Paris, April 28 2011,

Strong growth in 2010/11 annual results

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

Revenue for the 1st quarter of 2011/12 will be published on:

June 15 2011 (after market)

Contacts

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Social media

- **Sharp improvement in operating and net profitability**
- **Validation of the business model's leverage effects**
- **Confidence in the pursuance of profitable growth**

Alain de Rouvray, ESI Group's Chairman and CEO, declares: "*2010/11 was a good year for ESI, in terms of both the growth in activity and the improvement in profitability. The substantial increase in Licenses sales, the significant improvement in new business and the signing, at the end of the year, of a number of major multiyear contracts all lay witness to a more favourable market context for the upramping of our virtual prototyping solutions. At the same time, we are reaping the benefits of the high level of R&D and Sales & Marketing investments we have carried out for many years, and which are now providing us with a leverage effect on our margins. These positive evolutions again reaffirm the pertinence of our strategic positioning and our business model. We are confident that our revenues will continue to grow and our profitability will keep improving.*"

Consolidated annual results

€ millions	FY 2010/11 to January 31 2011	FY 2009/10 to January 31 2010	Δ
Total sales	***84.2***	***75.1***	+12.1%
of which Licenses & Maint.	*61.9*	*54.1*	*+14.4%*
of which Services	*22.3*	*21.0*	*+6.2%*
Gross margin	***59.0***	***49.9***	+18.3%
% of sales	*70.1%*	*66.5%*	
EBITDA	***8.5***	***5.8***	+46.6%
% of sales	*10.2%*	*7.8%*	
Operating profit (EBIT)	***7.7***	***4.6***	+67.2%
% of sales	*9.2%*	*6.1%*	
Attributable net profit	***5.4***	***1.2***	+365.7%
% of sales	*6.5%*	*1.6%*	

The Company's financial year runs to January 31

- **Buoyant growth in revenue and Licenses activity**

As announced on March 14 2011, consolidated annual revenue saw purely organic growth of +12.1% to €84.2 million in 2010.

The key indicators were positive over the financial year:

- License sales increased by +14.4% to €61.9 million,
- the License volume of repeat business was up +11.2%,
- License repeat business reached the very high level of 91%,
- License new business grew +31.7% to €13.1 million,
- Services sales were up +6.2% over the year as a whole, to €22.3 million, after a slow start but a very dynamic final quarter.

Note that activity also benefited from a positive exchange rate effect.

- **Sharp increase in the gross margin**

The split in business activity reflects the good strategic alignment of our product mix: 73.5% for Licenses and 26.5% for Services. The gross margin jumped +18.3% to €59.0 million, benefitting from the re-allocation of resources to S&M (Product Marketing and Sales), R&D activities and a better utilization of the Services teams.

- **EBITDA margin: 10.2% and EBIT margin : 9,2%**

Benefitting from the effects of the improvement in the product mix, a better allocation of Sales & Marketing cost resources and an operating cost structure under control, EBITDA totaled €8.5 million, up +46.6% on the figure of €5.8 million recorded in 2009/10. The EBITDA margin was 10.2%.

The Group continued to benefit from the leverage of the substantial R&D investments it has carried out for many years in order to maintain the Group's leadership position in the emerging virtual prototyping market. Research & Development investments (before the impact of IFRS rules and Research Tax Credits) were up +11.6%, and represented 28.5% of Licenses sales, a figure that has continued to decrease in recent years. The increase in the IFRS costs of R&D was 14.2% in 2010/11.

Reflecting the Group's intention of accelerating its sales penetration worldwide, notably with sales investments in Europe, the United States and the BRIC emerging markets, and given its diversification initiatives, Sales & Marketing costs exceptionally increased by +16.8% to €26.4 million.

General and Administrative costs were almost unchanged at €10.7 million, versus €10.2 million in 2009/10.

Once net provisions and depreciations, which were down on the previous year, are taken into account, operating profit was up +67.2% at €7.7 million. The operating margin was thus 9.2% in 2010/11, versus 6.1% in 2009/10.

- **Sharp increase in net profit to €5.4 million (+365%)**

The sharp increase in net profit was due to the substantial increase in operating profitability, the stable financial result at -€1.3 million and non-recurrent tax savings associated with financial support for the Group's Chinese activity.

All in all, attributable net profit increased by +€4.3 million over the year, with a net margin of 6.5% for the financial year to January 2011 versus 1.6% the previous year.

- **Sound financial structure**

The Group had €6.8 million in available cash at the end of the 2010/11 financial year, stable on the year when restated after divestment of exceptional accounts receivables carried out at the end of the 2009/10 financial year. The financial structure was further strengthened, with a gearing (long-term financial debt over shareholders equity) of 6.4%, compared to 14% at the end of 2009/10. The improvement in this figure was notably the result of the reimbursement of bank loans enabled by the operating cash generated by the Group, which totaled €3.6 million over the year.
At January 31 2011, ESI Group held 6.57% of its own capital.

Key points and recent events

- **Validation of the strategy and the offer – Signing of major multiyear contracts in the Automotive and Energy sectors**

Licenses activity improved substantially, in terms of revenue growth and the improvement in the gross margin. A market context that has become more favourable resulted in a higher rate of repeat business for the installed base (91%), reflecting OEMs' increasing desire to call upon ESI's virtual prototyping solutions. This trend, observed throughout the year, was reinforced by the signing of two large multiyear license-renewal contracts, both with associated innovative services, with major automotive OEMs: Renault and the Volkswagen Group. These 3-year contracts are the subject of annual revenue recognition. In the Metal Stamping domain, ESI has also signed a multiyear contract with the PSA Group for the supplying of licenses and high value-added and innovative services.
In the energy business sector, EDF signed with ESI a 10 year framework contract in the domain of nuclear safety.

- **Substantial increase in New Business and sector diversification**

Licenses new business increased substantially over the year as a whole (+31.7%). Also a major indicator of a more favourable market context, it reflects the sales efforts undertaken, with the addition of new clients and of new products for existing clients. It also illustrates the deployment effect inherent to ESI's business model, with solutions initially adopted by the sector's main OEMs before then being gradually adopted by the main suppliers and subcontractors; thereby supporting optimization of the workflow between OEMs.

Lastly, New Business is amplifying sector diversification, with new clients and new domains from sectors such as Transport, Aerospace, Heavy Industry, Energy and Electronics.

- **Very strong increase in profitability and optimization of the cost structure**

The very sharp improvement in profitability is a result of the growth in revenue with improved efficiency of the Group's cost structure and product mix resulting in the substantial improvement in the gross margin.
It should be noted that 37% of ESI's workforce is now employed in low-cost countries, thus enabling the Group to combine its local support for major OEMs in very dynamic zones, with increased competitiveness.
This proportion should continue to increase during 2011, notably with the strengthening of our near-shore Services line in Tunisia and the Group's Indian presence.

- **Participation in industrial innovation and presence within Competitive Clusters**

Leader in the strategic movement towards virtual engineering, ESI has strengthened its presence amongst industrial players by creating a Bordeaux-based R&D centre for the Simulation of composite materials for the aerospace and nautical sectors and by participating in the Rennes-based iD4CAR competitive cluster for the digital design, shaping and multi-material assembly of new-generation vehicles.
The Group is also participating in innovative projects carried out within 9 other competitive clusters in France.