

DASSAULT SYSTEMES (DS)
2009 First Quarter Preliminary Conference Call
Thursday, April 16, 2009
Final

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Head of Investor Relations

Good afternoon and good morning, ladies and gentlemen. Thank you for joining us for a review of our preliminary, first quarter financial results.

On the conference call are Bernard Charles, President and Chief Executive Officer, and Thibault de Tersant, Senior EVP and Chief Financial Officer.

On this call, we will discuss our preliminary revenue data, operating margin and EPS. This information is presented on a non-IFRS basis before deferred revenue write-downs, amortization of acquired intangibles, stock-based compensation expenses and other operating income and expense, net. The call will be limited to non-IFRS information in order to make comparisons to our financial objectives which are also presented solely on a non-IFRS basis.

We will begin this call with some formal comments by Thibault and Bernard and will then open the call to questions. Since the information we are sharing today is preliminary in nature, it is subject to completion of our closing work. We may not be in a position to respond to all your questions at this time, but we will do our best.

We will return to our pre-earnings quiet period beginning Monday morning, April 20th, and will have no further comments until we release our full earnings results on April 30, 2009. At that time we will hold our first quarter webcast and conference call.

I would now like to turn the call over to Thibault de Tersant.

Thibault de Tersant
Senior EVP and CFO

Thank you, Francois.

Summary

Overall, our financial results this quarter were decent, particularly when you consider that the global economic crisis has both spread to more countries and deepened. Earnings and margin were in line with our objectives benefiting from our cost initiatives with total revenue coming in about 6 percent below the range we had set due to the worsening of the economic environment.

Turning to the numbers, and on a preliminary basis, as we have to complete our consolidation process:

- Non-IFRS total revenue is estimated at 310 million euros, compared to our objective of 325 to 335 million euros. This represents an estimated increase of 1 percent as reported but a decrease of 6 percent in constant currencies in comparison to the 2008 first quarter.
- Non-IFRS software revenue increased 1 percent as reported but decreased 5 percent in constant currencies.
- Thanks to our cost containment efforts, our non-IFRS operating margin came in at about 19 percent tracking to our objective range of 18 to 21 percent.
- And non-IFRS earnings per share are estimated at about 37 cents compared to our objective range of 36 to 42 cents.
- During the quarter, we were able to drive more than 15 million euros of additional savings compared to our former goal. And our efforts enabled us

to reduce total expenses by 1 percent in constant currencies in comparison to the 2008 first quarter.

Despite the greater complexity to giving objectives in 2009 compared to past years, we plan to continue to share quarterly and annual financial objectives so that you know what our goals are. And as we said in February, they are subject to change if global economic conditions worsen. When we announce our complete results for the first quarter on April 30th we will also update our financial objectives.

Preliminary First Quarter Financial Information

With that introduction, let me review with you some of the details behind our preliminary revenue and earnings results.

- Recurring software revenue and services activity generally tracked to our expectations. We think it is prudent to assume that both these areas will see some increased pressure over the next several quarters.
- New license activity was the cause of the revenue shortfall, decreasing about 40 percent in constant currencies during the first quarter as the global recession worsened in comparison to the fourth quarter.
- Looking specifically by region and in constant currencies, year-over-year declines were more pronounced compared to what we saw in the fourth quarter of 2008. Total revenue in Asia was down 11 percent compared to a decline of 4 percent in the fourth quarter, with Japan weakening further and the spread of the recession to other countries in Asia. In Americas total revenue was lower by 10 percent compared to a flat fourth quarter. Turning to Europe, the environment and our performance were generally similar to the

fourth quarter with total revenue essentially flat in the first quarter in comparison to the 2008 period.

- By industry verticals, automotive and industrial equipment were the most affected. High tech and consumer electronics were also weak.
- Looking at our results by businesses, Mainstream 3D software revenue decreased 2 percent in constant currencies thanks to growth in Mainstream 3D subscription business, helping offset weaker new license activity. New seats sold decreased about 30 percent.
- On the PLM side, software revenue decreased 7 percent in constant currencies. CATIA, DELMIA and ENOVIA were all affected. We are seeing greater delays in decision-making on new infrastructure decisions. This has a slightly more pronounced impact on ENOVIA than for our other PLM brands where companies in our core industries can decide to move forward with some additional applications or licenses. In addition, while we are making progress into new industries, particularly with ENOVIA, initial wins are relatively smaller transaction sizes and do not compensate for lower business activity in our core markets. SIMULIA and services results overall were in line with our expectations but the recession is also showing its head here.

Cost Initiatives Program

Despite the weaker top-line results, both earnings and operating margin came in in-line with our objectives thanks to the cost initiatives we outlined with you at the time of the fourth quarter earnings as well as additional initiatives we took as precautionary measures.

With an updated view of the environment, we are expanding our cost initiatives to help mitigate the impact of the recession on our operating margin and earnings. At

our year-end call, we discussed and reviewed our expense roadmap for 2009. One of the items related to savings estimated at 35 million euros coming from our 2008 restructuring work and our 2009 savings initiatives encompassing purchasing policy, travel, subcontractors and professional fees. Our plans now go much further into reducing costs in these and other areas.

In the aggregate these cost initiatives should help us realize about 80 to 90 million euros of additional savings during 2009 as compared to our former goal. And based upon what we were able to do in the first quarter alone –delivering in excess of 15 million euros of savings through operational efficiencies – certainly demonstrates that our new goal is achievable with continued strong execution across DS.

At this point let me turn the call over to Bernard.

Bernard Charles
President and Chief Executive Officer

Thank you, Thibault.

There are several points I would like to share briefly with you today and then spend more time discussing them with you on April 30th.

We have set clear priorities for managing our business during this recession and at the same time we are also advancing our business and driving our mid-term initiatives.

Turning first to the current environment, what we see is mainly a delay in decision-making, as the need for our solutions in helping enable innovation is still there and from a competitive standpoint, we believe DS is continuing to gain market share.

In February we outlined two important guidelines framing our response to this recession which continue today.

First, from a financial perspective, our goal is to limit the impact of the recession on our profitability and protect our operating margin to the extent possible. As our preliminary first quarter results indicate, we have demonstrated a strong commitment and ability to reduce costs. Given the heightened uncertainty, we undertook further precautionary measures on the cost side, which clearly helped us to offset the impact of the deterioration of the economic environment.

Today we have outlined for you the much wider scope of our savings initiatives underway for this year 2009. We now have a broader productivity program that should benefit us at present and enhance our cost structure going forward.

Secondly, from a market perspective, our focus is to maintain our capacity at the appropriate levels – and by capacity I mean R&D as well as sales. We want to be well positioned to support our customers. With our sales teams and sales partners we are focused on working closely with each of our customers to provide them with the solutions to help them manage through this recession and emerge stronger.

We also want to ensure that we have the appropriate level of resources to help our sales partners and support them with the right skills in all of our brands, and also in our new market verticals for diversification. Further, working together, we will continue to build a larger pipeline given the lower and more uncertain closure rates.

On the R&D side we remain dedicated to our strategic R&D initiatives and are continuing this work. And, at the same time, our R&D efforts are also focused on delivering enhancements to our existing software solutions across DS to respond to our customers' requirements.

Throughout DS, executing at a high level is more important than ever although certainly not easy. But by our focus on addressing customers' and partners' needs, and making sure we use our resources wisely, we are also strengthening both our market position and our financial position.

In this regard I want to share just a few examples across our major brands: first with CATIA where BMW chose our powertrain solution, a domain in which we continue

to build momentum; with SIMULIA with the recent decision by P&G selecting SIMULIA as its enterprise simulation partner and with Guess' decision to expand its relationship with ENOVIA to help manage its global sourcing operations. In newer geographies, for instance, Trent Westside, a leading Indian retailer, and Great Wall Motors in China have selected ENOVIA for sourcing and materials compliance, respectively; and in Mainstream 3D, SolidWorks had a number of wins over competitors, including Houdijk Holland in the Netherlands for 30 seats of SolidWorks and Western Digital for 100 seats of SolidWorks PDM solutions.

To conclude, in this respect the 2009 first quarter was not different from other quarters. We are focused on satisfying our customers, advancing our R&D, building our sales pipeline, helping our channel partners sell advanced products and continuing to penetrate new verticals. In combination with our significant cost and efficiency initiatives, we believe this is a winning strategy to help us navigate the recession and enhance our market leadership, both now and in the future.

At this point, Thibault and I will take your questions.

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