

March 17, 2005

E-Sim Ltd.: OTC BB “ESIMF.OB”

Rating: Reiterated Buy

Financial Summary	
52-Week Range	\$0.24/\$1.55
Recent Price (3/16/05)	\$0.36
Market Cap	\$7.85 Mn
Current Shares Outstanding	25.6 Mn
Avg. Daily Trading (3M)	17,681
Fiscal Year-End	31-Jan

Source: Yahoo Finance, SEC filings, analysts estimates

We reiterate our Buy rating on e-SIM. During fiscal year 2004 (ended January 31, 2005) ESIM reported strong double-digit revenue growth with significant improvements in gross margins and remarkable reduction of operating and financial expenses. In addition, the company is continuously strengthening and enlarging its market share through partnerships with major market players. However, because of limited data we will revisit our valuation model and price target after the filing of Form 20-F.

HIGHLIGHTS

- **Strong revenue growth.** The revenues for Q4FY04 increased by 20% yoy mainly due 35% yoy increase of product sales. The revenues for the full FY04 increased by 13% yoy similarly because of strong revenue growth in the product segment.
- **Improvement of 17% points in the gross margin for Q4FY04.** The recent revenue growth has been associated with higher gross margins for both Q4FY04 and FY04 compared to previous periods. The services segment faced the strongest improvement of margins while product segment has almost flat gross margins.
- **Remarkable reduction of operating expenses and financial expenses.** For both Q4FY04 and FY04 ESIM achieved a high reduction in operating and other expenses which helped company roughly to halve to its net loss.
- **ESIM's backlog is currently \$1.8 million.**

\$, yr. end Jan 31	Q4FY04	Q4FY03	% Chg	FY04	FY03	% Chg
Products	\$656,093	\$484,306	35%	\$2,254,116	\$1,818,726	24%
Services	662,244	615,550	8%	2,831,185	2,682,513	6%
TOTAL REVENUES	1,318,337	1,099,856	20%	5,085,301	4,501,239	13%
GM Product, %	92%	93%	-1% pts	93%	93%	0% pts
GM Service, %	31%	6%	26% pts	30%	26%	4% pts
Gross margin total, %	61%	44%	17% pts	58%	53%	5% pts
Oper. Exp. as % of sales	115%	127%	-12% pts	104%	118%	-14% pts
Financial expenses (income), net	119,315	1,052,171	-89%	389,738	1,343,159	-71%
Net loss	-822,504	-1,960,321	NM	-2,717,934	-4,247,860	NM
Basic & Diluted EPS, \$	-0.03	-0.15		-0.12	-0.36	
Weighted average no. of shares	25,051,627	12,746,892		22,158,097	11,963,056	

Source: Company's press release

RECENT PARTNERSHIPS

- **JATAAYU SOFTWARE TO INTEGRATE MOBILE DEVICES PRODUCT SUITE WITH E-SIM'S MMI SOLUTION**

On February 10, 2005 ESIM announced its joint plans with Jataayu Software to integrate and bundle the Jataayu Terminal solutions suite with e-SIM's MMI solution. Under the agreement, the device manufacturers, OEMs, and ODMs will launch feature-rich and intuitive mobile devices to market with Jataayu's industry leading browsing and messaging solutions with e-SIM's complete MMI solution.

Jataayu's terminal suite includes WAP 2.0 browsers, MMS clients, Sync Clients, IMPS Clients and professional services. e-SIM's MMI solution includes an MMI reference design, a comprehensive set of RapidPLUS(TM) development and customization tools, and a broad range of professional services. The pre-integrated Jataayu mobile suite with e-SIM's MMI provides device manufacturers, OEMs, and ODMs with an optimized solution to reduce time to market for newer devices.

Jataayu Software, (www.jataayusoft.com) is an established leader in the areas of MMS, WAP, SMS, IMPS, SyncML and Messaging. Jataayu's product offerings address every level in the mobile data services value chain. Jataayu offers carrier-scale, software products such as MMSC, WAP Gateway, SMS Gateway, SyncML, IMPS and Notification/ Alert systems for Mobile Operators on GSM/GPRS/3G and CDMA environments. Jataayu's infrastructure products are currently deployed at over 30 Carrier locations worldwide. Jataayu wireless terminal solutions are licensed by leading device manufacturers, ODMs and suppliers of reference platforms for the present and next generation devices and have shipped on more than 20 Million handsets, worldwide.

- **E-SIM MMI TO PROVIDE COMPLEX LANGUAGE SUPPORT FOR MOBILE HANDSETS WITH nCORE'S MULTILINGUAL SOFTWARE.**

On February 10, 2005 ESIM announced it have partnered with nCORE to supply complete multiple-language support for mobile handsets. To promote the success of this solution the companies have integrated nCore's multilingual engine, nScript, into e-SIM's MMI solution. e-SIM plans on supplying the nScript engine as part of its complete MMI offering to its customers.

With this partnership, e-SIM's customers will be able to sell handsets, which include complete editing and delivering support for multiple languages besides the Latin and Chinese scripts already supported by e-SIM. nScript will also add a rich text editor, which allows creation of styled text messages.

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