DASSAULT SYSTEMES
2010 Q4 and FY Conference Call
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Final

François-José Bordonado
Vice President, Investor Relations

Thank you for joining Bernard Charles, our CEO, and Thibault de Tersant, our CFO, for a review of our fourth quarter and fiscal 2010.

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 today's press release and in our most recent *Document de reference* and Half Year Report.

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

Bernard Charles
President and Chief Executive Officer

Summary

2010 was a great year for Dassault Systemes. We delivered on all our objectives, both financial and business. In an ordinary year, this would certainly be a good accomplishment. But 2010 was not. We were integrating IBM PLM, the largest acquisition in our history.

So let's look at how we did with respect to our objectives.

- New licenses: We met our target to drive double-digit new licenses revenue growth.
- Operating margin: Our goal was 100 basis points expansion and we achieved it. And as you can see from our 2011 operating margin objective, we are well advanced toward our operating margin goal of 30 percent.
- IBM PLM closing and integration: We completed the acquisition and fully integrated the teams around the world very quickly, with minimal disruption and high people satisfaction.
- Industry diversification: We made good progress with target industries approaching 23 percent of end-user revenue compared to 20 percent for 2009.
- Version 6 adoption: We saw an inflection point in Version 6 during the second half of 2010. With its online collaboration capabilities,

V6 PLM Generation 2 is becoming the best way for companies to create, manage and protect their intellectual property. In terms of customers, adoption of Version 6 is ramping up, with more than 600 enterprise customers now engaged in V6 projects compared to 250 customers at the end of 2009.

- Addressable market expansion: We are entering into new domains which offer significant opportunity, including CATIA Systems and Exalead in search-based applications.
- Customer reach: With both a global reach and a local presence we are well positioned to serve our customers. Thanks to this reach we added more than 16,000 new customers during 2010 and we look forward to extending our relationship with them in the coming years. It is also clear that we continue to expand our relationships with our existing customers.

So we are very happy with what was accomplished in 2010. Moreover, this performance puts us well advanced on our five year objective to more than double EPS.

Let me turn the call to Thibault at this time.

Thibault de Tersant
Senior EVP and CFO

Thank you, Bernard.

IFRS/non-IFRS Differences

My comments today are based upon our non-IFRS financial results. In our press release tables you can find the reconciliation of our non-IFRS to IFRS data.

Acquisitions

Our financial results for 2010 reflect the significant increase in our direct sales force following the integration of IBM PLM as of April 1st and also include the acquisitions of Exalead and Geensoft since July 1st.

Fourth Quarter Summary

Now, let me review briefly our fourth quarter financial performance.

- Our fourth quarter non-IFRS revenue was 467 million euros, up 31 percent in constant currencies compared to our objective of 20 to 24 percent. Specifically, adjusting for the better evolution of currency, we came in about 30 million euros above our objective range from a pure activity perspective. Really all areas are to thank for this performance.
- In constant currencies, both new licenses and recurring revenue increased by 33 percent, with services revenue up 11 percent. We

had a large number of mid-sized transactions, so completing them all during the fourth quarter demonstrated very good execution by our sales teams and those supporting them.

- From a regional perspective no surprises, with all geos contributing to the results of the quarter.
- Most of the revenue upside came through in higher operating income and margin. Looking at the figures, non-IFRS operating margin was 33.9 percent.
- Non-IFRS EPS increased 22 percent to 83 cents, compared to our target range of 68 to 78 cents.

Now I would like to turn to an in-depth review of the year's results.

Software Review

New licenses revenue increased 30 percent in constant currencies in 2010. Contributions from all our brands enabled this performance.

Recurring software revenue increased 23 percent in constant currencies. We have seen a better evolution of recurring revenue all along the year. As we have indicated renewal rates are back to historical levels.

Regional Review

Turning to a regional review:

- Let me first begin with Europe. Revenues increased 22 percent in constant currencies. Looking by countries, I would say really very good breadth, with double-digit growth in each of the five geographic regions in Europe - in Germany and France, our two largest markets, and also in Northern Europe, CEMA and in Russia.
- In Asia revenues were up 28 percent in constant currencies. Here we are benefiting from growth in a number of countries and also by the fact that our largest market, Japan, is back to investing after really being at low levels since the summer of 2008. India is doing well where we are seeing a sharp uptick with engineering services companies, automotive and industrial equipment customers. We also benefited from a good performance in Korea.
- In the Americas, total revenue was up 13 percent in constant currencies. Latin America is one of the strongest of the developing regions for us. North America performed well.

Operating Margin and Earnings Per Share

Our operating margin for the year was 28.6 percent compared to 25 percent in 2009. 220 basis points of the increase came from operating leverage. About 50 basis points reflect the expense reclassification from G&A to income tax pursuant to a change in a tax rule in France, which we first reflected in our second quarter results. And quite rare for us, we had a currency tailwind of about 90 basis points for the full year.

Earnings per diluted share were 2.50 euros, representing an increase of 34 percent compared to 2009. I am sure you noted that our effective tax rate increased 4 percentage points to 32.5 percent from 28.5 percent. There are three reasons for this: first, our different tax benefits are fixed amounts in that they do not vary with the level of income. This reason accounts for 2 points of the increase; second, we had the reclassification of operating expense to income tax which accounts for 1 point; and third, a variety of discrete elements in the 2010 fourth quarter accounting for 1 point also.

Cash Flow and Balance Sheet

We generated 408 million euros of net operating cash flow in 2010 compared to 298 million euros in 2009. I described our net operating cash flow to someone as the most beautiful figure in our financial statements – it truly evidences the strength of our business.

Another number I would like to highlight is our days of sales outstanding. Looking at our receivables, from a payment perspective, our DSOs were 80 days, which is a 7 percent improvement over the 2009 fourth quarter level.

Turning to our uses of cash, we returned about 55 million euros to shareholders in the form of cash dividends, representing a pay-out on

2009 IFRS earnings of about 30 percent. And we used about 462 million euros in cash for acquisitions, net of the cash acquired.

Our net financial position at year-end was 846 million euros, compared to 858 million euros one year ago, so all in all a pretty good figure given everything we did this year. We also benefited from an important level of stock options exercises, simply reflecting the fact that one of our largest stock option plans is coming to the expiration of its ten-year life.

2011 Financial Objectives

Turning to our financial objectives for 2011, let me share some general comments first. We are optimistic about our growth opportunities in 2011 for several reasons. First, some of the economic indicators closer to our business, in particular, industrial investment spend are showing improving trends and are forecasted to increase further in 2011. Second, we are encouraged by our performance in the fourth quarter and third, we are pleased with our pipeline of opportunities entering the year. So these are well aligned with our views of a progressive improvement in investment plans by our customers.

On the other hand, we think it is appropriate to temper this optimism with the fact that the economic environment is still not easy and we see a number of things that could cause it to remain volatile.

Adding these together, we see a good year for Dassault Systemes, with new licenses revenue increasing about 15 percent in constant currencies, a healthy progression of recurring revenue, even with the important level of one-time maintenance renewals in 2010 and further improvement in our operating margin.

I would point out that in the fourth quarter we had about 11 million euros in recurring software revenue that was one-time in nature and would not be part of the balance going forward.

Our 2011 non-IFRS revenue growth target is targeted at 9 to 11 percent in constant currencies. Based upon our currency exchange rate assumptions this brings us to a target revenue range of 1.68 billion to 1.71 billion euros.

With respect to our earnings, our objective is 2.64 to 2.75 euros, representing 6 to 10 percent non-IFRS EPS growth, and a non-IFRS operating margin of about 29 percent, compared to 28.6 percent in 2010.

For the 2011 first quarter, we have set a non-IFRS total revenue objective of about 390 to 400 million euros and a non-IFRS EPS objective of about 53 to 57 cents per share.

Our financial objectives incorporate two key currency exchange rate assumptions, first the US dollar, where we are assuming an exchange rate of 1.40 dollar per euro and for the Japanese yen, 120 yen per euro. Of course currency rates are particularly difficult to predict these days, so they are just assumptions, but they have a negative impact of about 3 points on our revenue and about 4 points of growth on EPS.

Let me turn the call back to Bernard now.

Bernard Charles
President and CEO

Strategy Review

We have taken a very consistent approach over time to expanding our addressable market, doubling it in each new phase of development of Dassault Systemes. Beginning in 1981 we have helped our customers virtually design their product in 3D and we continue today. We then helped our customers see a virtual representation of their product with digital mock-up and we continue today. Beginning in 1999, we helped companies represent the entire product lifecycle from design to simulation to manufacturing and that continues and is further improved with Version 6. Each new step came without detracting from the former ones as we have maintained an important level of investment and in fact each new step we have taken has also strengthened each of the strategic moves which preceded it.

We are now further expanding our addressable market with 3D for lifelike experience to help our customers represent the future usage of their products – so product in life.

Enabling customers to do this opens up new audiences for us. For example, in marketing we can help foster sales in a way that was not previously available to a company – enabling their marketing dollars to go further, generating new sales avenues and bringing many other benefits with virtual showrooms, virtual consumer tests and virtual products on the web before manufacturing has even begun. In education we can help students first learn in a virtual environment, for instance in a virtual lab to learn how to conduct experiments as we show on our website; and in research and development we can help researchers anticipate the influence of a drug on a human cell. So the timing is perfect for Version 6, where we can connect everyone with a simple web connection to this virtual platform to do business, to sell, to search and to learn.

For companies the number one inhibitor to collaborating is their concern regarding how to protect their intellectual property. The best solution is to provide an online environment where everyone is identified and can have access to the appropriate level of information without transferring the data. Version 6 is unique as it was architected from the ground up to be online.

Intellectual property protection is important to all companies. In SolidWorks latest release it has introduced a defeature tool where you can remove details from a part or assembly and save the results as a new file in which the details are replaced by solids without feature definition or history. You can then share the new file without revealing all the design details and design intent of the model.

Brand Leadership

Our brands are the vehicles for expanding our addressable market. That is why we place so much value on having each of our brands being a leader in their respective markets and if you look around it is clear that no one in our industry has more leading brands than we do. 600 enterprise companies have now adopted Version 6, with its online capabilities and V6 is strengthening the value of each of our brands as you will see.

CATIA had a very good year, with a strong dynamic in automotive, industrial equipment and high tech. Non-IFRS software revenue increased 31 percent in constant currencies. Renewal rates have been back to normal since mid-year and this has had a positive impact on CATIA's recurring revenue growth during 2010.

CATIA's broad portfolio, its new embedded systems offering which is critical to deliver a realistic user experience for complex systems, Version 6, and CATIA lifelike experience are four key drivers of growth going forward. This morning we announced that BMW is implementing our Version 6 solutions for embedded systems architecture, integration and design. In addition to the automotive industry, embedded software is a critical component to all the products that have now become what we call “smart products.” So our new systems product line is really quite strategic to many companies.

SolidWorks had a strong 2010 performance with non-IFRS software revenue growth of 15 percent in constant currencies. New SolidWorks seats increased 18 percent – over 42,000 seats licensed - and the Average seat price was up 3 percent in constant currencies. SolidWorks has a very strong new customer dynamic. It surpassed the one million mark in licenses for education, alone, which is a key area of focus for us.This milestone shows the strong traction SolidWorks has.

Growth drivers are many here with 2D to 3D, competitive displacements in 3D, its multi-product strategy, and its vibrant sales channel. I was at SolidWorks World in late January, a very well attended user event. There are a number of initiatives at SolidWorks which we will be introducing this year.

And finally, I want to thank Jeff Ray for all he has accomplished at SolidWorks and welcome him to his new role as Executive Vice President, Geographic Operations. Taking the helm seamlessly as SolidWorks’ new CEO is Bertrand Sicot who moves up from his position leading the global sales channel for SolidWorks. He first joined SolidWorks in 1997.

ENOVIA is a leading provider of global enterprise solutions. Its non-IFRS software revenue increased 29 percent in constant currencies and its end-user software revenue totaled 320 million US dollars for 2010. ENOVIA had a number of promising Version 6 wins during the year. I am happy to announce that Alstom Transport, one of the world's leading providers of equipment for the rail industry, selected ENOVIA V6 for multi-site collaboration. This decision replaces a legacy competitive solution.

SIMULIA had a very good year, with strong demand across each of our major regions, leading to double-digit software revenue growth in constant currencies. It had a good level of demand across virtually all the industries we address. Along with ENOVIA and SolidWorks, SIMULIA is a key driver of our industry diversification. Based upon market analysis, SIMULIA is number one in the world for structural simulation for two years running. Just as a reminder, SIMULIA grew threw the deep recession of 2009 and has not had a down year in its entire history.

We are encouraged by an improving dynamic for DELMIA. We had told you it was coming and in fact it has begun. DELMIA's performance strengthened over the course of 2010, leading to a strong second half. Version 6's unified platform is a key driver for DELMIA's future growth.

It is also benefiting from an expansion of its addressable market into what we call dynamic enterprise resource management. Michelin is using DELMIA to visually manage the complete manufacturing subcontracting chain. Looking forward we think DELMIA's trajectory is very encouraging.

Industry Diversification

Every industry needs to sustain innovation and we are focused on broadening our addressable market by investing in diversification across verticals. During 2010 we made further progress, in particular with a dynamic year in high tech and energy.

We are working with GE Energy, where ENOVIA V6 was selected to replace a legacy PDM system. One of the key elements in the selection process for GE Energy was the openness of the solution they chose. And as I mentioned last quarter with respect to LG Electronics of Korea, it is clear that Version 6 is open – there is not one seat of our design tools there – not something I hope to be the case in the future obviously - but it clearly illustrates my point on openness.

We are growing our presence in the retail industry. Carrefour, the largest retailer in Europe and the second largest in the world, has selected Dassault Systemes to help it improve non-food merchandising in its 15,500 stores in 34 countries.

Faurecia, among the top ten automotive suppliers in the world, has 5,000 ENOVIA users in production. And it is using Exalead to help it manage a business transformation following numerous acquisitions. With Exalead they can have instant access and intelligent dash-boarding, something that would take a great deal of time with a traditional ERP system - so much better access to information to compare and analyze.

VF Corporation, the world's largest apparel company, selected ENOVIA at the end of 2009 for design and development, and sourcing and production. During 2010 it has been rolling out ENOVIA to users in its North Face brand where the goal is to reduce the cycle time between concept and having the product on the shelf.

In summary, our diversification is well on track. New industries represented about 23 percent of end-user revenue in 2010 compared to 20 percent in 2009. We saw good growth in many of our target industries, with high tech and energy leading in 2010. We achieved this higher contribution from new industries even with the very active year of growth with automotive and industrial equipment companies. Of course I don't mind having this type of problem to manage – success in new industries and success in our core industries.

Global Company, Expanding Our Local Reach

Dassault Systèmes has a large global footprint and is engaged with customers in more than 80 countries through our sales channels. We are also well present at the local level around the world. With more than 90 nationalities represented among our employee base and Jeff Ray now heading up Geographic Operations, we are very well positioned to continue to develop our local teams.

More broadly we have invested in all parts of our organization during 2010. Our marketing and sales organization is higher by 21 percent and G&A by 17 percent. And we also continued to grow our R&D resources with our teams now larger by 9 percent. In total, we have now over 9,000 employees.

Summary

In summary 2010 was an excellent year for Dassault Systemes, meeting all our objectives. As a result, we enter 2011 with a strong product offering, our distribution channels well positioned on their respective markets, and a good pipeline of business opportunities.

I would like to thank everyone for their participation here on this call and at our morning webcasted presentation in Paris earlier today. Thibault and I would be happy to take any questions now.