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Results for the first half of 2008/09:

Strong earnings growth

Dynamic performance in Services

Paris, 26 September 2008: ESI Group (ISIN FR0004110310), a pioneer and world-leading solution provider in virtual prototyping and manufacturing processes, today announces its consolidated results for the first half of the financial year ending 31 January 2009.

<u>Consolidated figures</u>

In € millions	**H1 2008/09 ended 31 July 2008**	**H1 2007/08 ended 31 July 2007**	**Change**
Total revenues	**29.3**	**27.6**	***+1.6***
Of which Licences and maintenance	*21.3*	*20.8*	*+0.4*
Of which Services	*8.0*	*6.8*	*+1.2*
Gross profit	20.2	18.9	*+1.3*
Gross margin (%)	*69.0%*	*68.5%*	
Operating expenses	21.6	21.6	+0.0
Operating profit (loss)	**-1.4**	**-2.6**	**+1.3**
Financial profit (loss)	0.4	-1.0	+1.4
Attributable net profit	**-0.3**	**-2.7**	**+2.4**
Net margin (%)	*-1.2%*	*-9.9%*	

Year to 31 January

N.B. There was no change in perimeter in the first half of 2008/09, and so first-half revenues reflect purely organic growth. The seasonal variations inherent in ESI Group's business mean that a substantial proportion of licences revenues are recorded in the second half of the financial year, leading to much higher earnings in that period.

As announced on 9 September 2008, first-half revenues amounted to €29.3 million, up +6% or +10% at constant exchange rates. Sales growth was particularly strong in the Services business, at +18% or +20% at constant exchange rates.

- **Higher gross margins**

Gross margin rose by €1.3 million to 69% in the first half of 2008/09 versus 68.5% in the year-earlier period. An improvement was seen in both of the Group's businesses. In Services, higher margins were driven by the move to strengthen Consulting teams at the expense of Support teams and by a reduction in average staff costs, resulting from ESI Group's strategic decision to develop shared production in low-cost countries such as China, India and the Czech Republic.

- **Stable costs and improved operating result**

Costs remained under control, and operating costs were stable year-on-year at €21.6 million while overall sales were up +6%.

As a result, the operating result improved of +€1.3 million with an operating loss reduced to €1.4 million in the first half of 2008/09 versus €2.6 million in the year-earlier period.

- **Effective currency hedging and improvement in financial result**

During a period of turbulence in the foreign exchange markets, ESI Group's hedges on the US dollar, Japanese yen and Korean won paid off. Together with a fall in interest expenses arising from lower debt levels, net financial result improved by +€1.4 million, turning a €1.0 million loss into a €0.4 million gain.

- **Strong net result improvement by €2.4 million**

The net loss in the first half of 2008/09 was €0.3 million, versus €2.7 million in the year-earlier period. This +€2.4 million improvement resulted from higher gross margin, a firm grip on operating costs and effective currency hedging.

- **Solid financial position**

At 31 July 2008, ESI Group had available cash of €9.4 million versus €11.0 million a year previously. In the first half of 2008/09, the Group spent €1.4 million on buying back shares and repaying debts. The Group's financial position improved, with an indebtedness ratio (long-term financial debt over shareholders equity) of 7.2%, versus 11.2% at 31 July 2007.

Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group, states: "*We are very pleased to announce these results, which show a strong improvement in profitability. They demonstrate the effectiveness of our strategic decisions with the strengthening of the Services business, and regarding financials, the firm grip on costs and effective currency hedging*".

Highlights and outlook

- **Product mix shifting towards Services**

ESI Group's product mix is shifting towards high-value-added Services.
The growth in the Services business reflects:

- manufacturers' increasing acceptance of realistic digital simulation, which has become a competitive necessity,
- ESI Group's unique know-how and experience in helping customers move towards new methods.

ESI Group's leadership in Services is likely to have several positive effects:

- higher gross margin in the Services business, as a result of the Group's strong expertise,
- stronger Licences revenues arising from technology transfers to OEMs and subcontractors.

- **Integration of acquisitions boosting growth and profits**

Emerging products arising from acquisitions remain effective new sources of growth, particularly the VA One acoustic and the ProCAST casting simulation solutions. Consolidation of the most recent software acquisitions remains ongoing.
The successful integration of Service teams in Korea and China with proven business expertise, has significantly enhanced ESI Group's global competitiveness.

- **An integrated virtual prototyping platform**

The widespread adoption of the digital mock-up, in CAD design applications and for the engineering through digital analysis, prior to making the first real prototype, means that digital simulation is a vital new tool in improving and accelerating prototype perfecting. Digital simulation is being spurred by major progress in high-performance computing, and expertise in this area is now crucial for industrial competitiveness. At the same time, digital simulation is of strategic interest for major PLM (product lifecycle management) players.

For ESI Group, this trend is creating a major opportunity, leading to faster deployment of its virtual prototyping platform, which incorporates physical data and goes beyond the limits of the CAD-based digital mock-up. The expected benefit is to allow the simulation process to start at the preliminary design stage, even before the full digital mock-up and the first real prototype are available, while ensuring full synchronisation within the product lifecycle process.

Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group, concludes: "*Manufacturers increasingly want to use multi-domain digital simulation from the start of their product design phase. This is generating the strong growth of our Services business, as we offer a response to the challenge of making innovation more reliable and productive. This strategic direction, together with our good first-half results, enables us to maintain our operating margin target of 10% for the current year, whilst paying rigorous attention to the global economic context.*"

About ESI Group

ESI Group 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 Group 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 Group's offer represents a unique collaborative solution with an open virtual engineering environment known as the Virtual Try-Out Space, 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 700 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.

ESI Group has been recognised as "an innovative company" since 20 January 2000 by OSEO-Anvar and is eligible for inclusion in "FCPI" innovation venture capital funds.

Listed on Compartment C of NYSE Euronext
ISIN FR 0004110310 - FTSE 977- Bloomberg ESI FP - Reuters ESIG.LN

Press release announcing sales for the third quarter of 2008/09:

11 December 2008 (at the market close)