

DASSAULT SYSTEMES (DS)
Conference Call
Tuesday, October 27, 2009
IBM PLM Proposed Acquisition Announcement
Morning Call

Francois Bordonado
Vice President, Investor Relations

Good morning and thank you for joining us to discuss the proposed acquisition of IBM PLM by Dassault Systemes which we announced yesterday evening in a joint press release with IBM.

Participating on this morning's conference call is Bernard Charles, President and Chief Executive Officer. Thibault de Tersant, Senior Executive Vice President and CFO is en route from New York and will join us for a second call which we will hold at 3 PM Paris time/10 AM New York time.

Dassault Systemes is currently in its quiet period and will be releasing 2009 third quarter results this Thursday. We are stepping out of our quiet period to discuss this proposed acquisition, but will return at the end of today.

I would like to remind everyone that some of the comments we will make on this call, either as part of the prepared remarks or in response to questions, may contain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. Information about the factors that could cause actual results to differ materially from forward-looking statements can be found in yesterday's press release announcing the proposed acquisition and in our AMF regulatory filings.

I would now like to turn the call over to Bernard Charles.

Bernard Charles
President and Chief Executive Officer

Thank you, Francois.

Overview

Our decision to acquire IBM PLM was a very easy one to make, as it is the right time, it is the right business operations and it is the right partner.

- First, it is the right time to make this acquisition because we now have our Version 6 PLM which is offering well integrated, enterprise solutions to support our customers' business processes and to shape innovation for sustainable product development. And with our proposed investment in IBM PLM, we now will have very well integrated sales teams to engage with our large clients.
- Second, IBM PLM is the right business operations to acquire because we have worked together for many years. We know and respect their significant talents. You have heard us speak

about this business and their expertise. Now, we expect this unit will become a part of Dassault Systemes.

- And third, it is the right partner. We are developing an expanded global alliance with IBM, built upon our 28 year relationship. We are taking our alliance to the next stage, where both companies will bring their expertise to deliver more value together to more industry verticals.
- Through this acquisition, when completed, we will work directly with an additional 1,000 customers in the aerospace, automotive, energy, machinery and shipbuilding industries. Both Dassault Systemes and IBM PLM executives have had the opportunity to speak with a number of our customers around the globe since the announcement last evening and the responses have been very positive.
- Turning to the financial aspects, the acquisition purchase price is approximately \$600 million, all cash. We are purchasing IBM's business unit, known as IBM PLM, which

sells and supports DS PLM software solutions. This includes the sales, marketing, services and support operations, as well as customer contracts and related assets.

- IBM PLM is a well-managed business, with a high level of recurring software revenue, and with solid operating profitability. So we expect the acquisition to be accretive to both our earnings and operating margin on a non-IFRS basis.
- And finally, we are targeting to complete the acquisition in the second quarter of 2010.

Several years ago we began a major sales channel transformation with the creation of our PLM Value Channel to enhance our go-to-market sales and solutions for the small and mid-sized market. As part of this we orchestrated a well crafted transition from IBM to Dassault Systemes. Of course, we were not starting from scratch at the time. We already had the best indirect channel for the Mainstream 3D market, so we were able to leverage our knowledge and know-how as we created our PLM Value channel.

Similarly, as we look at DS today we have developed a strong direct sales force with deep brand and industry expertise. We have been working closely with a number of our large customers on a direct basis. And so I am confident that working altogether with our new colleagues, we will achieve a successful transition and integration of IBM PLM within the DS Business Transformation channel.

Stepping back and looking at our go-to-market strategy, with our two PLM channels in combination with our Professional Channel for the Mainstream 3D market and our emerging online, I believe we are well aligned with our market opportunities. And looking forward, the wide adoption of 3D life-like experience and PLM will require the combination of direct sales, our partner networks and online communities.

Delivering a New Level of Customer Engagement

A key driver for this acquisition is that we see the ability to create and deliver a new level of customer engagement to all our clients across our two PLM sales channels.

We believe customers will benefit from the combination of a strong, unified go-to-market model encompassing the entire DS portfolio, providing a complete PLM value proposition under one umbrella and specialized sales teams. Over the past years, we have seen a growing demand from our customers to be closer to them: integrating sales and support becomes the most relevant answer to their request. This should lead to a sales experience which is much simpler for our PLM clients.

Looking at the changes we are making with IBM, we are now both focused on our core strengths in order to better serve our mutual customers and to help them accelerate their ability to maximize the value of their PLM environment and business processes.

Our Version 6 PLM solutions target a broad population of parties working together in product development, with design, engineering, manufacturing, marketing, supply chain, and other interested actors. With our new global alliance with IBM, we have

put in place everything necessary for our customers engaged in business transformations.

IBM PLM

Following the joint announcement yesterday evening, we have had the opportunity to communicate with some of our colleagues from IBM PLM and with their colleagues in our Business Transformation channel. On behalf of all of us at Dassault Systemes we warmly welcome IBM PLM and look forward to working closely together.

Now, let me give you some background on the business we are intending to acquire from IBM. Our partnership with IBM started in 1981 and enabled the creation of the business unit in charge of selling our products. This business unit has evolved over the years, and since 2006 IBM PLM has been a part of IBM's Software Group. They have been solely focused on the sales of DS PLM software products.

Today, IBM PLM is a world-class 700 person sales and support organization. It is, of course, global with approximately 46% of the employees based in Europe. This should complement our presence as well as strengthen our direct sales in certain countries within Europe. About 33% of the employees are based in the Americas and about 21% in Asia Pacific. The team is managed by Albert Bunshaft Vice President - Product Lifecycle Management - IBM Software Group. I am very pleased to announce that Al will be joining Dassault Systemes once the acquisition of IBM PLM is completed.

What is very unique about this acquisition is that IBM PLM already has a strong relationship with our products. They bring valued resources and skills and further significant expertise in sales and customer support which we want to use.

While we plan to acquire IBM PLM, both IBM and DS also plan to form a new global alliance. So, together we move forward to advance our almost 30-year partnership.

New Global Alliance with IBM

As our joint announcement underscored, we are looking to strengthen and extend our cooperation in six key areas: professional services, cloud computing, middleware, flexible financing, hardware, and sales and distribution. We each remain committed to PLM and our mutually beneficial alliance as valued by our clients.

Let me give you a little more color on our extended areas of cooperation.

- Looking at Professional services: With the introduction of V6, integration with other enterprise systems and support of business processes will be more and more important. And so

we think strengthening the cooperation we have with IBM Global Services to deliver project management, consulting and integration services for our customers makes strong business sense.

- Financing is an area that is important to our customers as it gives them additional flexibility, especially in the current economic climate. IBM Global Financing has been working with IBM PLM and its customers, so we want to have the same partnership now with IGF for the benefit of our clients.
- In Cloud computing we intend to work closely with IBM to provide a new generation of on-line PLM solutions.
- In Middleware DS has, of course, already been working closely with IBM, but as we develop enterprise solutions there is more we can do together in that domain.

And in sales and distribution we will become a Global Partner to ensure that the strengthened customer engagement I just described will become reality.

So it is very clear that DS and IBM now are positioned to focus on our individual core strengths. And together, we will work to capture the PLM opportunity which encompasses jointly marketing our solutions, identifying and investing in key growth areas of mutual interest and collaborating with each other with the goal of better serving our mutual customers.

Financial Summary

Let me take you through a financial summary of this transaction. I believe from this perspective, the acquisition is also well timed and will be a solid contributor to our overall results.

This is an all cash acquisition. In the aggregate, the purchase price is about \$600 million. After the closing, we remain with a strong financial position, continuing to give us significant flexibility.

IBM PLM named accounts revenues were about \$400 million for the nine months ended September 2009. The business unit is well-

managed, with a high level of recurring software revenue and with solid operating profitability. So we expect the acquisition to be accretive to both our earnings and operating margin on a non-IFRS basis.

Summary

So to conclude, let me share a few observations.

This is a unique, compelling opportunity coming exactly at the right time. While I do not want to underestimate the work ahead of us to successfully integrate our two organizations into one, I think we begin this process favorably.

- First, we are aligning two organizations that have already worked together for a number of years. There is limited knowledge ramp-up as they have been a part of the core of our sales operations.
- Additionally, there are no software roadmaps to merge, nor R&D conflicts, nor different software applications.

- Third, we have been managing a direct sales force for a number of years.
- And fourth, we have already done a successful channel transition and integration with IBM.

In closing, the proposed acquisition of IBM PLM and the broadened alliance with IBM have been designed to bring value to our customers, DS employees, both current as well as our new colleagues joining us, and our shareholders.

With that, I am happy to take your questions.

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