Auditors may, at any time of the year, carry out any verifications or controls that they consider appropriate."

Twenty-second resolution

Authorization granted to the Board of Directors to increase the capital by issuing shares reserved for employees enrolled in the employee savings plan

Statement of reasons

In accordance with the provisions of Articles L. 3332-1 *et seq.* of the French Labor Code and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, providing in particular for a permanent obligation to consult the Shareholders regarding capital increases reserved for employees enrolled in the company savings plan, the General Meeting is called upon to terminate the existing authorization and to authorize the Board of Directors to carry out capital increases reserved for employees enrolled in the company savings plan.

This authorization will be granted for a new period of 26 months as of the General Meeting of June 22, 2021.

The ceiling of the nominal amount of the Company's capital increase, resulting from all share issues carried out pursuant to this resolution, is set at 2% of the share capital, this ceiling being autonomous and distinct from the ceilings referred to in other resolutions and established without taking into account the nominal value of the ordinary shares to be issued, if any, in respect of adjustments carried out to preserve the rights of holders of securities conferring entitlement to shares in the Company, in accordance with the law.

The preferential subscription right to which the issue of shares or other securities giving access to the capital provided for in this resolution confers immediate or subsequent entitlement will be canceled for the benefit of employees enrolled in the company savings plan.

The Board of Directors shall be free to determine the terms and conditions of such increases, within the limits of this authorization and within legal and regulatory limits.

The General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the Report of the Board of Directors and the special report of the Statutory Auditors, in application of Articles L. 3332-1 *et seq*. of the French Labor Code and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, and acting in accordance with the provisions of said Code:

- Decides that the Board of Directors shall have a maximum period of 26 months to implement a new company savings plan in accordance with the provisions of Articles L. 3332-1 *et seq*. of the French Labor Code;
- Delegates to the Board of Directors, for a period of 26 months from the date of this General Meeting, all powers to increase the share capital, on one or more occasions, at its sole discretion, by issue of shares or other securities giving access to the Company's capital reserved for members of a company savings plan implemented by the Company and French or foreign companies affiliated thereto, pursuant to Article L. 225-180 of the French Commercial Code and L. 3344-1 and L. 3344-2 of the French Labor Code. The ceiling of the nominal amount of the Company's capital increase, resulting from all share issues carried out pursuant to this resolution, is set at 2% of the share capital, this ceiling being autonomous and distinct from the ceilings referred to in other resolutions and established without taking into account the nominal value of the ordinary shares to be issued, if any, in respect of adjustments carried out to preserve the rights of holders of securities conferring entitlement to shares in the Company, in accordance with the law;
- Decides that the issue price of shares issued pursuant to this authorization will be determined by the Board of Directors in accordance with the legal and regulatory provisions applicable to companies whose shares are admitted to trading on a regulated market;
- Decides that the characteristics of the other securities giving access to the capital of the Company will be determined by the Board of Directors under the conditions set out by regulations;
- Decides to cancel the preferential subscription right to shares to which the issue of shares or other securities giving access to the capital as provided for in this resolution confers immediate or subsequent entitlement, for the benefit of the employees enrolled in a company savings plan, and to waive any right to any shares or other securities to be awarded pursuant to this resolution;
- Decides that the Board of Directors shall have full powers to implement this delegation, within the limits and under the conditions specified above, particularly for the following purposes:
  - determine the characteristics of the securities to be issued, the amounts proposed for subscription and, in particular, set the issue prices, dates, deadlines, terms and conditions for subscription, release, delivery and enjoyment of securities, in accordance with applicable laws and regulations,
  - record the completion of capital increases up to the amount of the shares that will actually be subscribed or other securities issued pursuant to this authorization,
  - if applicable, charge the costs of the capital increases against the amount of the related premiums and deducting from this amount the sums necessary to bring the legal reserve to one-tenth of the new capital after each capital increase,
  - conclude all agreements, perform directly or by proxy all transactions and procedures including proceeding with all formalities following capital increases and corresponding amendments to the articles of association and, more generally, do whatever is necessary,
  - in general, enter into any agreement, in particular to successfully complete the proposed issues, take all measures and carry out all formalities relevant to the issue, listing and financial servicing of securities issued pursuant to this delegation and the exercise of the rights attached thereto;
- Decides that this authorization shall terminate, as of this date, up to the amount of the unused portion, authorizations previously granted to the Board of Directors to increase the share capital of the Company by issue of shares reserved for members of company savings plans with cancellation of preferential subscription rights in favor of the latter.

7.3. JOINT DECISIONS

Twenty-third 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

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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

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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, 2020.

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 REQUIREMENTS 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

(1) BoD: Board of Directors.

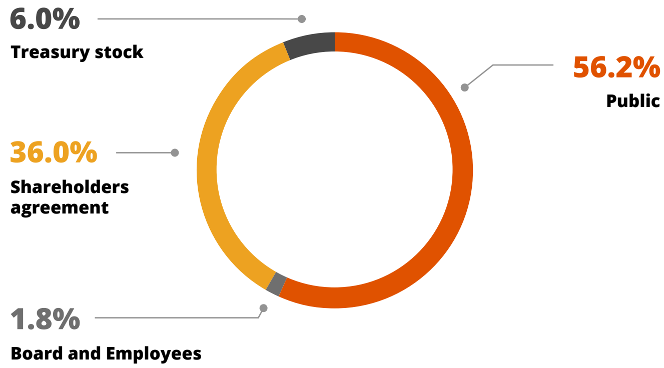
8.2.4. DIVIDEND DISTRIBUTION POLICY

The Company has not distributed any dividends over the last five financial years. Based on the results for 2020, 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, 2020, 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, 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	5.2%
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	0.00%
TOTAL	**6,036,592**	**100.00%**	**7,933,232**	**100.00%**

Total number of theoretical voting rights: 8,298,004.

* *Starting from March 9, 2021, Cristel de Rouvray is no longer part of the shareholders' agreement.*

At December 31, 2019 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
De Rouvray	1,824,385	30.31%	3,648,770	46.22%
Xiu Mei Dubois	25,200	0.42%	50,400	0.64%
Alex Peng Dubois-Sun	355,419	5.91%	710,838	9.00%
Sub-total of shareholders' agreement (registered shares)	**2,205,004**	**36.64%**	**4,410,008**	**55.86%**
Vincent Chaillou	21,197	0.35%	34,794	0.44%
Charles-Helen des Isnards	3,951	0.07%	7,702	0.10%
Éric d'Hotelans	1,589	0.03%	3,178	0.04%
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)	**26,896**	**0.45%**	**45,836**	**0.58%**
Total employee shareholding (registered shares)	**81,312**	**1.35%**	**99,465**	**1.26%**
Public shareholding, registered shares	23,891	0.40%	36,181	0.46%
Public shareholding, bearer shares	3,303,698	54.89%	3,303,698	41.84%
Sub-total public shareholding	**3,327,589**	**55.29%**	**3,339,879**	**42.3%**
Treasury shares	**377,691**	**6.28%**	**0**	**0.00%**
TOTAL	**6,018,492**	**100.00%**	**7,895,188**	**100.00%**

Total number of theoretical voting rights: 8,279,879.

At January 31, 2019 First and last name	Number of shares	% of capital	Number of voting rights that may be exercised	% of voting rights that may be exercised
De Rouvray	1,824,385	30.2%	3,638,907	46.1%
Xiu Mei Dubois	25,200	0.42%	48,200	0.61%
Alex Peng Dubois-Sun	355,419	5.91%	710,838	9.03%
Sub-total of shareholders' agreement (registered shares)	**2,205,004**	**36.64%**	**4,397,945**	**55.84%**
Vincent Chaillou	21,197	0.35%	34,794	0.44%
Charles-Helen des Isnards	3,951	0.07%	7,352	0.09%
Éric d'Hotelans	1,589	0.03%	3,178	0.04%
Véronique Jacq	61	0.00%	62	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)	**26,800**	**0.45%**	**45,390**	**0.58%**
Total employee shareholding (registered shares)	**70,953**	**1.18%**	**87,416**	**1.11%**
Public shareholding, registered shares	32,782	0.54%	50,234	0.64%
Public shareholding, bearer shares	3,294,006	54.74%	3,294,448	41.83%
Sub-total public shareholding	**3,326,788**	**55.28%**	**3,344,682**	**42.47%**
Treasury shares	**388,347**	**6.45%**	**0**	**0.00**
TOTAL	**6,017,892**	**100.00%**	**7,875,433**	**100.00%**

Total number of theoretical voting rights: 8,263,780.

Shareholdings above legal thresholds

Pursuant to the provisions of Article L. 233-13 of the French Commercial Code, it is noted that at December 31, 2020, de Rouvray family held 1,824,385 shares representing 30.22% of the share capital and 45.99% of voting rights.

On December 31, 2020, Mr. Alex Pen Dubois-Sun held 321,419 shares representing 5.32% of share capital and 8.10% of voting rights.

As of the filing date of this Universal Registration Document, the Long Path Partners and Briarwood Chase Management funds each held more than 5% of the Company's capital:

- Long Path Partners holds 787,757 shares, *i.e.* 13.00% of the capital – 9.46% of the voting rights;
- Briarwood Chase Management holds 459,895 shares, *i.e.* 7.62% of the capital – 5.54% of the voting rights.

Crossing of legal and statutory thresholds declared to the Company during the financial year ended December 31, 2020 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 January 5, 2020 sent by Vigilant Compliance, LLC, acting on behalf of the Long Path Partners fund, declares that the latter has crossed the legal and statutory threshold of 5% of the Company's voting rights upwards with 414,752 shares representing 6.89% of the shares and 5.01% of the voting rights.
- By letter dated February 13, 2020 sent by Vigilant Compliance, LLC, acting on behalf of the Long Path Partners fund, declares that the latter has crossed the statutory threshold of 7.50% of the Company's capital upwards with 451,475 shares representing 7.50% of the shares and 5.46% of the voting rights.
- By letter dated August 3, 2020 sent by Vigilant Compliance, LLC, acting on behalf of the Long Path Partners fund, declares that the latter has crossed the legal and statutory threshold of 10% of the Company's capital upwards with 604,303 shares representing 10.03% of the shares and 7.27% of the voting rights.
- By letter dated February 12, 2021 sent by the Long Path Partners fund, declares that the latter has crossed the statutory threshold of 10% of the Company's voting rights upwards with 627,767 shares representing 10.37% of the shares and 7.55% of the voting rights.
- By letter dated March 26, 2021 sent by the Long Path Partners fund, declares that the latter has crossed the statutory threshold of 12.50% of the company's capital upwards with 787,757 shares representing 13.00% of the shares and 9.46% of the voting rights.

LOYS Investments SA

- By letter dated March 9, 2020, the LOYS Investment SA fund declared that it had crossed below the legal and statutory threshold of 5% of the Company's capital with 288,458 shares representing 4.79% of the shares and 3.49% of the voting rights.
- By letter dated March 25, 2020, the LOYS Investment SA fund declared that it had crossed the legal and statutory threshold of 5% of the Company's capital upwards with 305,739 shares representing 5.08% of the shares and 3.70% of the voting rights.
- By letter dated April 7, 2020, the LOYS Investment SA fund declared having crossed the legal and statutory threshold of 5% of the Company's capital downwards with 291,614 shares representing 4.84% of the shares and 3.52% of the voting rights.
- By letter dated April 15, 2020, the LOYS Investment SA fund declared having crossed the legal and statutory threshold of 5% of the Company's capital upwards with 308,079 shares representing 5.12% of the shares and 3.72% of the voting rights.
- By letter dated April 17, 2020, the LOYS Investment SA fund declared having crossed the legal and statutory threshold of 5% of the Company's capital downwards with 271,079 shares representing 4.50% of the shares and 3.28% of the voting rights.

Briarwood Chase Management

- By letter dated July 22, 2020, the Briarwood Chase Management fund declared that it had crossed upward the statutory threshold of 2.5% of the Company's capital with 187,685 shares representing 3.12% of the shares and 2.37% of the voting rights.
- By letter dated August 24, 2020, the Briarwood Chase Management fund declared that it had crossed upward the statutory threshold of 2.5% of the Company's voting rights with 268,600 shares representing 4.46% of the shares and 3.39% of the voting rights.
- By letter dated September 8, 2020, the Briarwood Chase Management fund declared that it had crossed upward the legal and statutory threshold of 5% of the Company's capital with 313,525 shares representing 5.20% of the shares and 3.95% of the voting rights.
- By letter dated November 3, 2020, the Briarwood Chase Management fund declared that it had crossed upward the legal and statutory threshold of 5% of the Company's voting rights with 417,426 shares representing 6.92% of the shares and 5.02% of the voting rights.
- By letter dated January 22, 2021, the Briarwood Chase Management fund declared that it had crossed upward the statutory threshold of 7.5% of the Company's capital with 459,895 shares representing 7.62% of the shares and 5.54% of the voting rights.

FIL Limited

- By letter dated November 20, 2020, the FIL Limited fund declared that it had crossed upward the statutory threshold of 2.5% of the Company's voting rights with 261,820 shares representing 4.34% of the shares and 3.15% of the voting rights.

Shareholders' agreement and other agreements

In February 2021, ESI Group was informed by Cristel de Rouvray that she had notified the parties to the shareholders' agreement entered into on October 25, 2000 between herself, certain members of her family and the Dubois estate, of her decision to no longer be bound by the rights and obligations of this agreement as from March 9, 2021. As a result, Cristel de Rouvray is no longer deemed acting in concert with the other parties to this shareholders' agreement.

As a reminder, the agreement signed on October 25, 2000 and published in *La Tribune* on Friday October 27, 2000, after CMF decision n° 200C1608 on October 27, 2000, binded Alain de Rouvray (founder), the members of his family group composed of Amy de Rouvray, Cristel Anne de Rouvray, John Alexandre de Rouvray and Amy Louise de Rouvray, as well as the heirs of the Dubois estate.

This agreement includes a right of first refusal. This right of first refusal does not apply to transfers of shares to the heirs of any shareholder who is a private individual and a party to the agreement in the event of death, or to transfers between members of the de Rouvray family who are party to the agreement.

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

This agreement also contains:

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

This agreement does not contain:

- An obligation to comply with voting instructions.

In accordance with the "Dutreil" law in France, an agreement was also signed on December 22, 2003, and renewed on December 31, 2011 for a term of five years and six months. renewable indefinitely, between Mr. Alain de Rouvray (Chairman and founder of the Company), Ms. Amy de Rouvray, Ms. Cristel Anne de Rouvray, Mr. John Alexandre de Rouvray and Ms. Amy Louise de Rouvray in their capacity as shareholders of the Company. At December 31, 2020, this agreement represented 30.22% of the Company's capital and 45.99% of voting rights, and collectively binds its signatories to retain half of their shares.

Transactions on shares

Transactions completed by individuals with managerial responsibilities during 2020 financial year and until the date of this Universal Registration Document.

Name	Function	Type of security	Type of transaction	Date of transaction	Gross unit price *(in €)*	Number of securities	Total gross amount *(in €)*
Alex Davern (1)	Chairman of the Board of directors	Shares	Purchase	04/01/2021	48.85	250	12,212.20
				03/31/2021	48.95	250	12,237.23
				03/30/2021	49.16	250	12,289.88
				03/29/2021	49.45	250	12,361.35
				03/27/2021	49.75	250	12,437.43
				03/25/2021	49.95	250	12,487.48
				03/24/2021	49.95	250	12,487.48
				03/23/2021	49.95	250	12,487.48
				02/12/2021	47.34	2,437	115,373.43
				02/11/2021	46.23	134	6,194.69
				02/10/2021	45.13	340	15,344.74
Éric d'Hotelans	Director	Shares	Disposal	23/11/2020	42.18	1,328	56,014.77

(1) These acquired shares are to be added to the 2,533 shares already owned on December 31, 2020.

8.2.6. COMPANY SHARE BUYBACKS

The Shareholders' Meeting of June 25, 2020 authorized the Board of Directors. pursuant to the provisions of Article L. 225-209 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 €60 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 July 18, 2019.

The description of the share buyback program implemented by the Board of Directors' meeting of June 25, 2020, pursuant to the authorization granted by the Shareholders' Meeting can be consulted on the website.

Shares buyback for the financial year ended December 31, 2020

In 2020, ESI Group did not buy back any shares.

Cancellation of shares for the financial year ended December 31, 2020

In 2020, ESI Group did not cancel any shares.

Assignments or transfers of shares for the financial year ended December 31, 2020

In 2020, ESI Group distributed 14,410 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, 2020

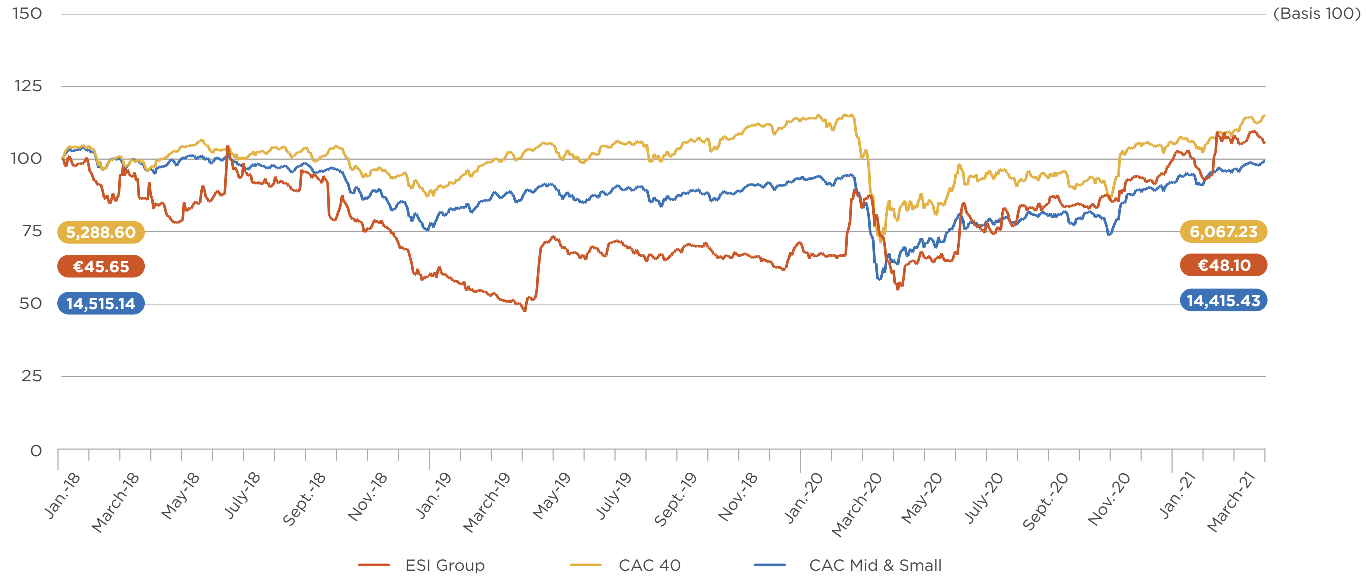
Date of authorization by the General Meeting	Resolution 16 of June 25, 2020
Date of expiration of the authorization	December 24, 2021
Ceiling on authorized buybacks	10% of share capital at the transaction date
Maximum purchase price per share	€60
Authorized purposes	Cancellation Share purchase options Free share grants Liquidity and market-making External growth
Board of Directors' meeting at which buybacks were implemented	June 25, 2020
Number of shares purchased in 2019	0
Number of shares cancelled in 2019	0
Number of treasury shares at December 31, 2019[(1)]	363,281
Percentage of capital held by the Company at December 31, 2019	6.02%

(1) Excluding liquidity contract.

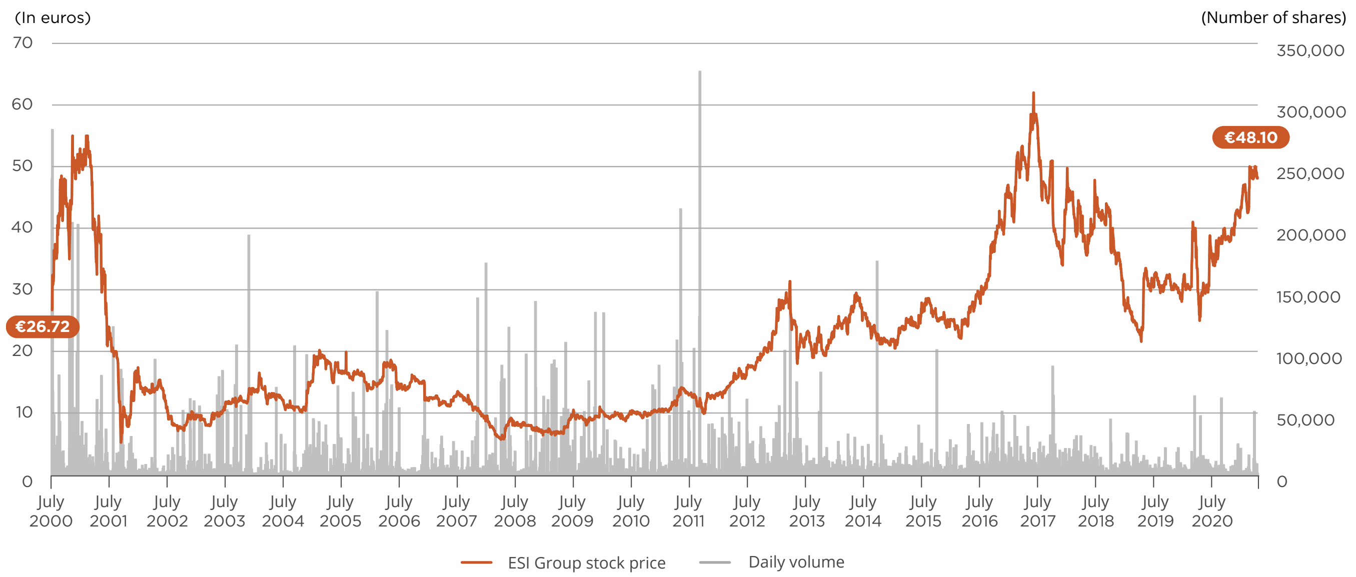
8.3. ESI SHARES – MARKET

8.3.1. SHARE PRICE TRENDS

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, 2018 until the end of March 2021:



The chart below shows how ESI Group's stock price has performed since its initial public offering on July 6, 2000 until the beginning of April 2020 and the daily volume of transactions:



8.3.2. SURVEY OF IDENTIFIABLE BEARER SHARES

On March 23, 2021 the Group carried out a survey of identifiable bearer shares (TPI: *titres au porteur identifiable*) on 99% of its free float (excluding treasury shares) which could be compared to the one realized on April 31, 2020.

	At March 23, 2021		At March 31, 2020	
	As % of free float	As % of share capital	As % of free float	As % of share capital
French institutional investors	23.2%	13.0%	28.2%	15%
Foreign investors	69.7%	39.1%	65.6%	36%
Individual shareholders	6.0%	3.4%	6.0%	4%
Companies	–	–	–	–

9 ADDITIONAL INFORMATION

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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, April 15, 2021.

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 attached management report 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

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine

Represented by Mr. Thierry Charron.

Date of appointment: Combined General Meeting of July 22, 2015 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2020.

PricewaterhouseCoopers Audit is a member of the Versailles Regional Association of Statutory Auditors.

Ernst & Young Audit

Faubourg de l'Arche
1/2, place des Saisons
92400 Courbevoie Paris-La Défense 1

Represented by Mr. Pierre-Henri Pagnon.

Date of appointment: Combined General Meeting of July 22, 2015 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2020.

Ernst & Young Audit is a member of the Versailles Regional Association of Statutory Auditors.

ALTERNATE AUDITORS

Auditex

Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex

Represented by Mr. Emmanuel Roger.

Date of appointment: Combined General Meeting of July 22, 2015 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2020.

Mr. Yves Nicolas

63, rue de Villiers
92200 Neuilly-sur-Seine

Date of appointment: Combined General Meeting of July 22, 2015 for a term of six years.

Term of office: Annual General Meeting called to approve the financial statements for the year ended December 31, 2020.

9.3. DOCUMENTS 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
Florence Barré

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.*, 104 *et seq.* and 143 *et seq.* of the universal registration document for fiscal year 2019 filed with the AMF on April 23, 2020 under number D.20-0340;
- 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 69 *et seq.*, 79 *et seq.* and 109 *et seq.* of the 2018 registration document filed with the AMF on May 23, 2019 under number D.19-0511; The parts not included in the 2018 Registration Document and the 2019 Universal Registration Document are either irrelevant to the investor or covered in another part of the 2020 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.

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French limited company *(société anonyme)* with a share capital of €18,109,776

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