**DASSAULT SYSTEMES (DS)**
**2009 Fourth Quarter and Full Year Conference Call**
**Thursday, February 11, 2010**
**Final**

**François-José Bordonado**
**Vice President, Investor Relations**

Thank you for joining us on today's call with Bernard Charles, our CEO, and Thibault de Tersant, our CFO.

Dassault Systemes' financial results are prepared in accordance with IFRS. In addition, we have provided supplemental non-IFRS financial information. For an understanding of the differences between the two please see the reconciliation tables included in our earnings press release.

Some of the comments we will make on this call will contain forward-looking statements, which could differ materially from actual results. Please refer to our risk factors in our fourth quarter press release and in our 2008 *Document de référence*.

Finally, we will be holding our analysts' event June 14th and 15th at our headquarters office outside Paris. We hope to see many of you there.

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

**Bernard Charles**
**President and Chief Executive Officer**

Hello and welcome to our conference call. We held our year-end meeting in Paris earlier today so in addition to our conference call you can also see our webcasted presentation.

## Overview

While no one would want to repeat the economic environment of 2009 anytime soon, Dassault Systemes took good advantage of this timeframe. Our near-term focus was on containing the impact of the recession. We are very pleased with how well the entire Company worked as one to deliver on our financial objectives. At the same time, 2009 was also a year dedicated to preparing the future and putting in place the drivers of our growth over the next five years. While the results of these efforts will play out over time, we are very encouraged.

Looking now at the year, and score-card, I am pleased to say we achieved all our major objectives.

- First, we protected our operating margin thanks to our comprehensive cost savings plan. We delivered a 25 percent margin during 2009.
- Second, we reduced costs, while maintaining our sales and customer support capacity and increasing R&D resources by 4 percent. We

over-achieved our 120 million euros savings plan. And let me underscore that we exited the year with a stable employee base in comparison to year-end 2008. So I think we made the right decisions that will benefit us going forward.

- Third, we strengthened the competitive positioning of our six brands. Dassault Systemes is the world leader in PLM. We are number one across the design market, with our CATIA and SolidWorks brands. In simulation, we moved up to the number two position from a market share perspective, with SIMULIA. And our collaboration software, ENOVIA, is well positioned to lead the rebound as we are targeting double-digit new license revenue growth for 2010 for ENOVIA.
- Fourth, we continued our vertical industry diversification, with newer industries representing about 20 percent of our 2009 end-user revenue. Today, customers we work with extend to consumer goods companies, including the largest, Procter & Gamble. In fact, just this morning we announced an extension of our work with P&G. And we work with a number of leading apparel companies, including now VF, its former name was Vanity Fair, the largest apparel company in the world.
- Fifth, we are building a solid track record of Version 6 customers. We expect V6 to be a major driver of the Company's growth over the coming years. We gained about 250 customers since the first

release of Version 6 and we are just in the early stages of this trajectory. While V6 is new, it is built upon a production-proven platform.

- Finally, we are widening our direct sales coverage with the acquisition of the IBM PLM division. And this acquisition is coming at exactly the right time as we focus on advancing both V6 as well as our industry diversification. IBM PLM, in combination with our existing sales resources, gives us a direct sales-force of over 1,000 people.

**Strengthening Competitive Positioning of Our Brands**

The competitive positioning of our brands has never been better. In the entry 3D market, SolidWorks is number one with more than 1 million users. During 2009 it enhanced its leadership position versus its main competitor. Its seat volumes are much higher and its stable pricing trends underscore the value provided to customers.

SolidWorks' market leading footprint is due to a simple formula: great products, a strong channel and a vibrant user community.

If you want to understand how much of a love company it is, just attend its user conference. I did last week - it was HUGE! They filled the convention center auditorium in Anaheim, California. The total number of registrants was over 5,000, an all-time record. Attendance was up around 20 percent over last year.

Of course, migration of 2D users is an important business driver, but we are also seeing good traction for SolidWorks through expansion of its 3D user base, benefiting from its multi-product strategy.

Now, let me say a few words on CATIA. The world of product development is constantly changing – so if you want to be the leader in virtual product development, you cannot stand still – there is nothing static about the product development requirements of large OEMs and their supply chains. We continue to invest in CATIA, where we are number 1. We expect to continue to take share and we see other opportunities to expand the usage of CATIA, leading in total to a nice base for growth. Naturally we have a more optimistic view of the market CATIA serves than others, but I think the basis for our optimism is clear.

Now, what is driving customer requirements above the core packages? Specialized applications are one. They represented about 40 percent of new license software revenue this past year for CATIA. The reason for their success is productivity on the one hand – with products specifically developed to address certain design issues, resulting in time savings. And at the same time, customers also benefit from having a more integrated solution rather than a specific point solution addressing the need - so truly valuable for our customers.

More broadly, as we look to the drivers of growth for CATIA we are pushing the boundaries of CAD with V6 for virtual product design to new domains and to new users. Our offerings spanned three domains - mechanical, shape and equipment including systems. Now with Version 6 we are introducing systems engineering to respond to the growing need for modeling and simulation of systems in all industries. We are extending our reach to new users with CATIA acting as a 3D collaboration tool. And we are seeing the potential for CATIA in new industries as our P&G announcement illustrates today.

Turning to ENOVIA I think it is well-positioned to increase its market share over the coming years. And looking at the near-term, we expect ENOVIA to deliver double-digit growth for new licenses in 2010. Growth will be coming from new industries and in core industries where DS is not present at the enterprise level. Our software is a production-proven solution, bringing real breakthroughs to our customers in many ways.

I think we are also pushing the boundaries of PLM with V6 for several reasons. We offer a unified PLM platform to manage Intellectual

Property, with online access to this IP. The solutions are easy to deploy thanks to ready to use business processes. And the cost of ownership is lower thanks to the online capabilities that will be extended with cloud technology.

Turning to simulation, we are pleased to report that SIMULIA has moved up to the number 2 position in its market. During 2009 SIMULIA grew double-digits in constant currencies and now represents over ten percent of our software revenue. When we acquired Abaqus over four years ago, we spoke of realistic simulation and that is becoming more and more true as we simulate, not just approximately, but in fact deliver a realistic, life-like experience.

Looking at DELMIA, it showed good resilience with respect to its recurring business during 2009. And during the fourth quarter, we saw year over year revenue growth.

Although a small portion of our portfolio, we think DELMIA will also be a key beneficiary of V6 with integration simplicity around one common platform.

Some of DELMIA's business drivers include expansion into other industries, such as industrial equipment. A second industry is energy, where customers can use DELMIA for simulation of plant maintenance and refurbishment. Since it is very expensive to shut down a plant for a period of time, imagine the ROI if you can shorten the timeframe as well as if you can prevent it from being extended through careful simulation in advance. We are also introducing simplified digital manufacturing solutions for the SMB market.

And finally, just a few words on 3DVIA - we are growing awareness of 3DVIA and expanding into new markets.

- With 3DVIA Shopper – customers in the CPG industry can capture consumer response to packaging and in store merchandising;
- With 3DVIA Composer – we are broadening our reach from engineering to maintenance, service and marketing professionals and we are able to leverage our installed base and channels with the sales of this product;
- And with 3DVIA Mobile – we are putting the power of 3D into everyone's pocket;

And our goal with online software, applications and content is to empower developers and creative communities.

Let me turn the call to Thibault now for a financial review.

**Thibault de Tersant**
**Senior EVP and CFO**

Thank you, Bernard.

### IFRS/non-IFRS Differences

First, let me make a brief comment on our IFRS and non-IFRS reconciliation figures. For the fourth quarter they are generally similar to the year-ago period; but when looking at our full year results just a reminder that we recorded a gain on sale of 17.2 million euros related to our former headquarters in the 2008 period. All of this is detailed in our press release.

### Summary Financial Highlights

Turning to our financial results:

- Revenue, operating margin and earnings were in line with our objectives for both the fourth quarter and full year. Revenue was 339 million euros, our operating margin was 32.6 percent and EPS was 68 cents – we came in at the midpoint of our objective range.
- During the 2009 fourth quarter both our operating margin and earnings per share posted positive comparisons, with our operating margin expanding by 290 basis points and EPS increasing 3 percent in comparison to the year-ago quarter. We saw a progressive improvement in our operating margin during the year thanks to our savings plan.

- Looking at the 2009 full year results, revenue was 1.253 billion euros, lower by 9 percent in constant currencies; Earnings were 1.86 euros, lower by 8 percent. And our non-IFRS operating margin was 25 percent – exactly aligned with our goal, and within one percentage point of the 25.6 percent level of 2008.
- Thanks to the value our software and what it brings to our customers' businesses, our recurring software revenue increased 5 percent in constant currencies during 2009, in line with our expectations of 4 to 5 percent growth. Our recurring software revenue totaled 807 million euros for 2009.
- We maintained pricing levels across all our brands.
- As a result of containing the impact of the recession on our operating results, we generated a strong level of cash-flow during 2009, with net operating cash flow of 298 million euros for 2009, within just ten million of the 2008 level.
- Our strong cash management, in turn, led to a new milestone for Dassault Systemes – for the first time in our history our cash and short-term investments surpassed 1 billion euros.
- And, finally, we are on track to complete the largest acquisition in our history. As you know, in October, we announced plans to acquire IBM PLM, an organization within IBM dedicated to the sales of Dassault Systemes software solutions. Based upon our progress to date, we anticipate closing the acquisition by early

April. And we expect the acquisition to be accretive to our operating margin and earnings on a non-IFRS basis.

## Total Revenue Review

Turning to our results in greater detail, revenue was lower by 7 percent in the fourth quarter excluding currency effects. By region, the Americas decreased 3 percent, Europe 9 percent and Asia 9 percent, with all figures excluding currency effects. In comparison to the third quarter, we saw some improvement in the Americas and in some parts of Asia, including China, but not yet in the rest of the world.

Looking at revenue results for the year by region, Europe resisted better, with revenue lower by 6 percent excluding currency impact thanks to the stable results in Germany and France. In the Americas the environment was difficult for most of the year, leading to a decrease of 11 percent in constant currencies. And in Asia, we did see year-over-year growth in some countries, including China and Korea, but in Japan I think the situation is well understood, leading to a decrease in revenue for Asia of 14 percent excluding currency effects.

## Software Review

Turning to our software revenue results, new licenses revenue has been affected all year and this quarter was no different, as we still posted lower year on year results.

- Nonetheless, within this context new license software revenue was up 66 percent in constant currencies on a sequential basis, higher than our normal Q3 to Q4 seasonality. And we saw a return to some larger deal activity.
- Our recurring software revenue demonstrated resiliency. For the quarter it was stable. For the full year it increased 5 percent in constant currencies and represented 73 percent of total software revenue and 64 percent of total revenue.

Looking at our fourth quarter software results by brands, no noticeable change, except for ENOVIA, which had a very active three months leading to very strong sequential growth. And on a year-over-year basis, both SIMULIA and DELMIA posted growth.

For the full year:

- CATIA showed resilience in relative terms, with revenues lower by 9 percent.
- ENOVIA was lower by 18 percent. There is a good dynamic of new ENOVIA Version 6 customers although initial deal sizes have been

smaller throughout this year. We did, however, see some larger transaction sizes in the final quarter of the year.

- Mainstream 3D revenue decreased 9 percent in constant currencies for 2009. We have seen a progressive improvement in new seat comparisons. During the fourth quarter SolidWorks new seats declined 12 percent, compared to 25 percent in Q3, 35 percent in the second quarter and 30 percent in the first quarter. Looking at the numbers, new seats totaled 9,837 and for the full year new seats totaled 36, 471. The average seat price was higher by 2 percent in constant currencies in the fourth quarter and for the full year the ASP was stable.

## Services and Other Revenue Review

Turning to services, the gross margin has been stabilizing (Q1: 0.3% → Q2:10.6%→ Q3: 10.8% → Q4: 11.9%) thanks to stringent cost savings initiatives. As expected, Q4 and full year service revenue results reflected the impact of a lower level of new software business throughout 2009.

## Expenses

Turning to expenses, we have very good news. Fourth quarter expenses declined 11 percent excluding currency effects. For the full year, expenses are lower by 8 percent excluding currency effects. As we move into 2010, the work we have done on our cost structure will certainly benefit us, as we will be able to absorb some costs that we expect to return without negatively impacting our operating margin.

**Financial and other revenue, net**

2009 financial and other revenue was a drag on earnings in comparison to 2008, with a negative swing of 13 million euros, principally reflecting lower interest rates on invested cash. Fourth quarter financial revenue was a slight positive.

**Balance Sheet**

Turning to the balance sheet, we are managing well potential bad debt risk on receivables. We are in a good cash position both now and after the closing of the IBM PLM acquisition. Our net cash position was 858 million euros at the end of December.

**Financial Outlook**

Turning to our financial objectives for 2010, we think it is realistic to assume that there will be a slow improvement in business conditions - we do not see a quick rebound. Further, we are taking a pragmatic approach towards the early part of 2010 as we complete the acquisition and integration of the IBM PLM sales organization within DS.

Nonetheless, within this environment we expect to drive double-digit, constant currency new license revenue growth for 2010 and this is before the inclusion of IBM PLM into our revenues.

Our financial objectives include IBM PLM and assume that we complete the acquisition by early April. Based on that key assumption, we have set an initial non-IFRS revenue growth objective of 15 percent to 17 percent on a constant currency basis. This would lead to a reported revenue range for 2010 of 1.410 to 1.440 billion euros. And we are targeting to increase our non-IFRS margin from 25 percent in 2009 to about 26 percent for 2010, helping drive EPS growth 12 to 18 percent to about 2.09 to 2.19 euros.

So from a margin perspective, we are targeting an expansion of our non-IFRS operating margin of about 100 basis points.

Our financial objectives are based upon key exchange rate assumptions including a US dollar of 1.45 per 1euro and a Japanese yen of 140 per 1 euro. In the press release we have outlined the IFRS items excluded from these objectives.

Overall, new license revenue would lead the rebound followed by our recurring revenue and services. Growth in services generally follows new software purchases, so it is natural to expect it to show improvement with a lag of several quarters. Similarly, recurring software revenue as we enter 2010 will continue to reflect the flow-through impact of lower new license activity in 2009 and then will start to show the benefits from positive new license revenue growth.

Let me turn the call back to Bernard now.

**Bernard Charles**
**President and CEO**

Thank you, Thibault.

**Accelerating Diversification by Industry and Users**

Turning to diversification by industry and types of users, we made good progress during 2009. Drivers of our growth include V6 adoption, product excellence, business processes, simulation and systems engineering.

In the target industries where we would like to increase our presence, such as High Tech, Life Sciences, Consumer Goods, Energy and Consumer Packaged Goods, we are gaining new strategic accounts and expanding relationships. We are winning in collaboration, for example, because we are addressing key business processes and providing out-of-the box solutions enabling fast implementations with few customizations.

And in our core industries we are also making very good progress.

- Strategic wins, for example, with Renault, as a full V6 reference;
- With new programs in aerospace driving reorders including: Bombardier, EADS, Embraer, Gulfstream, Hawker Beechcraft and Spirit among others;

- And reorders in automotive including Ford, BMW, PSA, Magna and Porsche to cite a few.

**V6 production proven collaboration platform**

Now, let me spend a few minutes on Version 6, a production proven collaboration platform. We have several customer cases we would like to share with you.

First is VF, the world's largest apparel company. VF has over 30 brands well known around the globe. For 2008, its revenue exceeded $7.6 billion. VF has selected our ENOVIA V6 Apparel Accelerators for Design & Development and Sourcing & Production.

Second, we announced this morning that Procter & Gamble, the world's largest consumer goods company, is moving to V6 to reduce costs and support innovation in packaging and artwork processes. P&G has been a long-time user of SIMULIA, has ENOVIA and now is adding CATIA.
Together with P&G we are developing a highly integrated suite of products to help make the packaging process more efficient, improve speed to market, increase shelf impact and, ultimately, create a better experience for consumers.

For our third example we are switching to a very different industry, Samsung Heavy Industries, a world-class player in shipbuilding among other areas. SHI has selected both CATIA and ENOVIA V6 to increase design efficiencies and large data handling for its wind turbine division.

We are also pleased that GE Energy, part of General Electric, selected V6, including CATIA, ENOVIA and SIMULIA to reduce costs and support innovation.

And NXP Semiconductors, an existing ENOVIA customer, selected ENOVIA V6 to reduce total cost of ownership.

## Widening Our Sales Coverage with the IBM PLM Acquisition

Turning to IBM PLM we are on-track to close the acquisition by early April. We are very excited to welcome our soon to be colleagues from IBM and from discussions they are also highly motivated to join us at Dassault Systemes. We have received very positive feedback from customers on this decision. And feedback from Dassault Systemes shareholders has been equally positive.

Our global alliance with IBM is progressing well. We have had a number of meetings across IBM. And we will be working with IBM Sales & Distribution, Global Services and Global Financing and also with IBM Hardware and New Infrastructure, especially on cloud computing.

## Summary

Let me share a few closing observations.

While our focus today has been, of course, on Dassault Systemes' results I believe our performance stands up to a comparison with other software companies and this comparison helps gives some context to our performance. With a decrease in software revenue of 9 percent excluding currency effects for 2009, we performed at a similar level to Oracle or SAP in this area, and better than most of our competitors in PLM. Looking at EPS results, Dassault Systemes had an 8 percent decrease in EPS, while companies, such as SAP and Adobe, posted EPS declines of 24 and 26 percent, respectively. And here again, several of our peers trailed us by a wide margin.

During 2009, we made significant progress across Dassault Systemes despite the deep recession. We generated further momentum and traction with our diversification strategy and strengthened all of our brands. And I believe we are widening the technological gap with our competitors and pushing the boundaries of PLM with our Version 6 platform and software. The timing of this new version could not be better. It is the right product, at the right moment, to address the most important business requirements of companies across a large number of industries. And the integration of IBM PLM comes at exactly the right time to help us better capitalize on this opportunity.

Looking ahead, we are enthusiastic about our prospects while also taking a realistic approach to a potential recovery during 2010.

Importantly, based upon the initiatives advanced during 2009 I believe Dassault Systemes is one of the best positioned companies to leverage improving market conditions and, in turn, extend our market leadership in the coming years.

Thibault and I would now be happy to answer any questions you have.

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