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

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2008/09 annual results
Net profit: +81%
EBITDA margin: 10% of sales

Paris, 29th April 2009: ESI Group (ISIN FR0004110310), a pioneer and world-leading solution provider in virtual prototyping and manufacturing processes, announced today its consolidated annual results for its fiscal year ending January 31st 2009.

Consolidated annual results

(€ millions)	FY 2008/09 to 31st January 2009	FY 2007/08 to 31st January 2008	Δ (%)
Total sales	**70.2**	**68.9**	**+2%**
of which Licences / Maintenance	*52.6*	*53.9*	*-2%*
of which Services	*17.6*	*15.0*	*+17%*
Gross margin	**50.2**	**49.9**	**+1%**
% of sales	*71.5%*	*72.5%*	
EBITDA*	**7.07**	**6.53**	**+8%**
% of sales	*10.1%*	*9.5%*	
Operating profit (EBIT)	**5.4**	**5.7**	**-5%**
% of sales	*7.7%*	*8.2%*	
Financial profit	**0.2**	**(2.4)**	-
Attributable net profit	**4.2**	**2.3**	**+81%**
% of sales	*6.0%*	*3.4%*	

**Earnings Before Interest, Taxes, Depreciation and Amortisation* *The Group's FY runs to 31st January*

- **Further growth in the installed base**

As announced on 10th March 2009, 2008/09 annual sales totalled 70.2 million euros, up +2% in actual terms. Licence activity saw a slight fall in sales (-2%), whilst Services saw a substantial increase (+17%). Hence, the product mix has evolved towards Services, as this activity now represents 25% of Group sales versus 22% in 2007/08. Contrasting with the fall in New Business, notably over the fourth quarter, the recurrent installed base for Licences rose +2.3% over the year, taking the rate of repeat business for this activity to 77%, from 76% the previous year.

It should be noted that 0.5 million euros of Group sales came from acquisitions (Vdot and Mindware) carried out towards the end of the financial year. Consolidated since October 15th 2008, Vdot thus contributed €0.1m to Licence sales whilst Mindware, consolidated since December 16th 2008, contributed €0.4m to Services sales.

- **Improvement in EBITDA margin**

Up +8% at 7.07 million euros, Earnings Before Interest, Taxes, Depreciation and Amortisation reached 10.1% of sales, and reflect the Group's focus on controlling its cost structure.

Research and Development costs were down by close to 10%, at 12.2 million euros, due mainly to controlled investments and the increase in the French Research Tax Credit over the year; Research and Development expenses thus represented 17.5% of total annual sales and 29.3% of those of Licensing.

Sales investments continued, and sales and marketing costs were up +3% at 22.5 million euros.

General and Administrative costs totalled 10.0 million euros, an increase of 1.3 million euros due to non-recurrent exceptional charges and changes in cost allocations.

All in all, operating costs were under good control, rising only by +1.3% compared to the 2007/08 financial year.

With depreciation and amortisation, both of which increased, operating profit totalled 5.4 million euros, resulting in an operating margin of 7.7%, in small decline of -5% compared to 2007/08.

- **Impact of foreign exchange hedging**

Foreign exchange hedging was implemented from the start of the financial year and resulted in a 2008/09 financial profit of 0.23 million euros, compared to an essentially foreign exchange related loss of -2.42 million euros the previous year.

Net profit thus came to 4.21 million euros, a significant jump of +81% compared to 2.33 million euros in FY 2007/08.

- **Solid financial structure**

Once the financing of acquisitions, the substantial debt reimbursement and the increase in treasury shares – which now represent 7.3% of capital and lay witness to management's confidence in the Group's prospects – are taken into account, available cash at year end totalled 8.6 million euros.

The generation of operating Free Cash Flow came to €3.2m, a strong increase on the previous financial year.

The Group's ratio of financial debt over shareholders equity remains moderate, at 15%.

Key points

- **Evolution of the product mix towards services, in line with the Group's strategy**

ESI Group's development, in this phase, leads to a gradual evolution in the product mix towards Services.

Indeed, the strong growth in Services activity reflects:

- the increasing sensitivity of economic players to realistic digital simulation, which has become a competitive necessity, creating a growing demand of dedicated software,
- the unique nature of ESI Group's know-how and experience in accompanying the necessary methodological mutation in the form of high-added value Services.

ESI Group's leadership in Services should result in a number of positive effects:

- an increase in the gross margin for Services activity associated with this high level of expertise; the gross margin for Services at the end of 2008/09 was thus 33.5%, versus 32.0% at the end of 2007/08.
- an acceleration in due time in Licence sales induced by the accompanying Services and the technology transfer towards OEMs and their suppliers.

- **Amplification of the adoption of integrated solutions by major corporate clients**

ESI Group has continued to strengthen its presence amongst its main corporate clients via the deployment of new solutions. Sales from its top ten clients were up +11%, reflecting the strategic dominance of ESI Group's solutions amongst its main OEMs, who have chosen to increase their installed software bases in order to benefit, within this crisis context, from time savings and productivity gains, but also from innovation allowed by the implementation of these solutions.

- **Acquisition and integration of Vdot**

Vdot is American lean project/process management software. Through this acquisition, ESI Group is adding an essential and highly-competitive component to its Visual*DSS* system, which is a unique decision-making aid in the field of Computer Aided Engineering (CAE). This execution platform makes it easier for teams to respect deadlines and secure the transfer and correct integration of data. It allows fast and reliable decision-making by all actors of the PLM in general and specifically throughout the digital simulation process, enabling the accelerated finalisation of projects and an increase in their degree of automation and flexibility. ESI Group already uses this tool internally to optimise development processes in its own new projects.

- **Acquisition and integration of Mindware Engineering**

A leading software services provider headquartered in the United States, Mindware is a recognised player in engineering services in the field of Computational Fluid Dynamics (CFD), but also in fluid /structure interaction and data management. Mindware has established close relationships with lead customers from Automotive, Aerospace and Defence companies by providing digital simulation-based solutions driving product design and development. Mindware has operations in three continents, mainly in the United States, but also in Europe and India.

This acquisition will thus allow ESI Group to accelerate the adoption of virtual prototyping in the simulation-based design CFD market.

Mindware recorded estimated (pro forma) 2008 sales of approximately €6.9m, an annual increase of more than 20%, with double-digit operating profitability.

Alain de Rouvray, ESI Group's Chairman and CEO, concludes: "*Although the current context of a global economic crisis reduces visibility on the increasing adoption of our solutions, and in particular regarding new orders, it also highlights the solidity of our activity's recurrent nature and amplified client confidence. In a rationale of heightened competitiveness and given the need to innovate whilst reducing costs and delays, our End-to-End Virtual Prototyping solutions allow to manage with remarkable efficiency the virtual prototyping of industrial products from creation through to end development, to limit its complexity and risks, resulting in the successful validation of real prototypes "to get it right the first time". Backed by a solid financial structure and by the proven pertinence of our strategic and commercial positioning, notably amongst our major corporate clients, we remain fully confident in ESI Group's development and in the pursuance of the improvement in our profitability.*"

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 and is eligible for inclusion in "FCPI" (venture capital trusts dedicated to innovation).

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Next Press release announcement :
Sales for the first quarter of 2009/10
will be published on 11th June 2009
(after market)