

**2007 Third Quarter Newswire Conference Call  
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**Final**

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**Introduction**

Good morning. I want to thank you for taking the time to join me on this conference call to discuss our financial results for the 2007 third quarter and year-to-date periods. As you know, our results were released earlier this morning.

Before I begin, let me remind you that some of the statements I will make on this call are forward-looking. Actual results could differ materially from those projected in forward-looking statements. Information about the principal factors that could cause actual results to differ materially from forward-looking statements can be found in today's earnings press release and in Item 3 of our 2006 20-F.

Now, let's begin with a quick overview of our results.

## **Overview**

- DS had a solid third quarter performance despite pronounced currency headwinds, with revenue and earnings well in line with our objectives. In particular, I want to highlight software revenue which increased 17 percent in constant currencies and accounts for about 85 percent of our total revenue.
- All our sales channels are contributing to our third quarter and year-to-date results. We continue to make good progress in our PLM Value Channel transformation and SolidWorks had a very good quarter.
- We are advancing our 3DVIA strategic roadmap with two major initiatives this quarter. First, we acquired Seemage to leverage 3D product data for product documentation and other uses. Secondly, jointly with Microsoft we announced the release of Microsoft Virtual Earth - 3DVIA Shape.
- Based upon our financial performance through the first nine months and with our third quarter in line with our expectations, we are reconfirming our 2007 constant currency non-GAAP revenue objective for growth of about 14 to 15 percent, but due to further weakening of the US dollar, we are adjusting our reported revenue range to 1.275 to 1.285 billion euros and EPS to 1.96 to 2.00 euros. We are changing our U.S. dollar exchange rate assumption to 1.45 from 1.35 USD per one euro. We are maintaining our Japanese yen assumption at 165 yen per one euro.
- Looking to 2008 we have decided to initiate revenue growth objectives which I will discuss shortly.

## **Financial Highlights**

Moving to our financial highlights, let me remind you that all the figures I will discuss are given on a non-GAAP basis. We believe the presentation of supplemental non-GAAP financial information is helpful in order to better understand our performance. Reconciliations between U.S. GAAP and non-GAAP figures are included in our earnings press release, which has been posted on our website [www.3ds.com](http://www.3ds.com).

- We reported total revenue of 301.3 million euros, representing growth of 12 percent in constant currencies on strong software results. This was well supported regionally as we had double-digit constant currency software growth in our three geographic regions.
- Asia led the overall results, with total revenues up 27 percent in constant currencies this quarter, followed by the Americas with 10 percent growth in constant currencies and Europe with revenues higher by 5 percent. Year-to-date, Asia and Americas are tracking closely, with Asia up 24 percent in constant currencies and the Americas up 22 percent, also in constant currencies. Europe is higher by 6 percent year-to-date.
- Service revenue, which totaled 43.2 million euros, decreased 11 percent in constant currencies in comparison to the year-ago period, where services were up 72 percent in constant currencies. So other than a very tough comparison, services performance was fine.
- Pre-tax earnings increased about 6 percent, generally tracking revenue growth on a reported basis. EPS growth trends in the 2007 third quarter, however, were impacted by the effects of one-time tax restructuring benefits in the year-ago period which significantly lowered the 2006 third quarter effective tax rate compared to the 2007 rate. As a result, EPS was 39 cents, in line with our objectives for the 2007 third quarter, but lower than the 40 cents in

the year-ago period. So the decrease as you can see is simply coming from the one-time tax restructuring.

- Third quarter 2007 consensus analysts' estimate for revenue was 305.1 million euros and for EPS it was 41 cents. We had above consensus software results of 258.1 million euros versus consensus of 253.7 million euros.

### **Business Highlights**

Third quarter software performance was driven by good software revenue growth in both PLM and Mainstream 3D segments.

- CATIA is seeing good momentum with large accounts and increasing interest in CATIA PLM Express in the value channel. New CATIA seats increased 4 percent in the quarter, and including SolidWorks, our total design seats increased 12 percent in the third quarter.
- ENOVIA's revenue increased 12 percent in constant currencies in the quarter, taking a breather from the torrid pace of the first half. ENOVIA is on track for achieving a strong fiscal year performance and has been a key contributor to the 15 percent constant currency year-to-date PLM growth.
- SIMULIA continues to see good demand for its simulation solutions. Its double-digit growth is driven by expanding relationships with its customers, winning new customers across a wide array of industries and gaining market share from competitors, particularly in the automotive and aerospace sectors.
- SolidWorks, focused on 2D to 3D migration, delivered a record quarter for revenue. Revenues were up 20 percent in constant currencies and new seat growth was 19 percent.

- DS is expanding the scope of its PLM portfolio to revolutionize the way companies can share and reuse 3D product data. Our goal is to help companies leverage their product-related data wherever it may reside for product documentation, technical training, maintenance, customer service as well as for marketing and sales.
  - With the acquisition of Seemage, we are adding an innovative team and technology in support of this vision.
- We continue to focus our R&D efforts on developing technologies for next-generation, online collaboration. As part of our 3D For ALL strategy we recently introduced, with Microsoft, Virtual Earth – 3DVIA Shape. This online application enables consumers to easily create realistic 3D models of homes and buildings and then share them with others in online communities.

### **Summary**

- To summarize, our growth drivers are in place and delivering results. I believe DS is positioned to further grow its market share in 2007 thanks to investments in further strengthening its first class brands and go-to-market strategies.
- Looking to 2008, our observation is that the overall economic environment is becoming more complex than it was in 2007. Looking at our own business, we see a continuation of the favorable demand dynamics for our software. We have decided to initiate growth objectives for 2008 with a constant currency non-GAAP software revenue growth objective of about 12% and a non-GAAP total revenue growth objective of about 10% in constant currencies.
- Let me stop now and take any questions you may have.