

FY09 ANNUAL RESULTS

Revenues: 75.1 M€
+7%

Software Revenues: 54.1 M€
+3%

Services Revenues: 21 M€
+19%

EBIT : 4.6 M€

Available cash: 11.2 M€

ESI IN BRIEF

- Founded in 1973
- Pioneer and world-leading player in virtual prototyping that take into account the physics of materials.
- Average headcount : 783 people worldwide, mainly engineers with high level graduates from the best international universities and engineering schools
- FY09 revenues : 75.1M€
- 85% of revenues outside France
- Diversified and prestigious customers (OEMs, Suppliers,...)
- Technological and industrial partnerships with high added value

FULL-YEAR 2009/2010 RESULTS

SHARP GROWTH IN SALES

GLOBAL HEADCOUNT MAINTAINED

EFFECTIVE CONTROL OF THE COMPANY'S COST STRUCTURE

Growth in sales and an expansion of the Licenses installed base

Consolidated full-year sales for 2009/10 rose 7.1% from the prior year, fuelled in large part by buoyant activity in the fourth quarter, especially at the Licenses business. The Licenses installed base expanded 6.4% over the year with a high repeat rate of 85%. On the other hand, New Business and Services were hurt by the bleak economy and a wait-and-see attitude from customers in terms of both new software purchases and decisions to go ahead with new projects. At constant scope, sales at New Business and Services fell 7% and 11.3%, respectively. Mindware, acquired in December 2009, confirmed its excellent growth potential in high added-value services in Computational Fluid Dynamics. The subsidiary reported double-digit sales growth, which pushed ESI's actual Services revenue increase to 19.5%.

66.5% gross margin

Amid the unstable economic climate, ESI made two important strategic decisions in early 2009:

- To continue investing in R&D so as to keep its differentiating, decisive strategic advantage. Thanks to its wide range of complementary products and services, ESI is the only player to offer an open, collaborative virtual prototyping solution for use in many industries, that can assess the performance and manufacturability of product components from end to end - before the first real prototype is even built.
- To maintain staff numbers based on:
 - 1) our customers' merely postponing several projects and not cancelling them (to date), necessitating ongoing technical and sales efforts; and
 - 2) the highly specialized knowledge of our employees and their experience with ESI's products and skills.

The resulting increase in the Company's cost of sales coupled with a change in the product mix during the year caused ESI's gross profit to slip 0.5% relative to 2008/09, giving a gross margin of 66.5%.

Effective control of the cost structure and greater productivity

The fact that ESI's operating expenses rose a slight 1.1% against a 7.1% jump in sales reflects the Company's ability to effectively control its cost structure. Despite the 12.5% increase in staff resulting from the Mindware integration and the opening of a near-shore center in Tunisia, the Company's average payroll expense fell 3% thanks to a gradual transition to countries with low-cost labor. In terms of operating expenses, R&D expenses totaled 16.7% of sales in 2009/10, compared with 17.5% in 2008/09 - a modest 2% increase - while sales and marketing expenses remained steady. General and administrative expenses increased 1.8%, mainly as a result of the Mindware integration. The operating profit for 2009/10 came in at €4.6 million, pressured by the decline in gross profit, to give an operating margin of 6.1% (vs. 7.7% in 2008/09).

Net profit dented by unfavorable exchange rates and a non-recurring increase in income tax

After accounting for foreign exchange losses on the Company's balance sheet due to unfavorable movements in exchange rates (especially in the South Korean won), and €0.73 million of interest expenses (unchanged from last year), the Company generated a financial loss of €1.3 million, against a gain of €0.2 million in 2008/09. After further taking into account the Company's income tax expense, which exceptionally rose €0.8 million in 2009/10 due primarily to litigation in Asia, ESI's net profit amounted to €1.2 million, compared with €4.2 million the prior year.

The Company had €11.2 million of available cash on hand at the balance sheet date, and a long term debt-to-equity ratio of a very low 14.0%.

Outlook

The sharp rise in Licenses sales in the fourth quarter, along with additional sales to key accounts and growth in our installed base through broader adoption of our solutions, testify to the pertinence of our decisions; and it vindicates the particularly strategic and innovative nature of our solutions, which our customers need to turn to in these difficult times. We are confident that 2010/11 will be another year of growth on the back of solid performance at the Licenses business, a gradual pick-up in the Services activity, and higher profit margins.

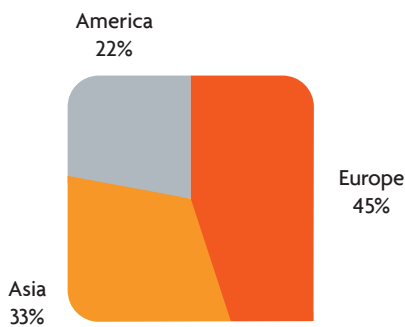


Alain de ROUVRAY - Chairman & CEO

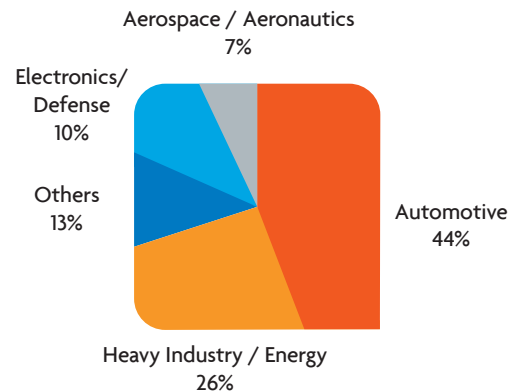
HIGHLIGHTS

GREATER REGIONAL AND INDUSTRY DIVERSIFICATION

The regional breakdown of ESI's sales at end-January 2010 was as follows: 22% in the US; 45% in Europe; and 33% in Asia (against 16%, 49%, and 35%, respectively, a year earlier). This more balanced breakdown underscores the Company's international presence, credibility, and attractiveness.

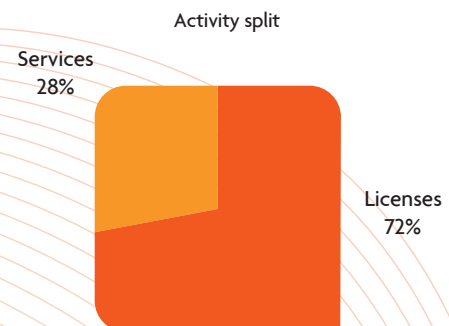


ESI's overall industry diversification also improved; sales at constant scope to the automobile industry accounted for 40% of total revenue in 2009/10, down from 43% the prior year, and sales to the energy and electronics industry accounted for 12% in 2009/10 vs. 9% the prior year. The percentages of other industries, such as aerospace, defense, and heavy equipment, remained stable.



CONFIRMATION OF THE SUCCESSFUL MINDWARE INTEGRATION

Mindware generated double-digit sales growth in 2009/10, an especially remarkable achievement considering that the subsidiary is in the Services business and its customers are mainly US auto makers. This robust performance highlights the pertinence of Mindware's strategic positioning – since it was able to receive innovative projects from car manufacturers with government funding – as well as ESI's proven experience to complete acquisitions successfully.

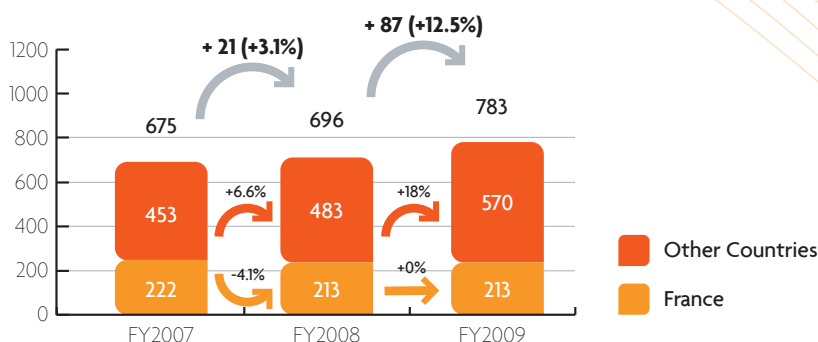


STRENGTHENING OF ESTABLISHMENT IN LOW COST COUNTRIES

Headcount increased by 12.5% due to the integration of M&A activities (mainly Mindware) and to the creation of a near-shore center in Tunisia. As a result, the share of people in low cost countries increased to 39% of total, helping to reduce the team average cost.



Headcount evolution



HIGHLIGHTS

STRONGER INSTALLED BASE OF KEY ACCOUNTS AND ONGOING ROLL-OUT OF THE «END-TO-END VIRTUAL PROTOTYPING™» SYSTEM

ESI's performance in 2009/10 illustrates the solid resilience of its business amid the deteriorating economic climate. Despite these strong headwinds, the Company's sales expanded significantly, fuelled largely by a jump in sales at the Licenses business in the fourth quarter related to renewals and to new software to existing customers. ESI also bolstered its presence among key accounts thanks to the high added-value of its solutions, which turn into strategic advantages in the current competitive environment.

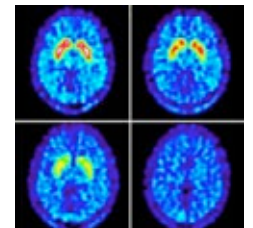
ESI continued to roll out its End-to-End Virtual Prototyping™ system among key account customers like Volkswagen and Renault-Nissan groups in 2009 despite the challenging economic conditions; the Company's ten largest customers accounted for 36% of 2009/10 sales, up from 29% in 2008/09.

Share of Top 10 customers



STRENGTHENING OF AMERICAS AREA

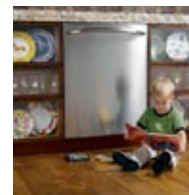
In the US, ESI expanded sales to key accounts in its traditional automobile industry, as well as in innovative industries such as electronics through Applied Materials, energy through General Electric, aerospace through Boeing and NASA, and defense through General Dynamics Land Systems.



EXAMPLE OF GENERAL ELECTRIC

Applications coming from multi-domains and activities :

- Health : Acoustic comfort in IRM
- NPP : Components analysis and vibration
- Aviation : casting of engine blades
- Energy : Turbine blade manufacturing (wind and hydro-electric turbines)
- Consumer goods : Acoustic Comfort
- R&D : innovation



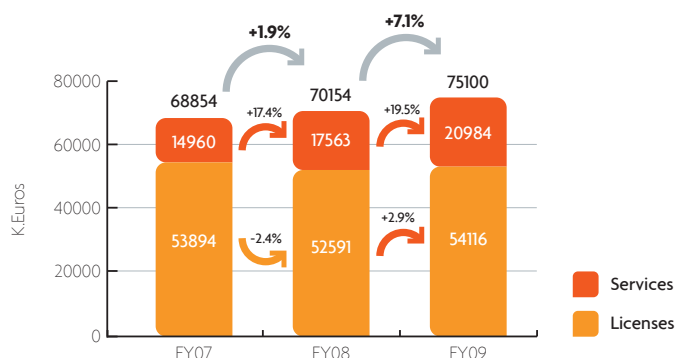
EXAMPLE OF APPLIED MATERIALS

ESI's CFD ACE solution enables Applied Materials to achieve a substantial jump on their competitors by beginning their development of hardware and operating conditions for a new semiconductor processes Equipment long before wafers are available to perform physical testing.



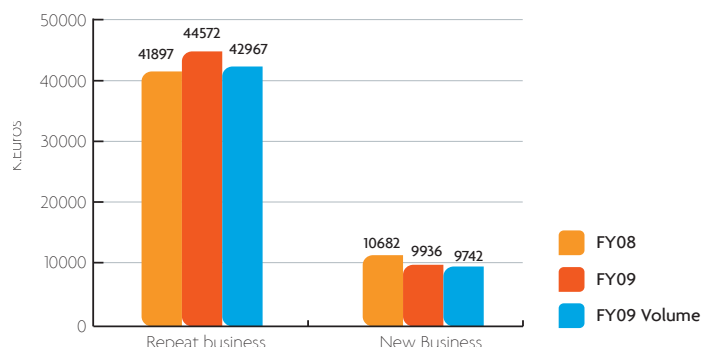
FINANCIAL HIGHLIGHTS 2009/2010 FISCAL YEAR

GROWTH ACTIVITY



- Sharp 7.1% growth in sales
- Back to growth in licensing (+2.9%) linked to exchange rate impact (+3.4%)
- High Services increase (+19.5%) due to M&A effect
- Strengthening of Services Share (28%)

INSTALLED BASE EVOLUTION



- Significant increase of license installed base : +6.4%
- High repeat business rate (85%)
- New business hurt by the bleak economy (-7%)

COST STRUCTURE CONTROL

| M€ | FY09 | FY08 | %Δ | Δ |
|------------------------|----------|----------|----------------|--------------|
| Licenses & maintenance | 54.116 | 52.591 | +3 % | +1.5 |
| Services | 20.985 | 17.563 | +19.5 % | +3.4 |
| Total Revenues | 75.101 | 70.154 | +7.1 % | +4.9 |
| Cost of Sales | (25.187) | (19.971) | +26.1 % | (5.2) |
| % of total Revenues | (33.5)% | (28.5)% | | |
| Gross margin | 49.914 | 50.183 | (0.54)% | (0.3) |
| % of total Revenues | 66.5% | 71.5% | | |
| R&D costs | (12.507) | (12.244) | +2 % | (0.3) |
| % of total Revenues | (16.7)% | (17.5)% | | |
| S&M costs | (22.570) | (22.528) | +0% | (0.0) |
| % of total Revenues | (30.1)% | (32.1)% | | |
| G&A costs | (10.223) | (10.041) | +1.8% | (0.2) |
| % of total Revenues | (13.6)% | (14.3)% | | |
| Operating costs | (45.300) | (44.813) | +1.1 % | (0.5) |
| % of total Revenues | (60.3)% | (63.9)% | | |
| Operating result | 4.614 | 5.370 | (14.1)% | (0.8) |
| % of total Revenues | 6.1% | 7.7% | | |
| Total costs | -70.487 | -64.784 | +8.8% | (5.7) |
| % of total Revenues | -93.9% | -92.3% | | |

- Gross Margin - Mix product and global headcount maintained
- Effective control of cost structure at constant exchange rate and in organics

NET RESULT

| M€ | FY09 | FY08 | %Δ | Δ |
|---|--------|--------|---------|--------------|
| Income from Operations | 4.61 | 5.37 | (14) % | (0.8) |
| Interest cost, net | (0.73) | (0.75) | (3) % | 0.0 |
| Foreign exchange gains and losses | (0.55) | 0.98 | (156) % | (1.5) |
| Income (Loss) from financial activities | (1.29) | 0.23 | (672) % | (1.5) |
| Income before taxes | 3.3 | 5.59 | (41) % | (2.3) |
| Income Tax and minority interests | (2.11) | (1.29) | 63 % | (0.8) |
| Income before minority interests | 1.22 | 4.30 | (72) % | (3.1) |
| Minority interest | (0.05) | (0.09) | (44) % | 0.0 |
| Net income | 1.17 | 4.21 | (72) % | (3.0) |
| | 1.6 % | 6.0 % | | |

- Impact of operations and exchange rate hedging losses on net result
- Exceptional income tax expenses (China/Hong-Kong, Japan, USA)

CASH FLOWS

| M€ | FY09 | FY08 |
|--|-------------|-------------|
| Cash EBIT | 4.8 | (6.0) |
| Increase in working capital | 0.1 | (3.0) |
| Operational investments | (1.5) | (1.6) |
| Operational Cash Flow | 3.4 | 1.4 |
| M&A and Financing impact | 1.3 | (5.1) |
| Exchange rate impact and provision | (2.1) | (0.9) |
| NET MOVEMENT | 2.6 | -4.5 |
| Total available cash (beginning of the year) | 8.6 | 13.1 |
| Total available cash (closing) | 11.2 | 8.6 |

- Stable cash flow after non recurrent expenses in increase in working capital
- Available Cash increase (sales of account receivables)

FINANCIAL POSITION

| M€ | 31/01/2010 | 31/01/2009 | Δ |
|---|---------------|---------------|-------------|
| ASSETS | | | |
| Non currents assets | 58.2 | 55.4 | +2.8 |
| Current assets | 50.1 | 48.2 | +1.9 |
| incl. Cash | 11.2 | 8.6 | +2.6 |
| incl. Customer receivables | 31.1 | 31.2 | (0.1) |
| TOTAL ASSETS | 108.3 | 103.6 | +4.7 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | |
| Shareholder's equity | 62.4 | 61.5 | +0.8 |
| Non current liabilities | 11.1 | 11.2 | (0.1) |
| Including long term share of financial debts | 8.7 | 9.2 | (0.5) |
| Current liabilities | 34.8 | 30.9 | +3.9 |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | 108.3 | 103.6 | +4.7 |
| RATIO Long term debts / Shareholder's equity | 14.0 % | 15.0 % | |

- Solid financial position
- Low long term debt to equity ratio



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ESI Group is qualified as "an innovative company" since January 20, 2000 by OSEO and is eligible for inclusion in "FCPI" (venture capital trusts dedicated to innovation).

Listed in Euronext - Compartment C
of NYSE Euronext
Sector : Software - ISIN FR0004110310
Bloomberg ESI FP - Reuters ESIG.LN



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