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## 2007/08 annual sales: €68.9 million

### Substantial growth for Services

### Moderate growth for software Licenses, impacted by exchange rates

**Paris, 11<sup>th</sup> March 2008:** ESI Group (ISIN FR0004110310), a pioneer and world-leading solution provider in virtual prototyping and manufacturing processes, today announces its consolidated sales for its fourth quarter and full year to 31<sup>st</sup> January 2008.

<i>In € millions</i>	Fourth-quarter sales				Annual sales			
	2007/08	2006/07	Δ % (actual)	Δ % (volume)	2007/08	2006/07	Δ % (actual)	Δ % (volume)
Licenses	23.8	23.1	+3.4%	+7.0%	53.9	53.1	+1.4%	+5.8%
Services and other activities	4.5	3.9	+14.0%	+17.8%	15.0	12.9	+16.3%	+20.0%
<b>Total sales</b>	<b>28.3</b>	<b>27.0</b>	<b>+4.9%</b>	<b>+8.5%</b>	<b>68.9</b>	<b>66.0</b>	<b>+4.3%</b>	<b>+8.5%</b>

*FY to 31<sup>st</sup> January*

#### • Acceleration in growth by volume

For the second year in a row, ESI Group recorded an acceleration in its growth by volume (on a constant exchange rate basis). 2007/08 sales thus totalled €68.9 million, up +8.5% by volume organically, versus growth of +7.6% the previous year and +6.3% in 2005/06. With ESI Group recording 81% of its activity outside France and billing 48% of its sales in euros, the negative evolution of exchange rates again significantly impacted the overall level of activity, which grew by +4.3% in euros.

The geographical split of sales was as follows: 47% in Europe, 37% in Asia and 16% in America. The surge is continuing in Asia, where major OEMs are increasingly present. This development in emerging countries such as China and India is being accompanied by an evolution of the business model towards OTC ('One Time Charge') sales, to the detriment of annual License rentals. As a consequence, repeat business for License sales (excluding exchange rate effects) represented 80% of total License sales at the end of January 2008, versus 86% the previous year. The America zone suffered from a difficult economic situation over the second half of FY2007, and there was an amplification of transfers towards Asia, which led to a slowdown in sales on this zone.

The seasonal nature of fourth-quarter activity was even more marked for License activity in 2007/08. Sales recorded over the 4<sup>th</sup> quarter thus represent 43% of annual License sales, due to customers' desire to concentrate the renewal of major annual contracts at the start of the calendar year.

Emerging products are continuing to efficiently play their part as growth relays. On the other hand, mature products, which are meeting with real success on new territories and with large OEMs, recorded a slower growth with some existing clients as a result of the effect of the transition of 1G solutions towards 2G/3G integrated solutions, and which can require specific Services support.

#### ● **Upsurge in Services activity**

The substantial increase in Services activity lays witness to the rebound that had been anticipated for 2007/08. In line with the trend observed during the start of the financial year, this upsurge reflects industry's demand for increasing support for the implementation of specific and innovative solutions with high value added. It shows the appeal that new industry players in diversified sectors have for realistic virtual simulation (based on materials' physical properties) and bodes well for an acceleration in the commercialisation of Licenses following the completion of these projects.

#### ● **Prospects**

For FY2007/08, the upsurge in Services activity should allow an improvement in the gross margin for Services. However, the sales investments planned and carried out, notably in emerging countries, and the setting up of new local support teams will not show the expected effects in sales terms until FY2008/09, and will therefore weigh punctually on FY2007/08 operating profitability (EBIT).

Alain de Rouvray, ESI Group's Chairman and CEO, concludes: *"Economic uncertainties in the United States, the amplification of the negative evolution of exchange rates and the pushing back of some order taking negatively affected FY2007/08, thus delaying the anticipated positive effects of the in-depth measures implemented over the year. However, the excellent reception given to our integrated solutions and the buoyant growth of our emerging products, the ongoing increase in our activity in Asia and Eastern Europe and our increasing diversification into industrial sectors with substantial development potential such as energy, aeronautics and electronics allow us to remain confident in our potential for growth and the improvement in profitability for next fiscal years."*

**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 Euronext Paris. For further information, visit [www.esi-group.com](http://www.esi-group.com).

ESI GROUP has been qualified as "an innovative company" since January 20<sup>th</sup> 2000 by the OSEO-Anvar and is eligible for inclusion in "FCPI" (venture capital trusts dedicated to innovation).

**Listed in Eurolist compartment C of Euronext Paris**  
**ISIN FR 0004110310 - FTSE 977- Bloomberg ESI FP - Reuters ESIG.LN**



**2007 annual results will be published on**  
**23<sup>rd</sup> April 2008**  
**(after market)**

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