

2008 Fourth Quarter Newswire Conference Call
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Final

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Introduction

Good morning. Thank you for participating in this conference call to review Dassault Systemes' 2008 financial performance and our outlook for 2009.

Before beginning, let me state that some of the comments 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 our earnings press release which was released earlier this morning, and in our regulatory documents.

I would remind you that most of the financial figures I am discussing with you today are given on a non-GAAP basis. Our 2009 objectives are given today on a non-IFRS basis as beginning with this year Dassault Systemes will solely report our financial results under IFRS. We announced our plans to move from reporting under both US GAAP and IFRS to solely reporting under IFRS mid-2008.

We believe the presentation of supplemental non-GAAP and non-IFRS financial information is helpful in order to better understand our

performance. Reconciliations between U.S. GAAP and non-GAAP figures as well as IFRS and non-IFRS figures are included in our earnings press release, which has been posted on our website www.3ds.com.

So, let me briefly review our performance.

Overview

Looking first at the fourth quarter:

- Non-GAAP total revenue was 384 million euros, an increase of 4 percent as reported, but a decrease of 3 percent in constant currencies in comparison to the 2007 fourth quarter.
- Total software revenue decreased 1 percent in constant currencies for the quarter. The sharp downturn in the economy in the fourth quarter negatively impacted new license activity which was down 22 percent in constant currencies. Recurring software revenue, however, was higher by 17 percent in constant currencies.
- Non-GAAP EPS was 66 cents and represented a decrease of 15 percent. This reflects the fact that we could not adjust expenses in such a short time to react to the contract deferrals that we saw at the end of the year.

Turning to the full year performance, despite the fourth quarter, 2008 was a positive year. Thanks to our recurring business model, we gained 1 point of market share, and reported growth in revenue and earnings and ended the year with a strong financial position.

- Our non-GAAP software revenue increased 10 percent on a constant currency basis. And our non-GAAP total revenue came in at approximately 1.34 billion euros.
- Our non-GAAP EPS was 2.02 euros, representing an increase of 2 percent.
- From a balance sheet perspective, we ended the year with a net cash position of 640 million euros.

2009 Financial Objectives

Turning to 2009, first, we have decided to continue to give financial objectives for the full year and for the upcoming quarter just as we have done in the past. We have some visibility on about 69 percent of our total non-IFRS revenue that we had in 2008, coming from recurring software revenue and services revenue. In assessing new license activity, we have assumed that the 2009 environment remains similar to the fourth quarter of 2008.

From a cost perspective, we started initiating cost savings during 2008 and we have continued with further savings measures in 2009 focused on reducing our third-party spending. In total, we expect that our initiatives will both help us during the downturn and better position DS when market conditions improve.

Looking at our objectives:

- We are targeting a 2009 total revenue growth objective of about 1 to 3 percent in constant currencies. This would lead to a reported revenue range of about 1.405 billion to 1.425 billion at assumed currency exchange rates.
- Based upon this level of revenue growth, we are targeting a stable non-IFRS operating margin in comparison to 2008 at about 25.5 percent of total non-IFRS revenue.
- And we are targeting to increase our earnings during 2009, with a 2009 non-IFRS EPS objective range of about 2.02 to 2.12 euros.
- With respect to the 2009 first quarter, we have set a non-IFRS total revenue objective of about 325 to 335 million euros and a non-IFRS EPS objective of about 36 to 42 cents per share.

Full Year Financial Highlights

Despite the disappointing fourth quarter caused by the global economic crisis, full year results demonstrate solid progress.

- For the year, the Americas were up 11 percent in constant currencies thanks to our industry diversification, sales capacity increases and solid performance in consulting services. Europe increased 6 percent, with Russia a particular bright spot. Revenue in Asia was up 6 percent in constant currencies with a good growth in China, India and Korea.
- We are benefiting from the expansion of our sales channels into higher growth markets comprised primarily of China, India, Brazil, Eastern Europe and Russia. Our revenue growth in these markets was about 40 percent in constant currencies during 2008.
- Software revenue increased 10 percent in constant currencies. New licenses revenue decreased 2 percent in constant currencies, while recurring software revenue increased 18 percent in constant currencies. Driving the increase in recurring revenue was growth in our installed base, SIMULIA growth and higher attachment and renewal rates for SolidWorks.
- And finally, Dassault Systemes continues to have a very strong balance sheet, finishing the fourth quarter with a strong net cash position and high quality receivables.

Business Highlights

I believe our financial results and outlook reflect five key factors that I would like to review:

- First, we are positioned in an attractive market and have extended our leadership of that market. PLM has become an important sector of the software market. The software portion of this market was

about 10 billion US dollars for 2008 according to industry market analysts and our estimate. And we had a 26 percent share of that market, with our next competitor a little more than half our size. We estimate that we added about one point during 2008 to our leadership of the PLM software market. And from a customer perspective we added more than 15,000 new customers across different countries and industries.

- Second, we launched Version 6 of our PLM software during 2008. Version 6 truly brings much greater collaboration possibilities which are so important to customers, and helps lower the cost of ownership. It tremendously increases the number of industry processes we are able to cover thanks to its architecture. This new product cycle in PLM brings additional flexibility and value to customers in new domains within the industries where we have a major presence and to new industries. We are seeing strong interest as we introduce these products.
- Third, through our strengthened sales channels, we reach more customers, more geographic areas and we have stronger channel partners. During 2008 we increased capacity in each of our three channels by more than 10 percent. And we continue to maintain about two-thirds of our sales through indirect channels.
- Fourth, in 2008 we made visible progress in increasing our presence in new industries and becoming a provider of strategic solutions to these industries. During 2008 our revenue in new industries represented about 15 percent of DS end-user software revenue. If we look back at the year we worked:
 - In Consumer and Consumer Packaged Goods with Barilla, Pacific Brands and Procter and Gamble;

- In High Tech with Lenovo, Leviton, L-3 Communications, Nikon, Nokia Siemens Network, Panasonic, STMicroelectronics and Toshiba;
- In Business Services with Cambric, TUV Rheinland and American Bureau of Shipping;
- And in Energy and Construction with Arup, OKG and Skanska.
- Touching back to my point at the outset of my remarks, the PLM market is becoming an increasingly important software sector because it touches so many industries as companies come to understand its importance in sustainable product development.
- The final point I would like to make is that our work in developing our channels has enabled us to increase our market presence in higher growth countries. We are at the beginning of an important, unstoppable wave, as these companies look to design and create their own products in addition to being a source of manufacturing or design for companies in more mature markets. And even with the economic crisis, this trend will continue. These companies, for the most part, have the financial resources to continue to invest and it is clear that this initiative is an important strategic priority for these countries.

Summary

Turning to 2009, we expect it to be a difficult global economic environment in which to operate, but I believe we have the right assets to help us manage through the downturn. We step into this year with good diversification of our revenue by countries and industries, stronger sales channels and a new version of our software.

In addition, it is clear that PLM is an important market and that the need for what we do is becoming more visible to a number of industries and that PLM will continue to grow over the longer-term.

Finally, just as our customers focus on innovation and operational excellence, we do also. As a result, our goal is to make sure that we exit this downturn with the capacity to capitalize on better market conditions and an improved operational efficiency across the entire company.

Let me now stop to take your questions.