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Final

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Introduction

Good morning. Thank you for participating in this conference call to review Dassault Systemes' second quarter.

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 Item 3 of our 2007 20-F.

I would remind you that most of the financial figures I am discussing with you today 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.

So, let me briefly review our performance.

Overview

This was a very rewarding quarter from a number of aspects. First, our financial results came in above our objectives.

- Total revenue came in at 326 million euros, exceeding the high end of our objective range of 315 to 320 million euros. Software revenue was the driver of our growth increasing 15 percent in constant currencies. If we reported in U.S. dollars that would equate to software revenue growth of approximately 26 percent.

- Our operating margin came in at 25.1 percent, above our target of 24 percent.

- And EPS was up 10 percent to 46 cents, at the high end of our range of 44 to 46 cents. In fact, without the quick rise in the yen at quarter-end which impacted the translation of receivables at June 30th, we would have exceeded our EPS range.

- For your information, second quarter consensus analysts' estimates were 319 million euros for revenue, 23.9 percent for operating margin and 45 cents for EPS.

- Our results also included very good improvement in net operating cash flow. Net operating cash flow was up sharply in the 2008 second quarter to 106 million euros compared to 69 million euros in the year-ago period on a nice improvement in working capital.

- Turning to our financial objectives: We are reconfirming our 2008 financial objectives for software revenue growth of about 12 to 13 percent in constant currencies, operating margin expansion leading to an operating margin objective of about 27 percent to 27.5 percent and EPS of about 2.10 to 2.17 euros. This is based upon the business opportunities we see as well as the visibility provided by our financial model, and despite the difficult economic environment.

- In July we completed the spin-off of DSF, our internal reseller business in France and Belgium. We also completed the acquisition of Engineous Software which is now part of our SIMULIA brand. We estimate that the DSF spin-off has a second half revenue impact of about 11 million euros, while the addition of Engineous should have a positive revenue impact of around 4 to 5 million euros. So, we are updating our full year revenue range to take into account the net 6 to 7 million euros effect of these transactions, with the new mid-point of our range now at about 1.325 billion euros, from 1.332 billion euros.

- For your information we are assuming a U.S. dollar to euro exchange rate of $1.57 and a Japanese yen to euro exchange rate of JPY160 for the full year.

- For the 2008 third quarter, we have set a non-GAAP total revenue objective of 305 to 315 million euros and a non-GAAP EPS objective of about 41 to 44 cents per share.

- At the end of June our cash and short-term investments totaled 740 million euros and net of long-term debt, this amount was 540 million euros. We are returning cash to shareholders in two ways – with a 5 percent increase in the 2007 fiscal year annual cash dividend – aggregating 54 million euros, which we paid in June and through share repurchases.

- In today's earnings press release we announced plans to repurchase up to 2 million shares of our common stock during the second half of 2008 depending on market conditions. We repurchased over 960,000 shares during the first quarter of 2008.

- We also announced plans to voluntary delist from Nasdaq and will continue to be listed on Euronext, of course.

Second Quarter Financial Highlights

- Turning now to our revenue performance by region, both Europe and Asia had similar rates of growth compared to the first quarter.
  - In Europe, revenue increased 11 percent reflecting a good dynamic in Germany, strong demand in Eastern Europe and Russia as well as a good performance in France with large accounts.
  - Revenue increased 9 percent in constant currencies in Asia, similar to the first quarter and reflected strong results for CATIA, in particular, offset in part by a somewhat lower level of services activity.
  - The revenue performance was strongest in the Americas this past quarter, with revenue up 17 percent in constant currencies, benefiting from growth across our brands and with both large customers and in the mid-market.

- Now, looking at the details of software growth, we benefited from accelerating new licenses revenue growth which increased 12 percent in constant currencies. Key drivers in the quarter included CATIA, SolidWorks and ENOVIA. And, recurring software revenue grew 18 percent in constant currencies principally reflecting growth in our installed base and double-digit, constant currency growth in simulation on higher leasing activity. Recurring revenue represented 64 percent of our total software revenue in the quarter.

- Our 2008 services trends reflect the perimeter effect of winding down historical channel management activities formerly rendered to IBM. During the second quarter services and other revenue decreased 2 percent in constant currencies.
    - Our specialized, PLM consulting services made nice progress during the quarter with some very interesting new consulting engagements.

Business Highlights

- Turning to our business highlights, we continue to benefit from a good dynamic across our major brands in both our business segments.

- In total, and excluding currency effects, PLM software revenue increased 16 percent in total.

- During the second quarter CATIA software revenue increased 20 percent in constant currencies on growth across a number of industries, well supported by its leading position with automotive and aerospace companies. CATIA results this quarter confirm the acceleration in revenue growth started in Q307 thanks to the transformation of our PLM Value channel. New CATIA wins include Arup in construction, highlighting CATIA growth in new industries, and Tenpaku R Corporation in automotive, illustrating CATIA growth in new domains such as styling.

- ENOVIA software revenue increased 11 percent in constant currencies. Our ENOVIA portfolio addresses customer requirements across a broad range of industries. This is clearly evidenced by the new business with a wide range of companies, including Nokia Siemens Networks in high tech, OKG in energy, Pacific Brands in apparel, Carbon Motors in automotive and Parker Hannifin in aerospace.

- SIMULIA software growth was strong and reached the mid-teens on a constant currency basis in the second quarter. Its performance reflected broad demand across verticals and strong growth among installed customer base. And SIMULIA is further advancing its simulation lifecycle management strategy with the recent Engineous acquisition.

- Mainstream 3D, led by our SolidWorks brand, is benefiting from its focus on a broader set of offerings to respond to customer needs. During the second quarter Mainstream 3D software revenue increased 13 percent in constant currencies, on new SolidWorks seat growth of 9 percent, strong growth in maintenance revenue and very nice year-over-year growth in sales of both our analysis and product data management software for the Mainstream market.

- We are progressing on the introduction of our Version 6 software. At the end of May 2008, we introduced our first release of V6 and in the third quarter of this year, we will have achieved general availability of V6 into all of our PLM channels, including IBM PLM. During the second quarter, we can confirm strong customer interest for V6. In particular, the extended collaboration which is native and extremely powerful because it is truly on-line, the much greater ease of design with V6 and the tight integration and openness are very attractive features to potential customers across diverse industries. Among the first ones to validate this interest we are happy to announce that Nikon has recently selected V6.

Summary

- In summary, I believe our strong second quarter results and good first half certainly reflect our continued focus on execution, particularly in the sales channels initiatives we have underway.
- Given the macro-economic backdrop, I believe the strength of our results across regions and brands underscores the strategic importance of our software and core services offerings for our customers.

- I would now be happy to respond to your questions.