DASSAULT SYSTEMES (DS)
Newswire Conference Call – Q2 2009 Results
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Thank you for joining me today to review Dassault Systemes second quarter financial results and our business highlights.

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 our earnings press release which was released earlier this morning, and in our 2008 *Document de référence.*

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 the presentation 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

- We came in at the high end of our financial objectives for revenue, operating margin and EPS. And, in light of the environment, the absolute numbers were not bad.
- Non-IFRS total revenue was 311 million euros, compared to our objective of 295 to 310 million euros, and reflected some better than anticipated activity with large accounts.
- Our non-IFRS operating margin came in at 21.9 percent, tracking to the high end of our objective range of 19 to 22 percent.
- And our non-IFRS earnings per share were 37 cents compared to our objective range of 32 to 38 cents.
- Additionally, we made significant progress on our cost savings plan as I will discuss shortly.
- To balance this good news, I would say that while some of the larger companies with more financial flexibility are moving ahead with significant contracts, the SMB market continues to be tough. All in all, business conditions remain similar to the first quarter.

Second Quarter Review

Turning to the different geographic regions:

- In the Americas, revenue decreased 12 percent in constant currencies compared to the year-ago quarter. We had new business transactions across a diversified set of industries, including aerospace, life science, consumer goods, and high tech.
- In Europe we had improved traction with large accounts, particularly in the automotive and aerospace industries. I would characterize the mid-market as

still very much impacted by the environment. In total, revenue in Europe was lower by 8 percent excluding currency effects.

- And in Asia, we saw some improvement in China and some increase in activity in Korea. The big issue continues to be the economy in Japan which is very weak. As it is a major portion of our revenues in Asia, it weighs on the performance of that region leading to a revenue decline of 18 percent in constant currencies in Asia.

Turning to software revenue I would like to share a few key points.

- New license revenue activity continued to be down significantly year on year, with license revenue lower by 36% in constant currencies. Overall I think it has leveled off for now. On a sequential basis, new licenses revenue increased 10 percent in constant currencies.
- Secondly, recurring software revenue increased 6 percent year on year in constant currencies. As anticipated recurring software revenue growth slowed from the first quarter. Its evolution was exactly in line with what we had expected. Recurring software revenue represented 74 percent of our total software revenue in the second quarter.

In June we had our annual shareholders meeting where the cash dividend of 46 cents was approved. Two points I would like to highlight,

- First, despite the environment we maintained the dividend level unchanged from the prior year thanks to our financial position and strong cash flow generation.
- Secondly, the current dividend yield is about 1.45 percent, certainly attractive in today's market.

2009 Financial Objectives

Turning to our financial objectives, based upon everything we have seen in the second quarter and first half leads us to assume no improvement or deterioration in business conditions in the second half compared to the first half. Based upon this assumption:

1. We are holding the mid-point of our full year constant currency revenue objective range unchanged, and simply narrowing it to reflect the shorter time-frame. We are similarly narrowing our full year EPS range.
2. Second, currency exchange rates continue to be volatile. After a brief period of strength, the US dollar has weakened again. Consequently we have decided to change our assumption for the remainder of the year to 1.50 US dollars per 1 Euro. We are also updating our assumption for the Japanese yen to 140 yen per 1 Euro.
3. Therefore, taking into account these currency assumptions changes, lead to a reported total revenue range of about 1.25 to 1.28 billion euros and earnings per share of 1.76 to 1.91.
4. Finally, our cost and efficiency programs are on track. As a result, we are leaving our full year operating margin objective unchanged at 24 to 26 percent on a non-IFRS basis.

Business Review

Last quarter I outlined for you our four strategic priorities to guide us during this difficult global economic period:

- First, to support our customers and sales channel partners around the world;
- Second, to continue to advance our R&D initiatives and product roadmap;
- Third, to realize the cost savings targets we have outlined, and

- Fourth, to continue to focus on strong execution across all of Dassault Systemes.

I believe our second quarter financial results and key announcements indicate that our performance is well aligned with these priorities.

In November of 2008 we introduced our first Version 6 software release. In June, we introduced V6R2010, our second. We are at the beginning of a long period where we expect our V6 software to be in use. As we are just at the start of the adoption ramp we are pleased by the number of wins we are seeing – more than 130 companies to date, representing a wide array of industries as we will discuss. I would like to first begin with the automotive industry.

This quarter we obtained a milestone decision with Renault Group selecting our V6 software as their product development solution on a group-wide basis. This is a very significant decision for DS and in particular for ENOVIA V6. Renault has selected the full V6 PLM as its global online collaboration platform, thereby standardizing on DS solutions and moving to our ENOVIA software as the single collaborative PLM solution, replacing multiple legacy PDM systems. It is a multi-year commitment, with both companies working in close partnership. The scope of the agreement is for both software and services.

All of our brands contribute to our goal of industry diversification. But since our time is limited, let me talk about the role of one of our brands, ENOVIA, as an enabler for business transformation in different industries.

Since the start of the year, more than one-third of ENOVIA's 100 largest transactions were in our target industries. For example:

- Our leadership in apparel is proving itself, clearly evidenced by our progress. Companies of all sizes in the apparel industry are selecting ENOVIA for product development and for sourcing. Let me share the most recent examples of our successful strategy for helping companies in the apparel industry.
    - In the mid-market Boston Apparel chose ENOVIA V6 for Design & Development as well as Sourcing & Production;
    - Eldo Apparel, headquartered in Italy and the operating company for FreeSoul, a top-10 European denim fashion label, selected ENOVIA V6 for Design & Development;
    - Monoprix, one of the major retailers in France, selected ENOVIA to react quickly to fashion trends and improve collaboration with suppliers;

  Our win rate against one of our competitors specializing in this area is outstanding, with the award of 11 of the last 13 competitive deals to Dassault Systemes.

- We are advancing in the life sciences industry, winning new accounts.
    - Several medical device companies selected ENOVIA to ensure compliance with governmental regulations. For example, Zimmer, headquartered in the United States, selected our ENOVIA V6 life science solutions.
- And on our call last quarter, I discussed compliance requirements for companies and how they are driving sales of ENOVIA in a number of industries.

In order to mitigate the impact of the global recession on our operating results, we put in place at the end of last year a cost savings program with the goal of reducing expenses while maintaining DS' research and development and sales capacities.

- Since the start of the year, we have realized approximately 55 million euros in savings across personnel, with stable staffing and a salary freeze, travel, marketing, as well as revenue-related cost savings among other areas.
- In addition to the savings program, we have had a corporate efficiency initiative in place for over one year now. The program is organized around several key initiatives including shared services and co-location of offices. In addition to benefiting us now these efforts will bring additional savings in 2010.

Summary

In summary, the results for the second quarter demonstrate that we had made a very realistic assessment of business conditions and that we have developed a pragmatic approach to managing through this deep global recession.

From an earnings and margin perspective, our results and full year outlook demonstrate that the dual goals of achieving meaningful cost reductions while maintaining capacity in R&D and sales are not inconsistent. And we believe our actions are a responsible approach to all parties, including our customers, partners, employees and shareholders.

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