

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

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Thank you for joining me today to review Dassault Systemes' performance and progress during 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 as discussed in today's earnings press release, and in our regulatory documents filed with the AMF.

I would remind you that most of the financial figures I am reviewing with you today are given on a non-IFRS basis. We believe that the inclusion of supplemental non-IFRS financial information is helpful in order to better understand our performance. Reconciliations between IFRS and non-IFRS figures are included in our earnings press release.

Summary Financial Results

Revenue, operating margin and earnings were in line with our objectives for both the fourth quarter and full year.

- The fourth quarter results came in at the mid-point of our objective ranges, with non-IFRS revenue of 339 million euros, non-IFRS operating margin of 32.6 percent, and non-IFRS earnings per share of 68 cents. Importantly, both our operating margin and earnings per share posted positive year-over-year comparisons thanks to our cost savings program. Specifically, revenue was lower by 7 percent in constant currencies reflecting the recession, while our non-IFRS operating margin expanded 290 basis points and EPS increased 3 percent.
- Looking at the 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. 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. For your information, consensus figures for 2009 were: 1.258 billion euros for revenue, 25.2 percent for operating margin and 1.85 euros for EPS, all figures on a non-IFRS basis.

Within the context of the deep global recession, our principal financial objective during 2009 was to contain its impact and we did.

- Thanks to the value our software brings to our customers' businesses, our recurring software revenue increased 5 percent in constant currencies during 2009.
- We maintained pricing levels across brands.
- We generated a strong level of cash-flow during 2009.
- This, 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 recall, in October, we announced plans to acquire IBM PLM, an organization within IBM dedicated to the sales of Dassault Systemes' software solutions. The acquisition will simplify our direct sales structure, enable us to better cover our target markets, and in combination with our existing sales resources across our three channels, gives us the largest sales capacity in our industry. And from a financial perspective, we expect the acquisition to be accretive to our operating margin and EPS on a non-IFRS basis - so really a great opportunity all around.

Fourth Quarter and Full Year Review

Now let me share some further details with you.

Revenue was lower by 7 percent in the fourth quarter, with the Americas decreasing 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 both the Americas and China, but not yet elsewhere.

Looking at revenue results for the year by region, Europe resisted better, with revenue lower by 6 percent excluding currency effects thanks to 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.

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

However, 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 transaction sizes.

Our recurring software revenue increased 5 percent in constant currencies during 2009 and represented 73 percent of total software revenue and 64 percent of total revenue.

2010 Financial Objectives

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 before the inclusion of IBM PLM.

Based upon the assumption that we close the IBM PLM acquisition by early April, we have set an initial non-IFRS revenue growth objective of about 15 percent to 17 percent on a constant currency basis. And we are targeting to increase our non-IFRS margin from 25 percent in 2009 to about 26 percent for 2010, helping drive non-IFRS EPS growth of 12 to 18 percent.

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 after we see growth in new licenses.

Business Review

Now, let me turn to a brief business review-

While no one would want to repeat the economic environment of 2009 anytime soon, Dassault Systemes took good advantage of this timeframe to advance our growth drivers and more broadly focus on our future opportunities while containing the impact of the recession.

I am pleased to say we achieved all our major objectives.

- First, we protected our operating margin thanks to a comprehensive cost savings plan. We delivered a 25 percent margin during 2009.
- Second, we reduced costs, while maintaining our sales, customer support and R&D capacities. 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. We think this was the right approach to take.
- Third, we strengthened the competitive positioning of each of our brands. Dassault Systemes is the world leader in PLM. We are number one in both integrated product design and entry design with

our CATIA and SolidWorks brands. During 2009 we moved up to the number two position in simulation, with our SIMULIA brand. 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 accelerated our vertical industry diversification, with newer industries representing about 20 percent of our 2009 end-user revenue. Customers we work with now extend to companies such as Procter & Gamble, the largest consumer goods company in the world, and Vanity Fair, the largest apparel company in the world. Just this morning we announced an extension of our work with P&G.
- Fifth, in our core industries we have also made solid progress, with 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.
- Sixth, we are building a solid track record of Version 6 customers. We expect it to be an important 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.

- And finally, we are widening our direct sales coverage with the acquisition of IBM PLM and this 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.

Summary

We made significant progress during 2009. I believe Dassault Systemes gained market share, although numbers are not yet available from third-party industry analysts. We strengthened each of our six brands. We generated further momentum and traction with our diversification strategy. And, I believe we are widening the technological gap with our competitors and pushing the boundaries of Product Lifecycle Management 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 acquisition of IBM PLM comes at the right time to help us better capitalize on this opportunity.

More broadly we continue to invest in research and development to advance our entire portfolio of applications. Even during this economic downturn, we added to our research staff, growing it by 4 percent during 2009.

Looking forward, we are enthusiastic about our prospects and the IBM PLM integration. At the same time, I believe we are taking a realistic approach to a potential recovery during 2010.

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

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