

**2008 First Quarter Newswire Conference Call  
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**Final**

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**Introduction**

Good morning. I am pleased to speak with you to give an overview of Dassault Systemes' first quarter and respond to your questions.

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](http://www.3ds.com).

So, let me briefly review our performance.

## Overview

- First, DS had a solid start to the year, meeting all our financial objectives.
  - We reported non-GAAP total revenue of 308 million euros, compared to our objective of 305 to 310 million euros. And, without the very significant U.S. dollar weakening during the quarter, we would have exceeded the top end of our range.
  - Software revenue was the driver of our growth increasing 14 percent in constant currencies on a non-GAAP basis.
  - We are working to expand our operating margin in 2008 and we did so in the first quarter. Our non-GAAP operating margin increased to 22.8 percent up from 22.1 percent in the year-ago quarter.
  - And we reported non-GAAP EPS of 41 cents compared to our objective of 40 to 42 cents.
  
- For your information, first quarter consensus analysts' estimates were 307 million euros for revenue, 22.4 percent for operating margin and 41 cents for EPS. So we were right on target.
  
- Looking ahead to the year, we are also reconfirming our 2008 business outlook. Specifically, we are reconfirming our 2008 non-GAAP constant currency objective for total revenue growth of about 10 percent and are slightly increasing our non-GAAP software revenue growth objective to about 12 to 13 percent in constant currencies. We are also reconfirming our objective to increase our 2008 non-GAAP operating margin by 80 to 130 basis points in comparison to 2007 and therefore we are targeting a non-

GAAP operating margin of about 27 to 27.5 percent. We are adjusting our 2008 non-GAAP earnings per share growth objective to a range between 6 and 10 percent solely to reflect the severity of the U.S. dollar weakness as our overall business outlook remains unchanged.

- We are comfortable with maintaining our business outlook for several reasons:
  - First, 63 percent of our software revenue is recurring in nature, giving us very good visibility.
  - Second, our customers in our core industries, particularly automotive and aerospace, have many new product programs and this is an important driver for growth for us.
  - Third, over the course of 2007 we increased the sales capacity in our three major sales channels, so this has helped us build a strong pipeline of opportunities for 2008.
  - And fourth, our product and industry diversification also helps drive growth as we have a much broader reach, thereby increasing the opportunities for our software solutions.
  
- 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 JPY159 for the full year.
  
- Turning to the second quarter, we have set a non-GAAP total revenue objective of 315 to 320 million euros and a non-GAAP EPS objective of about 44 to 46 cents per share.
  
- In February at the time of our year-end earnings, we announced that we were undertaking a share repurchase program and had

allocated an initial amount of 35 million euros. We have already completed this share repurchase initiative, repurchasing almost 1 million shares.

- DS will be holding its Annual Meeting of Shareholders' in May. The Board of Directors is recommending a 5 percent increase in the annual cash dividend which shareholders will vote on at the annual meeting. In total, this would amount to about 54 million euros being returned to shareholders through cash dividends.

### **First Quarter Financial Highlights**

- Turning now to the first quarter in detail, our three geographic regions delivered good growth and the figures indicate it was well balanced growth. Specifically, on a non-GAAP basis, total revenue in Europe increased 12 percent with a good dynamic in Germany and Eastern Europe and Russia in particular. The Americas had non-GAAP revenue growth of 10 percent in constant currencies on solid growth with both large customers and in the mid-market. In Asia non-GAAP revenue was up 9 percent in constant currencies driven by India, China and Korea.
- In our PLM business non-GAAP software revenue was up 14 percent in constant currencies. We benefited from a very strong quarter for CATIA, where non-GAAP software revenue was up 21 percent in constant currencies. CATIA is seeing broad-based demand among automotive and aerospace companies.

- Non-GAAP Mainstream 3D software revenue increased 15 percent in constant currencies, on new SolidWorks seat growth of 15 percent.
- Services and other revenue, representing 12 percent of total revenue, decreased approximately 10 percent in constant currencies. These results largely reflect the effects of winding down certain historical channel management activities as we develop our own indirect PLM channel.

### **Business Highlights**

Turning to our business highlights:

- We are seeing positive business dynamics with customers in our core industries and in new verticals.
- We have a strong presence in the automotive and aerospace industries with a global base of customers and our business continues to grow in these industries. Sometimes people have the misimpression that since these industries have been users of our products the longest, there is perhaps less opportunity. In fact, that is not the case. Briefly, let me share the drivers of growth for us in these important industries.
  - First, new programs are a lever for growth. Look across all the automotive and aerospace companies as they introduce a new car model or new airplane to the market. There are many new programs.

- In addition, the spectrum of solutions we offer these companies has increased quite a lot. And this will accelerate further with our Version 6 PLM 2.0 portfolio.
  - Third, BRIC countries are driving growth. We are seeing increasing demand for our solutions from locally-owned automotive and aerospace companies such as Tata Motors in India and Chengdu Aircraft in China, for example.
  - Fourth, the OEMs in these two industries are investing in new technologies and facing increasing regulatory compliance – including becoming greener by utilizing less resources – and these factors are helping drive the need for the solutions that we offer.
  - And finally, while DS has historically and continues to have a significant market share among large companies, we are now actively engaged in increasing our market presence among the suppliers to these OEMs.
- We are also winning customers in new industries across our businesses. In particular, our collaboration and simulation solutions are key drivers of this growth into industries such as high tech, consumer and consumer packaged goods. Who would have anticipated just several years ago that Dassault Systemes would become a critical supplier to companies such as Gucci and Gap?
  - This year will mark the final steps in the creation of our PLM indirect channel. In this regard, our first quarter was an important milestone as we moved ahead with the planned country transitions, including Germany and Japan. In less than fifteen months, a

remarkably short period of time, we have developed an indirect PLM channel spanning more than 60 countries.

- More broadly, we benefited from good performances across all sales channels this quarter.

### **Summary**

- Finally, I am pleased to highlight that industry market analyst CIMdata has confirmed our leadership of the PLM market. For the third year in a row, DS leads the PLM market as the mindshare leader. I believe our core competitive advantages, in particular our long-term focus, consistent investment in research and development and deep understanding of our customers' processes and industries have been instrumental to DS becoming a leader and sustaining this leadership position.
- By focusing on our customers, we will continue to grow our market footprint and extend our market leadership.
- I would now be happy to respond to your questions.