ESI Group
Corinne Romefort-Régnier
Shareholder relations
Tel.: +33 (0)1 53 65 14 14
investors@esi-group.com

NewCap.
Emmanuel Huynh / Axelle Vuillermet
Tel.: +33 (0)1 44 71 94 94
esi@newcap.fr

Results for the first half of 2009/10:

Growth of activity
Control of the cost structure

Paris, 30th September 2009: ESI Group (ISIN FR0004110310), a pioneer and world-leading solution provider in virtual prototyping and manufacturing processes, announced today its consolidated results for its first half to 31st July 2009.

Consolidated half-year results

In € million	**HYR 2009/10 to 31st July 2009**	**HYR 20008/09 to 31st July 2008**
Total sales	**31.2**	**29.3**
- *Licences & maintenance*	*20.7*	*21.3*
- *Services*	*10.5*	*8.0*
Operating profit/loss (EBIT)	**-2.2**	**-1.4**
% of sales	*-7.1%*	*-4.7%*
Financial profit/loss	**-0.8**	**0.4**
Attributable net profit/loss	**-2.3**	**-0.3**
% of sales	*-7.5%*	*-1.2%*

NB: FY runs to 31st January

Reminder: Consolidation incorporates activities associated with the intellectual property of Vdot software (acquired on 15th October 2008) and Mindware (acquired on 16th December 2008). The inherent seasonal effect of ESI Group's Licence activity means that a substantial proportion of annual sales are recorded over the second half of the year, leading to substantially higher profitability.

As announced on 15th September 2009, first-half sales totalled 31.2 million euros, up +6.4% in actual terms. At constant exchange rates, sales were almost stable at -0.8%.

- **Gross margin: 61.6%**

The increase in costs of sales, a result of the increase in the percentage of Services in overall sales, and the slower growth in activity, automatically resulted in a decline in the gross margin, which represented 61.6% of sales in H1 2009 compared to 69.0% over the first half of 2008/09.
For information, notably because of the integration of Mindware, the product mix has significantly evolved towards Services, which represented 34% of first-half activity compared to 27% a year ago.

- **A stable operating cost structure including Mindware integration**

Research & Development costs were, exceptionally, down almost 13% at 5.6 million euros as a result of both the stability in investments and the increased activation of some development costs towards IAS38 norms. Research & Development costs thus represented 18.1% of half-year sales, versus 22.1% over the first half of 2008/09.
Sales & Marketing costs were stable (+0.8%). Their percentage of global activity fell to 34.1% over the first half of 2009/10 from 36.0% over the first half of 2008/09.
General and Administrative costs increased to 5.2 million euros from 4.6 million euros a year earlier, notably because of the effect of the integration of Mindware, of currency effects and of some reclassifications.

All in all, operating costs were well controlled and were down -0.8% compared to the same period of the previous fiscal year, including the taking into account of negative currency effects.
Subsequently, the negative change in operating profit essentially reflects the decrease in the gross margin. The operating loss for the first half of 2009/10 was thus significantly down at -2.2 million euros.

The financial loss was -0.8 million euros over the half, given currency losses and despite the foreign exchange hedging that was set up. Once this financial loss is taken into account, the net loss over the half was -2.3 million euros.

- **Available cash: 11.1 million euros**

Available cash at 31st July 2009 was 11.1 million euros. The Group’s ratio of long term financial debt over shareholders equity remained low at 13.1%.

Key events and outlook

- **Successful integration of Mindware**

Mindware, an American company acquired at the end of December 2008, has been for the first time fully integrated in ESI Group's consolidated accounts. Mindware is a recognised player in, notably, high value-added engineering services in Computational Fluid Dynamics (CFD). With sales of 2.8 million euros over the first half of 2008/09, Mindware has continued to record significant growth in activity and has confirmed its fine integration within ESI Group.

- **Evolution in the product mix**

A result of the integration of Mindware, the product mix has evolved towards Services activity, which represented 34% of half-year sales. However, this percentage should decrease towards the end of the year given the seasonal effect of the Licence activity.

- **Deployment of End-to-End Virtual Prototyping solutions**

ESI Group successfully initiated, with its automotive clients, the deployment of its new End-to-End Virtual Prototyping integrated solutions, as within VW group. In the current context that makes every improvement in competitiveness critical, this particularly innovative offer further reinforces the high level of repeat Licence sales.
In the energy sector, ESI Group has broadened its referencing as a provider of high-end simulation solutions amongst major French (EDF, AREVA, CEA) and international clients, which suggests significant growth in services and associated software sales.

- **Strong repeat activity for Licences, notably in the automotive sector, despite the difficult economic situation**

The rate of repeat business for Licences remained high at 80%, versus 81% a year earlier, with an installed base up +6.4%. In particular, ESI Group has observed a continuity in orders from its main clients, notably in the automotive sector. However, as announced on 15th September 2009, some clients such as those involved in steel production (ex.: foundries, stamping) have been forced to slow down or even temporarily halt their activity and to postpone the renewal of their licences.

- **Lengthening of the sales and customer decision cycles for Services activity**

A lengthening of the sales and customer decision cycles was recorded in the Group's Services activity over the second quarter of the current financial year, notably concerning some major innovative projects and programmes that demand significant change management by the clients themselves.

Alain de Rouvray, ESI Group's Chairman and CEO, says: "*The current adverse environment has resulted in slower growth in our worldwide activity, notably in terms of new orders. The improvement in our annual operational profitability has been affected by this, and will therefore be delayed. Nevertheless, economic difficulties and our clients' need for change have simultaneously increased the strategic value of our innovative solutions, notably for major clients. The positive reception given to our new End-to-End Virtual Prototyping solutions proves this, as does the high level of repeat business for our Licences activity, including amongst our automotive clients. These bear evidence of the appropriateness of our positioning and to our excellent development prospects within a more favourable economic context.*"

About ESI Group

ESI is a world-leading supplier and pioneer of digital simulation software for prototyping and manufacturing processes that take into account the physics of materials. ESI has developed an extensive suite of coherent, industry-oriented applications to realistically simulate a product's behavior during testing, to fine-tune manufacturing processes in accordance with desired product performance, and to evaluate the environment's impact on product performance. ESI's products represent a unique collaborative and open environment for Simulation-Based Design, enabling virtual prototypes to be improved in a continuous and collaborative manner while eliminating the need for physical prototypes during product development. The company employs over 750 high-level specialists worldwide covering more than 30 countries. ESI Group is listed in compartment C of NYSE Euronext Paris.
For further information, visit www.esi-group.com.

Listed in Eurolist compartment C of NYSE Euronext Paris
ISIN FR 0004110310 - FTSE 977- Bloomberg ESI FP - Reuters ESIG.LN
ESI GROUP has been qualified as "an innovative company" since January 20th 2000 by the OSEO-Anvar and is eligible for inclusion in "FCPI" (venture capital trusts dedicated to innovation).

get it right™ is a registered trademark of ESI Group.

Sales for the 3rd quarter of 2009/10:
15th December 2009
(after market)