

Paris, 29th September 2010

ESI is the leader and a pioneer
in virtual prototyping solutions.

Stock market information

Listed on compartment C
of the NYSE Euronext Paris
[ISIN FR 0004110310](#)

FTSE 977

Bloomberg ESI FP

Reuters ESIG.LN

Granted
“**entreprise innovante**”
(innovative company) certification
on January 20, 2000 by OSEO,
[ESI Group](#) is eligible
for inclusion in FCPI
(venture capital trusts
dedicated to innovation).

Financial schedule

Q3 2010 Turnover

December 15th, 2010
(after market)

Contacts

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www.esi-group.com

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Results for the first half of 2010/11:

Increase in growth

Cost structure under control

- **Significantly higher gross margin**
- **Improvement in EBITDA**
- **Pursuance of a robust financial situation**

Alain de Rouvray, ESI Group's Chairman and CEO, comments: “*The substantial interest shown by our key accounts in our Virtual Prototyping strategic innovations is resulting in the growing success of our solutions, particularly visible on the second quarter. Simultaneously, keeping our cost structure under control, which is at the heart of our concerns, has resulted in an improvement in the gross margin and has curbed our operating costs excluding one-offs and currency effects. These trends confirm our expectations that business and results will continue to improve this financial year.*”

Consolidated half-year results

In € millions		HYR 2010/11 to 31 st July 2010	HYR 2009/10 to 31 st July 2009
Total sales		33.3	31.2
<i>of which Licences & maintenance</i>		22.9	20.7
<i>of which Services</i>		10.4	10.5
Gross margin		21.6	19.2
	% of sales	64.9%	61.6%
EBITDA		-2.27	-2.62
	% of sales	-6.8%	-8.4%
Operating profit/loss (EBIT)		-2.8	-2.2
Financial profit/loss		-0.7	-0.8
Attributable net profit/loss		-2.6	-2.3

Year to 31 January

Reminder: the seasonal nature of ESI Group's Licences sales usually reflects into a larger proportion of full-year revenues to be recognised in the second half of the year.

As announced on 14th September 2010, first-half sales totalled 33.3 million euros, giving a purely organic growth of +6.8% in actual terms and +2.2% by volume. This improvement is a result of the acceleration in the growth of Licences (+10.5% in real terms over the half, +23.3% over the second quarter). Subsequently, the product mix has evolved in favour of this activity, as Licences accounted for 69% of first-half sales compared to 66% for the first half of 2009/10.

• Substantial increase in the gross margin and improvement in EBITDA

The gross margin came to 64.9% of sales, versus 61.6% over the first half of 2009/10. This substantial increase was due to the change in the product mix and the improvement in the profitability of Licences activity, which benefited from the optimisation of distribution and support costs. Services activity remained stable, impacted by the conjunctural downturn in the situation in the Americas.

Mirroring the improvement in the Group's economic performance, the EBITDA margin was up by +1.6 percentage points, at -6.8% over the first half of this year versus -8.4% over the first half of 2009/10.

- **Operating cost structure, excluding one-off costs and currency effects, under control**

Research and Development costs totalled 7.3 million euros over the first half, an apparent increase of +30.6% on the same period of last year. However, this growth was essentially the result of a €1 million euros lower activation of development costs compared to last year and the integration of one-off costs.

R&D investments over the period were up +9% in real terms, compared to a +10.5% increase in Licences sales. The ratio of R&D investment over Licences sales was therefore slightly down, at 37.3% for the six months to 31st July 2010 versus 37.8% a year earlier.

Sales & Marketing costs totalled 12.0 million euros, and represented 36.1% of first-half sales, compared to 34.1% over the same period last year. Excluding the currency effect, this increase was mainly due to sales investments in Europe and the United States, as well as one-off costs.

General and Administrative costs fell to 5.0 million euros, versus 5.2 million euros over the first half of 2009/10.

All in all, the increase in operating costs was +14.2% in real terms and +10.7% by volume.

Consequently, the operating loss for the first half of 2010/11 was down, at -2.8 million euros. Taking into account the financial loss of -0.7 million euros and the positive tax effect of 0.9 million euros due to the substantial seasonal effect of annual results, the attributable net loss was -2.6 million euros over the first half.

- **Financial robustness**

The Company's financial situation remains sound. The Group had available cash of 10.6 million euros at 31st July 2010. The Group's ratio of long-term debt over shareholders' equity decreased to 11.5% at 31st July 2010, versus 13.1% a year earlier.

Key first-half events

Improvement in the Licence activity performance

Licences activity improved significantly, in terms of sales growth and gross margin. A more favourable market context has led to a higher level of repeat business from the installed base (86%), with key clients increasingly willing to resort to ESI's integrated solutions.

- **Sharp increase in New Business**

Licences New Business was up sharply over the first two quarters of the year, increasing by a total of +32.7% over the first half. This reflects the intensification of our sales efforts, with new clients coming onboard and existing clients purchasing new products. New Business is also feeding business sectors diversification, with clients from the Transportation, Aerospace, Machinery and Education sectors for example.

- **Strengthening of the near-shore services division in Tunisia**

Providing technical support to ESI's French and German subsidiaries, our new Tunisian near-shore production centre has been strengthened via the creation of a new division dedicated to Automotive Powertrain technology. This new division reflects the convergence of the expertise and know-how of ESI's Tunisian teams and the high demands of the Group's clients in terms of technicality, quality and costs.

About ESI

[ESI](#) is a pioneer and world-leading player in virtual prototyping 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 behaviour during testing, to fine-tune manufacturing processes in accordance with desired product performance, and to evaluate the environment's impact on product performance. This offer represents 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. Present in over 30 countries, [ESI](#) employs over 750 high-level specialists throughout its worldwide network. ESI Group is listed on compartment C of NYSE Euronext Paris. For further information, go to www.esi-group.com.