Annual Report 2010

This document is an English-language translation of Dassault Systèmes' *Document de référence* (registration document), which was filed with the AMF (French Financial Markets Authority) on April 1, 2011, in accordance with Articles 212-13 of the AMF General Regulation.
Only the French version of the *Document de référence* is legally binding.

General

This Annual Report also includes:

– **the annual financial report to be prepared and published by every listed company within four months of the end of its fiscal year, pursuant to article L. 451-1-2 of the Monetary and Financial Code and article 222-3 of the AMF General Regulation, and**

– **the annual management report of the Company's Board of Directors, which must be provided to the general shareholders' meeting approving the financial statements for each completed fiscal year, pursuant to articles L. 225-100 *et seq.* of the French Commercial Code.**

The index set forth below provides cross-references to the relevant portions of these two reports.

All references to "euro" or to the symbol "€" refer to the legal currency of the French Republic and certain countries of the European Union. All references to the "U.S. dollar" or to the symbol "$" refer to the legal currency of the United States of America.

As used herein, "Dassault Systèmes", the "Company" or the "Group" refers to Dassault Systèmes SA and its direct and indirect subsidiaries. "Dassault Systèmes SA" refers only to the French parent company of the Group.

In compliance with article 28 of European Regulation n° 809/2004 of the Commission, the following information is incorporated by reference in this Annual Report:

- the consolidated financial statements on pages 95 to 128 (inclusive), the parent company financial statements on pages 129 to 150 (inclusive), and the related audit reports on pages 152 to 158 (inclusive) of the English-language translation of the registration document for the year 2009 filed with the AMF (French Financial Markets Authority) on April 1, 2010, under n° D.10-0206;

- the financial information on pages 40 to 54 (inclusive) of the registration document for the year 2009 filed with the AMF on April 1, 2010, under n° D.10-0206;

- the consolidated financial statements on pages 90 to 123 (inclusive), the parent company financial statements on pages 124 to 144 (inclusive) and the related audit reports on pages 146 to 151 (inclusive) of the English-language translation of the registration document for the year 2008 filed with the AMF on April 2, 2009, under n° D.09-0184;

- the financial information on pages 36 to 49 (inclusive) of the registration document for the year 2008 filed with the AMF on April 2, 2009, under n° D.09-0184.

The portions of these documents which are not incorporated herein are either not of interest for current investors, or are covered in another section of this Annual Report.

Contents

The table of contents below follows the nomenclature set forth in Annex I of the European Regulation nº 809/2004 applying the European Directive known as the "Prospectus Directive" 2003/71/CE.

CROSS-REFERENCE TABLE

In order to make it easier to read this document, the cross-reference table below identifies in this Registration document:

– the information included in the annual financial report which must be published by listed companies in accordance with the provisions of the French Monetary and Financial Code, which reflects the transposition of the European Directive known as the "Transparency Directive" 2004/109/CE; and

– the information included in the annual management report which must be prepared by the Company's Board of Directors, as required by articles L. 225-100 *et seq.* of the French Commercial Code.

CHAPTER 1 – PERSON RESPONSIBLE

1.1 Person Responsible for the Registration Document

Bernard Charlès – Directeur Général (President and Chief Executive Officer).

1.2 Certification by the Person Responsible for the Registration Document

Vélizy-Villacoublay, April 1, 2011

“I hereby certify, after having taken all reasonable measures for this purpose, that the information contained in this registration document is, to my knowledge, in accordance with the facts and that no information liable to affect its significance has been omitted.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a faithful representation of the assets, financial situation and results of Dassault Systèmes SA and all the companies included in the scope of consolidation.

The “Management Report” included in this annual report, as indicated in the cross-reference index above, presents a faithful representation of the business trends, results and financial situation of Dassault Systèmes SA and all the companies included in the scope of consolidation as well as a description of the principal risks and uncertainties which they face.

I have received a completion letter (*lettre de fin de travaux*) from the auditors stating that they have verified the information regarding the financial situation and the financial statements included in this Registration Document and that they have read this document in its entirety.

The statutory auditors have reviewed the historical financial information in this document and have issued reports, included in chapter 20.4.2, that, without calling into question their conclusion on the consolidated financial statements, contain observations on Note 2 “Summary of significant accounting policies” and Note 16 “Business combinations” to the consolidated financial statements related to the application of IFRS 3 Revised and IAS 27 Revised, applicable from January 1, 2010.”

President and Chief Executive Officer

Bernard Charlès

CHAPTER 2 – STATUTORY AUDITORS

Principal Statutory Auditors

PricewaterhouseCoopers Audit, member of the Compagnie Régionale de Versailles, 63, rue de Villiers – 92200 Neuilly-sur-Seine, represented by Xavier Cauchois, whose mandate began on June 8, 2005 and will expire at the general shareholders' meeting approving the financial statements for the fiscal year ending on December 31, 2010.

The General Meeting of Shareholders scheduled for May 26, 2011 will be asked to renew the mandate of PricewaterhouseCoopers Audit, to be represented by Pierre Marty, for a period of six fiscal years expiring at the General Meeting of Shareholders approving the financial statements for the fiscal year ending on December 31, 2016.

Ernst & Young et Autres, member of the Compagnie Régionale de Versailles, 41, rue Ybry – 92200 Neuilly-sur-Seine, represented by Jean-François Ginies, was appointed on May 27, 2010 to replace Ernst & Young Audit; this mandate will expire at the general shareholders' meeting approving the financial statements for the fiscal year ending on December 31, 2015. Ernst & Young et Autres belongs to the same network as Ernst & Young Audit.

Deputy Statutory Auditors

Pierre Coll, 63, rue de Villiers – 92200 Neuilly-sur-Seine, whose mandate began on June 8, 2005 and will expire at the general shareholders' meeting approving the financial statements for the fiscal year ending on December 31, 2010.

The General Meeting of Shareholders scheduled for May 26, 2011 will be asked to appoint Yves Nicolas, 63, rue de Villiers – 92200 Neuilly-sur-Seine, as deputy statutory auditor for a period of six fiscal years expiring at the General Meeting of Shareholders approving the financial statements for the fiscal year ending on December 31, 2016.

The company Auditex, 11, allée de l'Arche – Faubourg de l'Arche – 92400 Courbevoie, whose mandate was renewed on May 27, 2010 and will expire at the general shareholders' meeting approving the financial statements for the fiscal year ending on December 31, 2015.

Principal Accountants Fees and Services

The following table presents the amount of fees paid to each of the Company's principal statutory auditors in 2010 and 2009:

	PricewaterhouseCoopers				Ernst & Young			
	Amount		%		Amount		%	
(In thousands)	2010	2009	2010	2009	2010	2009	2010	2009
Audit								
Audit opinion, review of statutory and consolidated financial statements(1):								
– Issuer	€1,091	€890	36.6%	39.5%	€214	€183	21.9%	41.4%
– Other consolidated subsidiaries	1,354	1,202	45.4%	53.3%	163	166	16.7%	37.5%
Other audit-related services(2):								
– Issuer	480	43	16.1%	1.9%	–	43	0.0%	9.7%
– Other consolidated subsidiaries	7	48	0.2%	2.1%	7	–	0.7%	0.0%
Subtotal	***2,932***	***2,183***	***98.3%***	***96.8%***	***384***	***392***	***39.3%***	***88.6%***
Other services(3)								
Legal, tax, social	**50**	**73**	**1.7%**	**3.2%**	**592**	**51**	**60.7%**	**11.4%**
Subtotal	***50***	***73***	***1.7%***	***3.2%***	***592***	***51***	***60.7%***	***11.4%***
Total	**€2,982**	**€2,256**	**100.0%**	**100.0%**	**€976**	**€443**	**100.0%**	**100.0%**

(1) Audit Fees consist of fees billed for the annual audit services engagement and other audit service for the years ended December 31, 2010 and 2009, which are those services that only the statutory auditor reasonably can provide, and include the Group audit; statutory audits; consents; attest services; and services provided in connection with documents filed with the French market authorities (AMF).

(2) Audit-related fees generally consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the statutory auditor, and include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, and information system reviews. In 2010, they primarily included fees related to the acquisition of IBM PLM.

(3) Tax-related fees include fees billed for local and international tax compliance services, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance. In 2010, they also included fees related to the review of certain tax matters in connection with the IBM PLM acquisition.

CHAPTER 3 – SELECTED FINANCIAL INFORMATION

The selected financial information set forth below has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union, unless otherwise indicated.

	Year ended December 31,		
(in millions, except percentages and per share data)	**2010**	**2009**	**2008**
Revenue	€1,563.8	€1,251.3	€1,334.8
Operating Income	322.0	231.0	273.9
As a percentage of total revenue	*20.6%*	*18.5%*	*20.5%*
Net Income attributable to shareholders	220.5	169.7	200.5
Diluted Net Income Per Share	€1.82	€1.43	€1.68
Supplemental non-IFRS Financial Information(1)			
Revenue	€1,580.0	€1,252.8	€1,338.2
Operating Income	451.7	313.7	342.0
As a percentage of total revenue	*28.6%*	*25.0%*	*25.6%*
Net Income attributable to shareholders	302.6	221.0	240.7
Diluted Net Income Per Share	€2.50	€1.86	€2.02

(1) Readers are cautioned that the supplemental non-IFRS financial information is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered in isolation from or as a substitute for IFRS measurements. The supplemental non-IFRS financial information should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS. Furthermore, its supplemental non-IFRS financial information may not be comparable to similarly titled adjusted measures used by other companies. For a reconciliation of this non-IFRS financial information with the Company's audited financial statements, see Section 9.1.2 "Supplemental non-IFRS Financial Information".

	Year ended December 31,		
(in millions)	**2010**	**2009**	**2008**
ASSETS			
Cash, cash equivalents and short-term investments	€1,139.1	€1,058.0	€840.4
Trade accounts receivable, net	413.5	322.3	329.4
Other assets	1,519.2	919.4	972.2
Total assets	***3,071.8***	***2,299.7***	***2,142.0***
LIABILITIES			
Long-term financial debt	293.4	200.0	200.0
Other liabilities	987.6	652.0	633.1
Parent shareholders' equity	1,790.8	1,447.7	1,308.9
Total Equity and Liabilities	***€3,071.8***	***€2,299.7***	***€2,142.0***

CHAPTER 4 – RISK FACTORS

4.1 Risks Related to the Company's Business

Difficult global economic environment

In difficult global economic and business conditions, the Company's revenue, net earnings and cash flows may decrease, or grow more slowly, whether on an annual or quarterly basis, due in particular to the following factors:

– the deployment of a Product Lifecycle Management (PLM) solution may represent a large portion of a customer's investments in software technology. Decisions to make such an investment are impacted by the economic environments in which the customers operate. Continuing unstable global economic conditions may cause some customers to reduce, postpone or terminate their investments in information technology, or to reduce or terminate on-going paid maintenance for their installed base. Such situations may impact the Company's revenues;

– the automotive, aerospace and industrial equipment industries, which represent a significant share of the Company's revenue, have been and will continue to be impacted by the current economic context; and

– the sales cycle of PLM products – already relatively long due to the strategic nature of such investments for customers – could further lengthen due to the unstable global economic context.

The Company's current outlook for 2011 assumes, among other things, that there will be a slow economic recovery, but if global economic and business conditions improve more slowly than anticipated, or remain stable or further deteriorate, the Company's business results may not develop as currently anticipated and may remain below their earlier levels for an extended period of time. In this regard, the impact of the earthquake of March 11, 2011, in Japan is difficult to evaluate at this time, but may be expected to have a negative impact on the Japanese economic recovery. Furthermore, due to factors affecting sales of the Company's products and services as described above, there may be a substantial time lag between an improvement in global economic and business conditions and an upswing in the Company's business results.

The current economic context and high exchange rate volatility may also adversely impact the financial situation or financing capabilities of the Company's potential and existing customers, reseller network and technology partners, some of whom may be forced to cease operations due to cash flow and profitability issues. The Company's ability to collect outstanding receivables may be affected.

Finally, the difficult economic environment could generate increased price pressure, as customers seek lower prices from various competitors, which could negatively impact the Company's revenue, financial performance and market position.

To limit the impact of the economic environment on its business and financial results, the Company continues to further diversify its customer base through expanding its presence in new industrial sectors and new geographic markets, and it is also continuing to control costs throughout the Company.

Challenges to the Company's intellectual property rights

The Company's success is heavily dependent upon its proprietary software technology. The Company relies on a combination of copyright, patent, trademark, trade secret law and contractual restrictions to protect the proprietary aspects of its technology. These legal protections afford only limited protection. In addition, effective copyright, patent, trademark and trade secret protection may be unavailable or limited in certain countries where intellectual property ("IP") rights are less protected than in the United States or Western Europe.

If, despite the Company's strategies for protecting its intellectual property, certain third parties are able to develop similar technology, a reduction in the Company's software revenues may result. Furthermore, although the Company enters into confidentiality and license agreements with its employees, distributors, customers and potential customers, and limits access to and carefully controls the distribution of its software, documentation and other proprietary information, the measures taken may not be adequate to deter misappropriation or prevent independent third-party development of the Company's technology.

In addition, like most of its competitors, the Company faces an increasing level of piracy of its lead products, by both individuals and groups acting worldwide, which could potentially affect the Company's growth in specific markets.

Litigation may be necessary to enforce the Company's intellectual property rights and determine the validity and scope of the proprietary rights of third parties. Any litigation could result in substantial costs and diversion of Company resources and could seriously harm the Company's operating results. The Company may not prevail in any such litigation and its intellectual property rights may be found invalid or unenforceable.

In order to protect its intellectual property, the Company regularly registers patents for its most advanced innovation and systematically registers copyrights. The Company has also strengthened its anti-pirating initiative, which is proving effective.

Development of a new services offering for "cloud computing"

Dassault Systèmes is developing and preparing for distribution a services offering for the on-line use of its products (Software as a Service) based on a "cloud computing" infrastructure. As a result, Dassault Systèmes will manage certain hardware and data hosting on behalf of its customers. The Company will thus be responsible for the solutions provided and will have increased responsibility toward its clients, particularly as concerns uninterrupted access to the on-line service and confidentiality for hosted data. In addition, the facilities used to provide these services will be subject to the risks described below under "Security of internal systems and facilities".

The progressive roll out of these services and their distribution also involves the deployment of new support and management processes (for example, processing orders and billing). The Company will also become exposed to a complex legal environment and could have increased risk regarding regulatory compliance in the countries where it has operations.

In case of difficulties in providing its clients with on-line services under satisfactory conditions, the Company's revenues, results of operations and competitive position, as well as the reputation of Dassault Systèmes, could be negatively affected.

The Company is seeking to minimize these risks by developing alliances with partners with recognized technical capabilities, and by simulating and controlling, to the extent possible, the technical, legal, and financial consequences of processes put in place to serve its customers.

Infringement of third-party intellectual property rights and licensing of third-party technology

Third parties, including the Company's competitors, may own or obtain copyrights, patents or other proprietary rights that could restrict the Company's ability to further develop, use, or sell its own product portfolio. Dassault Systèmes has received in the past, and may in the future receive, communications alleging that its products infringe the patents and other intellectual property rights of others. Such claims could cause the Company to incur substantial costs to defend itself in any litigation which may be brought, regardless of its merits. If the Company fails to prevail in intellectual property litigation, it may be required to:

- cease making, licensing or using the products or services that incorporate the challenged intellectual property;
- obtain and pay for licenses from the holder of the infringed intellectual property right, which might not be available on acceptable terms for Dassault Systèmes, if at all; or
- redesign its products, which could involve substantial costs and require the Company to interrupt product licensing and product releases, or which might not be feasible at all.

In addition, the Company embeds in its products an increasing number of third-party components selected either by the Company itself or by companies which it acquires. Although Dassault Systèmes has implemented strict approval processes to certify the originality of third-party components and verify any corresponding licensing terms, the same approval processes may not have been adopted by companies acquired by Dassault Systèmes. As a result, the use of third-party embedded components in the Company's products generates exposure to the risk that a third party will claim that these components infringe their intellectual property rights. Also, due to the use of third-party components, there is also a risk that such license(s) might expire or terminate without renewal affecting certain Company products.

The Company seeks to limit this risk through a process for certifying the origins of its products with respect to intellectual property.

However, if any of the above situations were to occur for a significant product, it could have a material adverse impact on the Company's financial condition and results of operations.

Currency fluctuations

The Company's results of operations have been, and may in the future be, significantly affected by changes in exchange rates. Exchange rate fluctuations can impact revenues and expenses recorded in the Company's statement of income upon translation of other currencies into euro. Although the Company currently benefits from a natural coverage of most of its exposure to U.S. dollars from an operating margin perspective, the loss of revenue if the dollar weakens may still negatively impact the Company's operating income, net income and earnings per share. In addition, the Company's revenues denominated in Japanese yen, Korean won and British pound substantially outweigh its expenditures in these currencies. As a result, the Company's financial results are exposed to a potential depreciation in the value of these currencies relative to the euro, which could adversely affect the Company's revenue, as well as its operating income, operating margin, net income and earnings per share.

The Company's net financial revenue can also be significantly affected by changes in exchange rates between the time the revenue is recognized and when cash payments are received, and between the time an expense is recorded and when it is paid. Any such differences are accounted for in the "Exchange gain/loss" portion of the Company's financial revenue.

To address the risks created by currency fluctuations, the Company carries out hedging operations on a case-by-case basis (see Section 4.2.2 "Foreign Currency Exchange Risk").

Since market growth rates for the Company's software applications and the revenue growth rates of its significant competitors are computed in U.S. dollars, such growth rates from period to period may not be comparable to the Company's euro-computed revenue growth rates for the same periods.

Security of internal systems and facilities

The Company's research and development ("R&D") facilities are computer-based and rely entirely on the proper functioning of complex software and integrated hardware systems. However, it is not possible to guarantee the uninterrupted operation and complete security of these systems. For example, the invasion of the Company's computer-based systems by either computer hackers or industrial pirates could interfere with their proper functioning and cause substantial damage, loss of data or delays in on-going research and development activities. Computer viruses, whether deliberately or unintentionally introduced, could also cause similar damage, loss or delays. As many of the Company's systems include advanced or state-of-the-art functionalities, computer bugs or design errors could cause malfunctions.

In addition, because the Company's key facilities are located in a limited number of sites, including Japan and California, which may be exposed to earthquakes, substantial physical damage to any one of the Company sites, by natural causes or by attack or local violence, could materially reduce its ability to continue its normal business operations.

If any of these circumstances were to arise, the resulting damage, loss or delays could have a material negative impact on the Company's business, results of operations and financial condition.

The Company therefore maintains an IT security framework, including intrusion protection, data storage back-up and restricted access to critical and sensitive information, and also subscribes to insurance policies covering these risks (see Section 4.3 "Insurance").

Production of industrial products

The products created and produced by the Group's customers, in all industry sectors, often integrate components provided by subcontractor manufacturers located around the world. If such a subcontractor's natural, economic or business environment significantly affects its ability to fulfill its commitments to its own customers, the Group's customers could encounter difficulties in obtaining needed components, experience delays in bringing to market or delivering finished products, change their investment priorities or suffer a deterioration of their financial condition. In this regard, the ultimate impact of events such as the earthquake in Japan on March 11, 2011, is always difficult to evaluate, but may have an adverse effect on the financial condition of the Group's customers, which could affect the Group's revenues.

The Group seeks to limit this risk by diversifying its customer base and maintaining its long-term financial model which enables it to benefit significantly from recurring revenue.

Product errors or defects

Sophisticated software often contains errors, defects or other performance problems when first introduced or when new versions or enhancements are released. If errors or defects are discovered in Dassault Systèmes' current or future products, the Company may not be able to correct them in a timely manner, or provide an adequate response to its customers. The Company may therefore need to expend significant financial, technical and management resources, or divert some of its development resources, to resolve or work around those defects. The Company may also experience an increase in its service and warranty costs.

Errors, defects or other performance problems in the Company's products may also result in the loss of, or delay in, the market acceptance of its products or postponement of customer deployment. Such difficulties could also cause the Company to lose customers and, particularly in the case of its largest customers, the potentially substantial associated revenues which would have been generated by its sales to companies participating in the customer's supply chain. Technical problems, or the loss of a customer with a particularly important global reputation, could also damage the Company's own business reputation and cause the loss of new business opportunities.

Because errors, defects or other performance problems in the Company's software could result in significant financial or other damage to its customers, such customers could pursue claims against the Company. A product liability claim brought against Dassault Systèmes, even if not successful, would likely be time consuming for its management and costly to defend and could adversely affect the Company's marketing efforts.

To reduce the risk of product errors or defects, the Company carries out advanced testing on its new products, releases, and versions prior to market launch, sometimes in cooperation with selected customers and partners.

The Company also subscribes to an "Errors & Omissions" insurance policy covering possible defects in its products, although insurance carried by the Company may only partially offset the cost of correcting significant errors (see Section 4.3 "Insurance").

Integration of IBM PLM and Evolution of IBM relationship

In October 2009, the Company and IBM signed a definitive agreement whereby Dassault Systèmes would acquire the IBM business unit dedicated exclusively to the marketing, sale and support of the Company's PLM solutions ("IBM PLM"). The transaction was completed on March 31, 2010. As a result, Dassault Systèmes acquired the IBM PLM sales, marketing, services and client support operations, as well as customer contracts and related assets. The Company and IBM also defined the next steps in their long-standing relationship, and have established Dassault Systèmes as an IBM Global Alliance Partner. See Section 5.1.5 "History of the Company – 2010".

IBM PLM had assets in 27 countries and employed approximately 700 people. As a result of preparatory steps taken in advance and the significant work accomplished by the Company's personnel, the integration was carried out in 2010 efficiently and according to the timetable. However, although the process is very advanced, it is not entirely completed and if the Company encounters difficulties in finalizing this transition, its revenues, results of operations, and its competitive position could be affected.

To limit this risk, management continues to oversee the effective integration of the IBM teams and the performance of its sales processes.

Rapidly changing and complex technologies

PLM solutions are characterized by the use of rapidly changing technologies and frequent new product introductions or enhancements. These solutions must address complex engineering needs in various areas of product design, simulation and manufacturing, and must also meet sophisticated process requirements in the areas of change management, industrial collaboration and cross-enterprise work.

As a result, the Company's success is highly dependent upon its ability:

- to understand its customers' complex needs in different industrial sectors, and support them in reengineering key product lifecycle processes and managing the migration of substantial amounts of data;
- to enhance its existing solutions by developing more advanced technologies;
- to anticipate and take timely advantage of quickly evolving technologies; and
- to introduce new solutions in a cost-competitive and timely manner.

The Company also continues to face the challenge of the increasingly complex integration of its products' different functionalities to address customers' PLM requirements. As a result, longer and more difficult industrialization work is required for new releases and offerings, with limitations on the options for interfacing with third-party systems installed at the customer. In addition, if the Company is not successful in anticipating technological leaps and developing new solutions and services that address its customers' increasingly sophisticated expectations, demand for its products could decline, and the Company's results of operations and financial condition could be negatively affected.

To limit this risk and keep abreast or ahead of technological developments which may affect its products, the Company commits substantial resources to the development of new offerings, and it maintains close and regular contacts with its key customers to identify and capture their emerging needs. In addition, the Company provides training courses to its research and development teams on new technologies.

Retention of key personnel and executives

The Company's success depends to a significant extent upon the continued service of its key managers and highly qualified research and development, technical support, sales management and other personnel, and on its ability to continue to attract, retain and motivate qualified personnel. In particular, if the Company fails to hire on a timely basis and retain highly skilled sales forces, the expansion of the sales organization could be hindered, which would slow revenue growth. The competition for such employees is intense, and if the Company loses the ability to hire and retain key employees and executives with a diversity and high level of skills in appropriate domains (such as research and development and sales), it could have a material adverse impact on its business activities and operating results. The Company does not maintain insurance with respect to the loss of key personnel.

In order to limit this risk, the Company has put in place training, career development and long-term compensation incentives to attract and retain key personnel, and has also diversified its research and development resources in different regions of the world.

Difficulties in relationships with extended enterprise partners

The Company's PLM strategy requires fully integrated solutions of computer-aided design, simulation and manufacturing and data management products, which are increasingly complex and whose installation at the customer have become significant enterprise projects. To implement its PLM strategy, Dassault Systèmes has developed an extended enterprise model and partners with other companies in areas such as:

- computer hardware and technology, to maximize benefits from available technology;
- product development, to enable software developers to create and market their own software applications using Dassault Systèmes' key product architecture; and

- consulting and services, to support and accompany customers as needed to adapt and deploy PLM solutions.

The Company believes that its partnering strategy allows it to benefit from complementary resources and to reduce costs while achieving broader market coverage.

The Company's broad partnering strategy creates a degree of dependency on such partners. The Company's ability to develop partnership relationships, particularly with systems integrators to deploy the new V6 version of its products, is an important element of its PLM strategy. Serious difficulties in the Company's relationships with its partners, or an unfavorable change of control of these partners, may adversely affect the Company's product and business development, and could cause it to lose the contribution of the employees or contractors of the Company's partners, particularly in the area of research and development. In addition, any failure by the Company's partners to deliver products of the quality or according to the timing expected may cause delays in the delivery of, or deficiencies in, the Company's own products.

Due to the rapid evolution of the software development and distribution sectors, it is difficult to ensure the long-term success of the relationship with any particular partner. However, whenever entering into a relationship with a new partner, the Company carefully considers the potential new partner's technical and financial viability.

Legal proceedings

As a result of its business activity, the Company is subject to a variety of claims and lawsuits. The Company's risk of litigation and administrative proceedings increases as it expands its activities, enhances its position and visibility on the software market and develops new approaches to its business, particularly in connection with online activities. Litigation can be lengthy, expensive, and disruptive to the management of Company operations. Results cannot be predicted with certainty, and adverse outcomes in some or all of the claims pending against the Company may result in significant monetary damages or injunctive relief against the Company that could adversely affect its ability to conduct business. While, based on current knowledge, management believes that resolving any outstanding matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial position or results of operations, litigation and other claims are by their nature subject to uncertainties. Actual outcomes of litigation and other claims may differ from management expectations, which could result in a material adverse impact on the Company's financial position and results of operations.

The Company's legal department, assisted by technical experts, monitors on a regular basis all outstanding claims and litigations, some of which may be covered by insurance (see Section 20.8 "Legal and Arbitration Proceedings").

Complex regulatory environment

Due to the global reach of the Company's operations and its listing on the Paris stock exchange, the Company is subject to complex and rapidly evolving laws, regulations and requirements. The complex laws and regulations to which the Company is subject apply to general business practices, competitive practices, financial reporting standards, corporate governance, internal controls, local and international tax regulations and export compliance for high technology products. The Company seeks to have fully compliant practices and requires its subsidiaries to respect the regulations of the countries where they have activities. The failure or suspected failure to comply with any of these regulations may result in increased regulatory scrutiny through inquiries or investigations, adverse media attention and fines and sanctions, as well as an increase to the Company's litigation risk or limits on the Company business operations. A number of these adverse consequences could occur even if it is ultimately determined that there has been no failure to comply. There can be no assurance that additional regulation in any of the jurisdictions in which the Company currently operates, or may operate in the future, would not significantly increase the cost of regulatory compliance.

Personnel within the financial and legal departments attend regular training to stay abreast of regulatory or related issues, and the Company consults outside experts to validate the compliance of some of its practices with existing rules and regulations.

Variability in quarterly operating results

The Company's quarterly operating results have in the past varied significantly, and may vary significantly in the future, depending on factors such as:

- the timing and cyclical nature of revenues received due to the signing of important new customer orders, the completion of major service contracts or the completion of customer deployments;
- the timing of any significant acquisitions or divestitures;
- fluctuations in foreign currency exchange rates;
- the Company's ability to develop, introduce and market new and enhanced versions of its products and customer order deferrals in anticipation of these new or enhanced products;
- the number, timing and significance of product enhancements or new products that the Company develops or that are released by its competitors; and
- general conditions in the Company's software markets, the software industry generally and computer industries and regional economies.

A substantial portion of the Company's orders and shipments typically occur in the last month of each quarter and therefore, if any delay occurs in the timing of the order, the Company may experience significant quarterly fluctuations in its results of operations. Additionally, as is typical in the software applications industry, the Company has historically experienced its highest licensing activity for the year during the last quarter of the year. Delays in orders and shipments can affect the Company's revenue and income.

The trading price of the Dassault Systèmes' shares may be subject to wide fluctuations in response to quarterly variations in the Company's operating results and the operating results of other software applications developers in the Company's markets.

Competition and pricing pressure

In the past few years, there has been consolidation in the Company's software markets, which may lead to the adoption by competitors of business models different from Dassault Systèmes' model and thus a substantial decline in pricing which could require the Company to adapt to a substantially different commercial environment. These competitive pricing pressures could negatively impact the Company's revenue, financial performance and market position.

In addition, by regularly expanding its product portfolio, entering new geographic markets, diversifying its client base in new sectors of activity, and developing new applications for its products, the Company encounters new competitors. In the event the Company has difficulties setting up the infrastructures needed to manage its businesses and the new competitive context, the revenues, results of operations, competitive position and reputation of Dassault Systèmes could be negatively impacted.

Organizational and management challenges arising from the evolution of the Company

Dassault Systèmes has continued to expand through acquisitions and internal development. The Company's significant growth in revenues, employees, operations and customers requires the ongoing adaptation of management policies and internal systems which must be coordinated to meet the needs of a larger, more complex structure. The Company must also continue to reorganize itself to maintain efficiency and remain focused on its strategy, while ensuring customer retention. If the Company does not address these issues effectively, the Company's product development, internal processes, cost management and commercial operations may experience inefficiencies or fail to satisfy adequately market or customer demands, which could negatively impact its business and results of operations.

In addition, in order to realize acquisitions or investments, the Company may use significant financial resources, make potentially dilutive issuances of equity securities or incur debt. The acquisitions may also cause the Company to incur amortization expenses related to intangible assets other than goodwill, or generate goodwill subject to annual (or more frequent, if necessary) impairment tests, which may trigger depreciation. Minority interests in unaffiliated partners or other investments may also have to be written down in the Company accounts as a result of impairment. Acquired companies may also carry the risk of unanticipated or contingent liabilities, including litigation risk related to prior events (for example, see above the risk of claims that embedded components violate third party intellectual property rights). Each of these potential consequences of an investment or acquisition could reduce the Company's operating margin or net income. Also, due to local regulatory constraints, a planned acquisition might not be realized as anticipated or at all.

The Company seeks to adjust on a regular basis its organization and management model to support its growth. In the beginning of 2011, the Company decided to strengthen its geographic organization to better serve its customers and partners in the different countries where it has operations (see Section 7.1 "Dassault Systèmes SA's Position within the Group").

International operations

As a global participant in the software industry, the Company's business is subject to certain risks inherent in international operations that are beyond its control. These risks include tariffs, duties, export controls and other trade barriers, unexpected changes in regulatory requirements and applicable laws, and political and economic instability in certain countries. Any of these factors could harm the Company's operating results. There can be no assurance that the Company will not experience material adverse effects with respect to its international operations and sales.

The Company seeks to ensure compliance with applicable regulations by employee training and regular audits of its subsidiaries around the world.

Technology stock volatility

The market price of the Company's shares is likely to be volatile, since the market for shares of technology companies has historically been more volatile than the stock market overall.

Shareholder base

Groupe Industriel Marcel Dassault SAS ("GIMD"), which represents the interests of some of the Company's founding shareholders, owned 42.76% of the Company's outstanding shares, representing 50.77% of voting rights, as of December 31, 2010. As more fully described in

Chapter 18 “Major Shareholders”, GIMD plays a decisive role with respect to matters submitted to shareholders, including the election and removal of directors and the approval of any merger, consolidation or sale of all or substantially all of the Company assets.

4.2 Market Risk

The Company’s overall risk management policy is based upon the prudent management of the Company’s market risks, primarily interest rate risk and foreign currency exchange risk. The Company’s programs with respect to the management of these risks, including the use of hedging instruments, are discussed below. The Company’s exposure to these risks may change over time and there can be no assurance that the benefits of the Company’s risk management policies will exceed the related costs. Such changes could have a materially adverse impact on the Company’s financial results.

Information in this section is complementary to the notes to the Company’s consolidated financial statements with respect to information required by IFRS 7, and is covered by the statutory auditors’ report on the consolidated financial statements.

4.2.1 Interest Rate and Equity Risk

Except for their impact on the general economic environment, which is difficult to quantify, the Company believes that changes in interest rates in 2010 did not materially affect its revenue and earnings before financial income. Similarly, interest rates are not expected to affect its business or future earnings before financial income. Therefore, the Company’s interest rate risk is primarily a risk related to a reduction of financial revenue.

The Company generates positive cash flows from operations and has some financial obligations (e.g., credit lines, loan facilities, employee profit-sharing), but the Company’s cash position net of debt is positive throughout the year. The Company sometimes uses bank overdrafts, as a result of timing differences which may arise between expected value dates and actual dates of receipt or disbursement of funds. These differences do not concern significant amounts. The interest rate applied is a variable short-term market rate.

In December 2005, the Company signed a 5-year variable rate revolving credit facility for up to €200 million and drew down the entire €200 million from the facility on March 15, 2006. The credit facility included two options for one-year extensions, one of the options having been exercised in 2006 and the other in 2007, and the Company entered into interest rate swap agreements in connection with this facility. These swap agreements had the economic effect of modifying a portion of forecasted interest obligations relating to this facility so that the interest payable effectively became fixed at 3.36% until September 15, 2010. In June and July 2009, the Company entered into additional interest rate swap agreements for a nominal amount of €100 million each that fixed the underlying interest payable at 3.18% and 2.98%, respectively, from September 15, 2010, through December 3, 2012. In April 2010, the Company entered into interest rate basis swap agreements for a nominal amount of €200 million converting variable rates at Euribor 3 months into Euribor 1 month. Under the terms of the credit facility, the Company is subject to limitations on granting liens on, or selling, Company assets or the assets of its principal subsidiaries, and on restructurings involving the Company. A change in control of the Company could trigger early reimbursement of amounts outstanding under the facility.

In April 2010, the Company entered into a term loan facility in Japan for JPY14,500 million (the equivalent of €115.0 million as of the draw date and €120.1 million as of December 31, 2010, of which €26.7 million are current liabilities as of December 31, 2010) in order to finance a portion of the IBM PLM acquisition. The facility bears interest at Japanese Yen Libor plus 0.60% per annum, and is scheduled to be repaid by the Company in ten equal semi-annual installments, with the last payment being due in June of 2015. In June 2010, the Company entered into interest rate swap agreements for a nominal amount of JPY14,500 million that have the economic effect of modifying forecasted interest obligations relating to this term loan facility so that the interest payable effectively becomes fixed at 0.41% until June 9, 2015.

Financial revenue is composed in part of interest income from cash and cash equivalents, as well as from short-term investments. As a result, it is sensitive to fluctuations in interest rates. As of December 31, 2010, cash and cash equivalents and short-term investments totaled €1,139.1 million, including €532.9 million sensitive to fluctuations in interest rates mostly in euro and U.S. dollars. With all other variables held constant, an increase in interest rates of 100 basis points would have had a positive impact in 2010 of €3.4 million on financial income and a decrease in interest rates of 100 basis points would have had a negative impact of €4.0 million. As of December 31, 2009 cash and cash equivalents and short-term investments totaled €1,058.0 million, including €861.5 million sensitive to fluctuations in interest rates mostly in euro and U.S. dollars. With all other variables held constant, an increase in interest rates of 100 basis points would have had a positive impact in 2009 of €8.6 million on financial income, and a decrease in interest rates of 100 points would have had a negative impact of €4.2 million.

For cash management purposes, the Company does not directly invest in common shares. The Company invests a non-significant part of its cash in funds invested in stocks. The Company's financial results are therefore not significantly and directly linked to stock market variations.

The following table presents the notional amount and fair value of interest rate financial instruments at December 31, 2010 and 2009:

	Year ended December 31,			
	2010		2009	
(in thousands of euros)	Notional amount	Fair value	Notional amount	Fair value
Euro interest rate swap (from 2006 to 2010)	–	–	200,000	(3,416)
Euro interest rate swap (from 2010 to 2012)	200,000	(6,152)	200,000	(2,034)
Interest rate basis swaps in euros (from 2010 to 2012)	200,000	54	–	–
Interest rate swaps in Japanese yen (from 2010 to 2015)	120,110	(476)	–	–

The Company follows a conservative policy for investing its cash resources, mostly relying on short-term, investment grade investments. Investment rules are determined and controlled by the treasury department of Dassault Systèmes SA.

4.2.2 Foreign Currency Exchange Risk

The Company's financial position can be affected significantly by movements in USD/euro and in JPY/euro exchange rates.

The Company bills its customers in major currencies, principally euros, U.S. dollars and Japanese yen. The Company also incurs expenses in different currencies, principally euros, U.S. dollars and Japanese yen, through the Company's employees and suppliers in different countries. Finally, the Company engages in mergers and acquisitions outside the euro zone and may lend money in different currencies to its fully or partially owned subsidiaries or affiliates. As a result, the Company's results of operations may be significantly affected by changes in exchange rates, particularly between the U.S. dollar or the Japanese yen and the euro. The Company's acquisition of IBM PLM on March 31, 2010 (see Section 5.2) did not significantly change its exposure to foreign currency risk.

The Company experiences partial natural hedging, with revenue denominated in U.S. dollars largely offset by its U.S. dollar expenses. As further discussed below, the Company's net exposure in Japanese yen is more significant.

In 2010, revenue denominated in U.S. dollars represented approximately 36% of total revenue, compared with 37% in 2009, after taking into account the monthly conversion by IBM of royalties coming from end purchaser payments in currencies other than U.S. dollars. The Company's operating expenses denominated in U.S. dollars represented 40% of total operating expenses in 2010, compared with 40% in 2009, including amortization of intangible assets related to acquisitions.

As a result, the Company's net operating exposure to U.S. dollars was limited to €69.8 million in 2010 (5% of the Company's total revenue). The average value of the U.S. dollar increased by approximately 5% against the euro in both 2010 and 2009, resulting in a positive impact on the Company's revenue and operating income in both years.

In 2010, revenue denominated in Japanese yen represented approximately 16% of total revenue, compared with 14% in 2009. The Company's operating expenses denominated in Japanese yen represented 7% of total operating expenses in 2010, compared with 5% in 2009, including amortization of intangible assets related to acquisitions.

The Company's net operating exposure to Japanese yen amounted to €171.9 million in 2010 (11% of the Company's total revenue), and this exposure was in part hedged through market instruments at a level of €67.8 million, as further described below. In 2010, the average value of the Japanese yen increased by approximately 12% against the euro, after an increase in value of approximately 17% in 2009, resulting in a positive impact on the Company's revenue and operating income in both years.

Currency fluctuations may impact financial revenue as well as revenue and expenses. The main items of financial revenue subject to fluctuations linked to exchange rates are:

- the difference between the exchange rate used to record invoices in foreign currencies and the exchange rate when the Company receives or makes the payment; and
- the revaluation of monetary assets and liabilities denominated in foreign currencies.

For further discussion of the impact of fluctuations in relative currency values on the Company's results, see Chapter 9 "Operating and Financial Review".

The Company usually hedges exchange rate risk related to its revenues and expenses coming from usual and predictable activity arising in the normal course of operations. The Company may also cover occasional exchange rate risk arising from specific transactions, such as acquisitions paid for in foreign currencies. The Company uses exclusively forward agreements or financial instruments with a maximum predictable loss when the instruments are put in place. All hedging activities are carried out and managed by Dassault Systèmes SA for its own account and on behalf of its subsidiaries, and all hedging transactions and the Company's net exposure are reported to the Chief Financial Officer on a monthly basis.

The table below sets forth, for the year ended December 31, 2010, the euro value of the Company's revenue, operating expenses and net position, before and after hedging, denominated in U.S. dollars, Japanese yen and other currencies, principally the euro.

	Year ended December 31, 2010		
(in thousands of euros)	**U.S. dollars**	**Japanese yen**	**Euro and other currencies**
Revenue	563,902	255,117	744,820
Operating expenses	494,065	83,182	664,605
Net position	**69,837**	**171,935**	**80,215**
Hedge	–	67,814	–
Net position after hedge	**69,837**	**104,121**	**80,215**

With all other variables held constant, movements in euro/USD exchange rates by +10% or −10% would have had an impact of €(6.3) and €7.8 million on operating income, respectively. In addition, with all other variables held constant, movements in euro/JPY exchange rates by +10% or −10% would have had an impact of €(15.6) and €19.1 million on operating income, respectively.

The following table presents the notional amount and fair market value of foreign currency financial instruments at December 31, 2010 and 2009:

	Year ended December 31,			
	2010		2009	
(in thousands of euros)	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale(1)	79,681	(5,851)	–	–
Collars Japanese yen/euros(1)	78,650	(3,264)	125,591	14,899
Forward exchange contract Japanese yen/U.S. dollars – sale(1)	30,124	(1,087)	–	–
Forward exchange contract British pounds/euros – sale(1)	2,323	(102)	574	24
Forward exchange contract British pounds/euros – sale(2)	22,969	467	–	–
Forward exchange contract Japanese yen/euros – purchase(2)	1,987	11	–	–
Forward exchange contract British pounds/euros – purchase(2)	554	(6)	–	–
Forward exchange contract Japanese yen/euros – sale(2)	–	–	5,632	36
Forward swap Japanese yen/euros(2)	–	–	105,136	(136)
Forward swap British pounds/euros(2)	–	–	22,263	16
Forward exchange contract U.S. dollars/Japanese yen – purchase(3)	–	–	133,972	6,600
Forward exchange contract U.S. dollars/euros – purchase(3)	–	–	104,817	3,740
Forward exchange contract U.S. dollars/British pounds – purchase(3)	–	–	22,907	583

(1) Instruments entered into by the Company to hedge the foreign currency exchange risk of forecasted sales.

(2) Derivatives not designated as hedging instruments. Changes in the derivatives' fair value were recorded in financial expense in the statement of income. These instruments mainly relate to the IBM PLM acquisition.

(3) Instruments entered into by the Company to hedge the foreign currency exchange risk of the firm commitment to acquire IBM PLM.

Transactions denominated in currencies other than the functional currency of the entity carrying out the transaction are translated into the entity's functional currency using exchange rates determined in accordance with the applicable accounting principles. For example, and according to accounting practice, most non-euro transactions originating in France are translated into euros using the average exchange rate of the month preceding the transaction.

When consolidating the revenue and expenses of subsidiaries reporting in currencies other than the euro, the average exchange rate of the period for which the consolidation takes place is used. Assets and liabilities recorded in functional currencies other than the euro are translated into euro equivalents at the rate of exchange in effect on the balance sheet date. In the context of business acquisitions, the currency exchange rate used is the rate on the date of the acquisition, or on the date the foreign currency used for the acquisition was purchased.

4.2.3 Liquidity Risk

The Company generates positive cash flow from operations. The Company has financial debt (such as credit lines, loan facilities and employee participation in earnings), but has a positive net financial position throughout the year.

The Company thus has a relatively low liquidity risk, as shown by the following tables:

Company financial assets as of December 31, 2010

(in millions of euros)	
Cash and cash equivalents	976.5
Short-term investments	162.6
Total	**1,139.1**

The Group has analyzed the amounts it will be required to pay under its contractual commitments at December 31, 2010. The Group believes that it will be able to meet such obligations.

The following table summarizes the Company's principal contractual obligations to make future payments as of December 31, 2010.

Contractual obligations

	Payments due by period				
(in thousands of euros)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating lease obligations(1)	367,204	46,117	81,609	67,968	171,510
Loan facilities(2)	327,700	29,478	284,445	13,777	–
Employee profit-sharing	58,814	50,726	8,088	–	–
Total	**753,718**	**126,321**	**374,142**	**81,745**	**171,510**

(1) Including €181.3 million of future minimum rental payments for the Company's headquarters facilities located in Vélizy, France and €108.5 million of future minimum rental payments for the Company's "Boston Campus" in Waltham, outside Boston in the United States of America. See Section 8.1.1 "Facilities strategy".

(2) Including interest at Euribor 1 Month plus 0.18% at December 31, 2010, or 0.96% per annum, and Libor JPY 1 Month plus 0.6% at December 31, 2010, or 0.72% per annum.

4.2.4 Credit or counterparty risk

The financial instruments which could expose the Company to credit risk include principally its cash equivalents, short-term investments, customer receivables and derivative instruments. Cash equivalents and short-term investments are placed with highly reputable financial institutions.

The Company has adopted policies regarding financial ratings and the spread of maturity dates in order to ensure the security and liquidity of its financial instruments. The Company's management oversees the credit-worthiness of its counterparts and believes that it has minimal exposure to the risk of bankruptcy of any one of them. In this regard, the Company follows in particular the credit rating of each of its counterparties and, up to the present time, all of its counterparties are rated Investment Category by rating agencies.

As a result, the Company believes that it has very low exposure to credit or counterparty risk.

The Company is not dependent on any of its principal clients. See Section 6.2.2 "Industry Sectors".

4.3 Insurance

The Company is insured by several insurance companies for all significant risks. Most of these risks are covered either by insurance policies written in France, or by a North American policy which covers all the Company's North American subsidiaries and their own subsidiaries and branches around the world. In addition, the Company subscribes to specific coverage and/or local policies to comply with applicable local regulations or to meet the specific needs of certain activities or projects.

The Company's insurance policies are reviewed regularly and may be modified to reflect changes in the revenue, activities and risks of the different companies within the Company. In addition, the Company has put in place internal preventative measures to safeguard operations and limit the impact of a significant loss in the event of major damage. As a result, there are several secured computer protection systems for source codes and all electronic data stored on the servers, work stations and portable computers used in the different entities of the Company. The computer protection systems are maintained in two separate sites.

All of the Dassault Systèmes companies are protected by an "Errors and Omissions" policy covering professional civil and product liability for a total insured amount of €20 million. A policy also covers the operating liability of Dassault Systèmes SA and its French and foreign subsidiaries (other than those covered by the North American program) for a total insured amount of €20 million. The Company has also subscribed to a policy covering risks related to director and officer liability for Dassault Systèmes SA and its subsidiaries for a total amount of €25 million for 2010.

The Company also carries insurance to cover computer risks in an amount equal to the value of its computer equipment and coverage for damage to goods.

Based on the legal requirements applicable in each country, the Company's North American companies and most of their subsidiaries have specific insurance. This insurance includes in particular coverage for damage to goods, computer risks, loss of business and operational civil liability, and professional liability. In connection with this insurance, the Company also has coverage for work-related accidents and automobile accidents. As a complement to the different insurance policies covering the North American companies and their subsidiaries, Dassault Systèmes carries an umbrella policy for a maximum amount of $10 million.

Dassault Systèmes has not established captive insurance coverage.

CHAPTER 5 – INFORMATION ABOUT THE ISSUER

5.1. History and Development of the Company

5.1.1 Corporate and commercial name

Dassault Systèmes.

5.1.2 Place of corporate registration and registration number

Dassault Systèmes SA is registered in the Versailles trade and companies registry under number 322 306 440. The Company's APE code is 5829 C.

5.1.3 Date of incorporation and term of Dassault Systèmes SA

Dassault Systèmes SA was created as a form of limited liability company (*société à responsabilité limitée*) on June 9, 1981 for a period of 99 years starting on the date of its registration (until August 4, 2080). The Company was transformed into a public limited liability company (*société anonyme*) on April 8, 1993.

5.1.4 Legal form and applicable law, registered office and telephone number

Dassault Systèmes SA is a public limited liability company (*société anonyme*) under French law, with a Board of Directors, subject to the provisions of the French Commercial Code. The Company's registered office is at 10, rue Marcel Dassault – 78140 Vélizy-Villacoublay, and its telephone number is +33(0) 1 61 62 61 62.

5.1.5 History of the Company

1981 Through 2009

Dassault Systèmes was established in 1981 through the spin-off of a team of engineers from Dassault Aviation that was developing software to design products in three dimensions ("3D"). The Company's first brand, CATIA, focused on the automotive and aerospace industries. At the time of the Company's formation, it entered into a distribution agreement with IBM.

Through its work with large industrial companies, the Company learned how important it was for businesses to have a software solution that would support their product development processes. With this in mind, the Company enriched its solution to enable the design of digital mock-ups which helped its customers significantly reduce the number of physical prototypes and realize substantial savings in product development cycle times. The Company also broadened its targeted industry segments to industrial equipment, consumer goods, high-tech, shipbuilding and energy.

Dassault Systèmes SA was first listed in Paris on June 28, 1996, and was also listed on the Nasdaq in New York until October 16, 2008.

In 1997, the Company organized its business into two segments:

- the "PLM" ("Product Lifecycle Management") segment, which supports its customers' end-to-end product development process,
- and the "Mainstream 3D" segment, dedicated to customers seeking to design products in a 3D design environment.

In conjunction with this decision, the Company acquired SolidWorks (a Windows-native architecture) with the goal of targeting the significant market of companies designing their products in two dimensions ("2D") and interested in taking advantage of the power of 3D design.

In order to fulfill the mission to provide a robust, integrated PLM solution supporting the entire product lifecycle, and along with its internal development, the Company undertook a series of targeted acquisitions. In 1998, the Company acquired the Product Manager software and development laboratory from IBM, which it merged with its virtual Product Data Management ("PDM") application to create the ENOVIA product line. The Company then developed a portfolio of applications across ENOVIA to manage product data configurations, product lifecycle integration and collaboration. In 1999, the Company also introduced its Version 5 ("V5") software platform for the PLM market designed for both Windows NT and UNIX environments. In 2000, DELMIA was launched in order to address the digital manufacturing domain following a series of three acquisitions, including (i) Deneb, a U.S. company specialized in robotic simulation, (ii) Safework, a Canadian company specialized in human modeling technology, and (iii) Delta, a German company specialized in manufacturing process management software. In 2000, the Company also acquired Spatial Technology, an American company developing and selling software components, including ACIS.

In 2005, the Company continued to expand its addressable markets by introducing a new PLM brand, SIMULIA, for realistic simulation. SIMULIA is comprised of the products of Abaqus, which the Company acquired in October 2005 as the core of its realistic simulation offerings and the Company's existing simulation products. In connection with its "3D For ALL" initiative, the Company also acquired Virtools, a company with expertise in interactive Web applications that give lifelike behavior to 3D content.

In 2006, the Company expanded its collaborative product offerings with the acquisition of MatrixOne, a global provider of collaborative PLM software and services to medium-to-large organizations. Following completion of the acquisition, MatrixOne's products became part of the Company's ENOVIA brand. The Company also acquired Dynasim AB, a Swedish company specializing in modeling and simulation solutions for embedded systems in connection with the development of its CATIA Systems strategy, and GCS Scandinavia AB, a Swedish company with a Product Data Management product that is now distributed as SolidWorks Enterprise PDM.

In 2007, the Company leveraged its research and technology and advanced its 3D For ALL initiative with the introduction of 3DVIA, for lifelike 3D experiences easily accessible to users. 3DVIA extends 3D to new users, businesses and consumers in order to create new communities with 3D as their common language. With its open Web services architecture, 3DVIA enables high-performance distribution of 3D content. The Company also acquired Seemage, a French company, to expand its product documentation offering as part of its 3DVIA business under the name 3DVIA Composer. Further expanding its product offering for CATIA, the Company also acquired ICEM, a U.K. company well-known in the automotive industry for its styling and high-quality surface modeling and rendering solutions.

In 2008, the Company introduced Version 6 ("V6"), its next generation PLM 2.0 application platform. This version was conceived in close collaboration with the Company's customers and leverages the success of its brands and V5 PLM software platform. The V6 platform is Dassault Systèmes' major redefinition of the PLM markets designed to harness collective intelligence from online communities and enable any user to imagine, share and experience products in the universal language of 3D. The Company acquired Engineous Software, an American company focused on solutions for process automation, integration and optimization that extended SIMULIA's product offering.

2010

On March 31, 2010, the Company finalized the acquisition, for $600 million less assumed liabilities, of the IBM business unit dedicated exclusively to the marketing, sale and support of the Company's PLM software ("IBM PLM"), as well as customer contracts and related assets, giving the Company control of its entire sales channel and strengthening its global sales force. In addition, the Company and IBM signed a strategic Global Alliance agreement. See Section 6.2.3 "Extended enterprise partnerships – IBM relationship".

On June 8, 2010, the Company acquired Exalead, a French company providing Search Platforms and Search-Based Applications (SBA) for consumer and business users, for €132 million. See Section 6.2.1 "Brands".

On June 21, 2010, the Company advanced its systems strategy with the acquisition of Geensoft, a French company, for €6.1 million. Geensoft provides embedded systems development tools and professional services that help engineering teams across a number of industries to manage their engineering processes more efficiently, as well as design, verify and validate their model-based embedded systems applications.

5.2 Investments

The Company's investments are closely aligned and follow its strategic roadmap. The Company's research and development investments are the principal driver of its product innovation. For further information, see Section 6.1.4 "Technology" and Chapter 11 "Research and Development, Patents and Licenses".

The Company also makes selective acquisitions of companies or of equity interests in companies, and of intangible assets generally to acquire technology. In this connection, the Company completed two acquisitions during 2010, Exalead in search-based applications and Geensoft in embedded systems management. See 5.1.5 "History of the Company – 2010".

In 2010, the Company made significant investments in transforming its go-to-market strategy. In this regard, the Company acquired IBM PLM on March 31. See 5.1.5 "History of the Company – 2010" and 6.2.4 "Sales and Marketing".

The Company's principal acquisitions over the last three years include:

Acquisition	Year	Purchase Price
IBM PLM	2010	€361 million (excluding transaction costs)
Exalead	2010	€132 million (excluding transaction costs)
Engineous Software	2008	€26 million (including transaction costs)

CHAPTER 6 – BUSINESS OVERVIEW

6.1 Principal Activities

6.1.1 Summary

The Company is the world leader of the global PLM market based upon end-user software revenue (source: CIMDATA). The PLM software market is comprised of 3D software for design, simulation, digital manufacturing, product data management and collaboration.

Dassault Systèmes software applications allow businesses to digitally define and simulate products, as well as the processes and resources required to manufacture, maintain, and recycle them while minimizing their impact on the environment. As the pace of technological change accelerates, companies increasingly depend on their intellectual capital. Dassault Systèmes believes that from product creators to the final consumers, everyone can play a critical role in bringing the right products to market at the right time. Optimal response to an on-demand marketplace requires that products be designed, tested, produced, shared, and experienced virtually in real-time. Simultaneously, the Internet has evolved to an environment with access to global information, online communities, and real-time interaction that position end-users and consumers to become contributors and part of the product development spiral. The Dassault Systèmes vision is to enable everyone – from product designers, engineers, companies, suppliers to end-use consumers, and their respective communities – to create, share, and experience in 3D, and to maximize the value of their intellectual property and digital assets.

The Company's software solutions and consulting services have been designed to enable its customers to:

- innovate in the design and quality of products and services;
- reduce design-cycle time to accelerate time-to-market;
- collaborate with partners and suppliers;
- create, manufacture and maintain products and production facilities more cost effectively;
- simulate their end-customers' experiences; and
- to capture and re-use digital data, whether from internal sources or from the Internet for design, business intelligence or logistics.

The Company's software applications address a wide range of products, from apparel, consumer goods, machine parts and semiconductors to automobiles, aircraft, ships and factories. Its global customer base includes companies primarily in 11 industrial sectors: automotive, industrial equipment, aerospace, consumer goods, consumer packaged goods, energy, high-tech, shipbuilding, life sciences, construction, and business services. See Section 6.2.2 "Industry sectors".

In addition to its sales of software applications, which accounted for 90% of its total revenue in 2010, the Company also provides selected services, principally to large customers. These services comprise consulting services in methodology for design, deployment and support, training services and engineering services.

The Company principally organizes its business and markets its products and services according to two types of applications: the PLM market, to support product development, production, maintenance and lifecycle management, and the Mainstream 3D market, which is primarily focused on product design.

For information on revenue and operating income by segment, see Section 9.3 "Revenue and Operating Income by Segment".

6.1.2 Key business strengths of the Company

The Company believes that its leadership of the global PLM market is due to its key business strengths.

- **The Company maintains a long-term focus.** One of the key reasons for the Company's market share leadership over more than a decade is due to its focus on the creation and maintenance of a long-term vision which is visible in its investment in people, a long-term financial model and building a deep knowledge of the industries and customers it addresses.
  - The Company has a diverse, highly educated employee base of over 9,000 employees representing more than 90 nationalities.
  - The Company's long-term financial model, with a high level of recurring software revenue (accounting for 72% and 73% of the Company's total software revenue in 2010 and 2009, respectively), has enabled the Company to maintain investments in critical resources in research and development and customer support even during challenging macroeconomic environments.
  - The Company works closely with customers, involving them in many phases of product development. Through these close, long-term working relationships, the Company develops a deep understanding of its customers and their most critical product development and business process requirements. The Company believes this level of knowledge enables it to develop software solutions more closely attuned to the requirements of its customers, and highly suited to the industries it addresses.
- **The Company has a substantial commitment to technological innovation.** Important areas of investment in research and development include systems engineering, industry specific offerings, cloud-based applications, search-based technologies and bio-intelligence. From a user perspective, the Company's research is centered on advancing its virtual technologies to become even more life-like, reducing total cost of ownership through out-of-the-box industry solutions, simplifying adoption in particular for small and mid-size companies through the introduction of on-the-cloud offerings and broadening adoption through further advances in ease of use while offering robust technology to a wide array of users.
- **The Company has a market-proven brand strategy, with each brand having a clear identity and value to customers.** The Company's brand strategy (see 6.2.1 "Brands") focuses on developing software for specific domains (such as design, simulation, manufacturing and collaboration), with the objective of each brand being a leader within its respective markets. The Company's research and development strategies, as well as its sales and marketing strategies, support this objective. The Company's multiple brand strategy also enables its customers to choose the specific point of entry which corresponds to their individual needs.
- **The Company has a resilient and dynamic ecosystem of sales partners, development partners, educational institutions and research enterprises.** The Company has developed a network of partners for product development, marketing and enhancement of customer relations, which it calls its "extended enterprise" model, and it intends to continue to build on this model going forward. See Section 6.2.3 "Extended enterprise partnerships" below. For marketing and sales, the Company operates through both a direct sales force and indirectly through value-added resellers. The Company has extended its reach to a number of educational institutions around the world with more than one million educational licenses sold to date. In addition, the Company's research department works closely with independent research organizations.

6.1.3 Growth strategy

The Company has followed a consistent overall growth strategy focused on expanding its addressable market. The Company's research, product development, acquisition and go-to-market strategies have been key enablers of the expansion of its addressable market.

The Company's growth drivers are centered on three main axes: product portfolio, audience and reach.

- **Product Portfolio: The first component is the Company's Product Portfolio, with Version 6, market leading brands, and an integrated product portfolio.** With Version 6's online architecture, the Company is positioned to provide enhanced product experience, availability and services to both existing and new customers. With Version 6, the Company is able to provide customers integrated PLM solutions for a broad number of users within an enterprise and throughout the supply chain, spanning design, simulation, collaboration and digital manufacturing. Multiple applications are integrated on a single platform designed to enable customers to increase their productivity benefits beyond what they would have achieved through a stand-alone purchase. With a portfolio of rich software applications that are among the leaders in their respective markets (source: CIMDATA), the Company seeks to grow at or above the underlying market growth dynamics in each of the domains it targets thanks to the continued focus on enhancing core offerings and introducing value-added applications. In addition, each of the Company's brands, leaders in their respective markets, can be an entry point for the Company's new customers and, in turn, help drive multi-brand sales.

Furthermore, using Version 6's online architecture, the Company is positioned to grow through Software as a Service ("SaaS").

- **Audience: The second component of the Company's growth strategy is Audience, which is focused on enlarging the number of potential users of its software.** The Company continues to focus on the migration of 2D users to 3D design, principally through its SolidWorks brand. To date, the Company has sold more than 1,500,000 licenses of SolidWorks to businesses and educational institutions. Through its focus on broadening its software applications portfolio and developing industry-specific solutions, the Company has extended its reach to 11 vertical industries. At the end of 2010, newer industries accounted for 23% of the Company's end-user revenue. The Company continues to reach new users by extending its software value not only to engineers and designers, but also to marketing teams, consumers, program and production managers and its customers' management. As a result, Dassault Systèmes' solutions target more than only creators of products, but are addressed to everyone who needs product information, including customers, their sub-contractors and end-users.
- **Reach: The third component of the Company's growth strategy is Reach, which is focused on expanding the domains in which Dassault Systèmes' software is used.** Since inception the Company has followed the strategy of developing an extended enterprise through the creation and nurturing of its various ecosystems. In sales, in addition to its direct sales, it continues to grow its two indirect sales channels. In software development, the Company has developed a broad ecosystem of software development partners, building complementary applications. In services, the Company is broadening its network of systems integrators in addition to strengthening its partnership with IBM. In education, it is reaching a growing number of users among academic institutions. Finally, the Group continues to increase the number and variety of users in research by working in close cooperation with a number of research and academic institutions and through its online universal services.

For a description of the challenges which must be met to maintain growth, see Section 4.1 "Risks Related to the Company's Business".

6.1.4 Technology

PLM

Since 1981, the Company has introduced six versions of its PLM software, the most recent of which, V6, was released in 2008. Due to the scope of the work involved, the roll-out of new versions of the Company's PLM software has generally been structured over a multi-year timeframe. The Company provides two new releases to its PLM versions each year.

In developing its Version 6 software architecture, platform and applications, the Company saw five key demand drivers supporting the evolution of its software.

- **Sustainable innovation** – Companies seek to maximize use of their intellectual assets to sustain innovation;
- **Mass customization** – Mass customization requires placing the end consumer at the center of the innovation process;
- **Explosion of structured and unstructured data** – The growing digitalization of industry creates a wealth of product-related information that must be harvested and unlocked;
- **Collaboration** – There is a growing imperative for more frequent, global, and even ad hoc collaboration throughout the lifecycle of any physical goods from idea to delivery; and
- **3D as a media** – 3D is becoming a new media, creating multiple opportunities for new software applications in all types of businesses and users.

The Company believes its V6 software is unique with its combination of online architecture, openness, scalability and flexibility and single platform. Specifically, Version 6 has been developed from inception with an online architecture. V6 is a completely unified, open and scalable Web services architecture platform, spanning from multidisciplinary engineering groups, all the way to enterprise business users and natively delivering engineering, manufacturing and simulation applications. With only a web connection, remote product authoring and collaboration are enabled.

The V6 platform has been designed to offer six key benefits to customers including:

- **A single PLM platform for Intellectual Property Management:** Harnessing a company's collective intelligence requires a single platform that can federate all product-related knowledge no matter where it resides, not just within the engineering and manufacturing realms, but all the way from idea to product experience. In addition, companies can share selected product information while also better protecting their intellectual property and all confidential information more broadly as the data remains on the server.

- **Global Collaborative Innovation:** Global collaborative innovation implies the expansion of PLM users to involve consumers working with designers and all the various professional users employing the universal language of 3D and the power of online communities.
- **Lifelike Experience:** Advanced product innovation requires that a 3D product be experienced as it looks and behaves in real life, as well as an intuitive interface that mimics real life.
- **Online Creation and Collaboration:** Collaborative online authoring is enabled for real time, concurrent work across multiple remote locations and with only a web connection. Product development also brings product requirements together with functional, logical, and physical definitions of the product. Those capabilities are major breakthroughs for any company implementing a global engineering and manufacturing strategy.
- **Ready-to-use PLM Business Processes:** Based on industry-specific business process applications, ready-to-use PLM business processes software enables rapid deployment and thus a quick return on investment.
- **Lower Cost of Ownership:** V6 offers a single database, on-the-cloud or on-premises, for all applications and embraces SOA (Service-Oriented Architecture) standards, thereby dramatically reducing the cost of ownership, allowing easy enterprise integration and rapid implementations, and spurring more efficient collaboration.

Mainstream 3D

The Company's SolidWorks technology for the Mainstream 3D market enables designers and engineers to make an easy transition from 2D drafting to a 3D environment. Its intuitive Windows user interface enables users to productively employ SolidWorks software with minimal training. SolidWorks applications provide users with a 3D design process, for which a fully detailed solid model is used to quickly produce drawings and perform downstream design functions. Each year a new release of SolidWorks is introduced into the market with new innovations to respond to requirements currently not met by industry solutions, further enhancements of existing functionalities that are more productive and easier to use, and specific enhancements explicitly requested by users through the close contact maintained by SolidWorks and its sales channel with customers.

The current release, SolidWorks 2011, has several areas of focus including helping engineers design faster and more efficiently, enhanced support for manufacturing and improved collaboration and visualization.

Information Search Capabilities technology

Consistent with the Company's understanding of the importance of harnessing and re-using data, the Company acquired Exalead during 2010. With the acquisition of Exalead, the Company has not only significantly expanded its internal, search capabilities technology but also acquired a search-based infrastructure for the development of applications. In addition, the Company also markets and sells search-based applications on a stand-alone basis. These developments affect all PLM functions and enable the Company's employees to acquire new skills, creating new opportunities for growth. The Company's search-based applications combine the sophisticated search, access and reporting typically associated with databases with the speed, scalability and simplicity of the Web.

6.2 Principal Markets

6.2.1 Brands

The Company has a market-proven brand strategy, with each brand having a clear identity and value to customers. Each of the Company's principal brands – SolidWorks for the Mainstream 3D segment, and CATIA, SIMULIA, DELMIA and ENOVIA for the PLM segment – addresses a specific 3D market opportunity and is one of the leading participants in its domain.

SolidWorks – 3D for Professionals

The SolidWorks Office suite of products combines ease of use with advanced 2D and 3D design tools, enabling companies to unleash design creativity while completing more work in less time. SolidWorks software reduces CAD overhead because it is easy to deploy, use, and maintain, and it lets engineers spend more time creating new designs.

SolidWorks applications include 3D tools to design, manage, simulate, sustain and communicate.

- 3D Design: SolidWorks 3D's major capabilities include complex part and assembly modeling, production drawing creation, data management, design validation and simulation of motion, flow and structural performance, environmental impact evaluation and publishing.

- Data management: SolidWorks Data Management solutions enable complete control over all design information, eliminating concerns about version control or data loss. Files are securely stored and can be quickly retrieved using a variety of search attributes, such as part number, description, or workflow status. Collaboration and data reuse are promoted, reducing duplicate files and redundant work. Design processes are easily followed and with increased efficiency. These solutions are also designed to give users more opportunity to innovate and improve products by reducing time spent searching for files and concerns about manufacturing having the correct design information.

- Simulation: SolidWorks simulation technology ensures the quality and performance of the design before users commit to production. Comprehensive analysis tools enable users to test models digitally. With the information developed, users can easily determine methods to reduce weight and material costs, improve durability and manufacturability, optimize margins, and compare design alternatives to best meet specific customer requirements.

- Environmental assessments: SolidWorks Sustainability technology enables users to quickly and easily assess the environmental impact of their design to create more sustainable products. The software integrates Life Cycle Assessment-based tools into the design process, measuring the environmental impacts of carbon, energy, air and water. The material selection tool provides instant feedback to help users choose the most environmentally-friendly material for a particular design. In addition, one-click report generation helps users easily communicate their findings.

CATIA – Virtual Product

CATIA is the Company's initial and largest brand and its PLM solution for 3D collaborative creation. CATIA, which is used by companies of all sizes, addresses the complete product development process, from early product concept specification through product in service.

CATIA V6 is designed to enable the full spectrum of next generation collaborative virtual design. Its product portfolio is comprised of four main domains.

- Systems: Newly introduced with Version 6, CATIA Systems responds to the increasing challenges facing designers of smart products with the growth of complex, embedded systems within products of all types. CATIA Systems uniquely captures, manages, and tracks product requirements with full traceability, ensuring that early requirements are met accurately all along the product development cycle, from functional architecture and logical breakdown to physical design and testing.

- Shape design: CATIA Shape provides a full suite of surfacing, reverse engineering, and visualization solutions to create, modify, and validate any type of complex innovative shapes and help streamline the transition and collaboration among industrial designers, Class A modelers and mechanical engineers.

- Mechanical design: CATIA Mechanical delivers a highly collaborative and flexible design environment with full concurrent engineering and high performance change management through relational design to enable the efficient definition and engineering of any type of 3D parts and assemblies, from the simplest to the most advanced. In V6, CATIA expands 3D design to user communities outside of the design office, addressing each profile with the right modeler capabilities.

- Equipment engineering: CATIA Equipment provides an integrated environment that enables the collaborative detailed design of electronic, electrical, and fluidic systems in context of a virtual product. Such an integrated environment improves design quality, drastically reduces time needed for modifications, and minimizes errors.

SIMULIA – Realistic Simulation

SIMULIA provides a scalable portfolio of realistic simulation solutions designed to enable companies across a wide range of industries to improve product performance, reduce the number of physical prototypes and drive innovation.

SIMULIA's V6 portfolio spans:

- Finite element analysis: With its finite element analysis software companies are able to create and test virtual prototypes of products and processes.
- Multi-physics solutions: Its multi-physics solutions enable companies to reach beyond the boundaries of a single domain to simulate two or more interacting physical phenomena.
- Optimization analysis: SIMULIA also provides design exploration and optimization technology, enabling designers and engineers to perform rapid trade-off studies of real-world behavior and accelerate product development.
- Simulation Lifecycle Management: SIMULIA offers simulation lifecycle management, based upon the Company's ENOVIA architecture offering an open collaborative platform for management of simulation data, processes and intellectual property.

DELMIA – Virtual Manufacturing & Production

DELMIA covers the Company's PLM digital manufacturing solutions ranging from virtual process definition, workcell set-up, optimization, scheduling, and operation, to maintenance of real-time production systems. Its solutions assist teams across the development enterprise make better decisions faster and accelerate process engineering to achieve maximum production efficiency, lower costs, improved quality, and reduced time to market.

DELMIA V6 covers four principal domains including:

- Manufacturing planning: With comprehensive 3D process and resource planning tools for creating and optimizing build-to-order and lean production manufacturing systems;
- Plant and resources engineering: With tools to virtually define and optimize manufacturing assets concurrently with manufacturing planning;
- Program and control engineering: To virtually program, validate and simulate manufacturing systems for the virtual commissioning of production facilities; and
- Control and production execution: Which offers an accurate virtual production system to enable companies to track real time production activities, perform schedule changes, launch new programs and introduce model changeovers, and schedule maintenance operations.

ENOVIA – Global Collaborative Innovation

ENOVIA enables companies to bring together people, processes, content and systems involved in product creation, development, introduction and maintenance. By unifying and streamlining product development processes across the product lifecycle, ENOVIA helps companies easily and cost-effectively work on projects within and outside of their enterprises. ENOVIA addresses business process needs across a broad spectrum of industries, managing simple as well as highly engineered, complex products. Deployments can range from small development teams to extended enterprises with tens of thousands of users, including suppliers and partners.

The ENOVIA V6 products are organized by major business processes:

- Governance: The Governance domain is designed to help companies launch enterprise-wide new product introductions on time and on budget. Governance includes these sub-processes: Requirements Management, Portfolio Configuration, Program Management, Decision Support Business Intelligence, and Compliance.
- Global Sourcing: The Global Sourcing domain allows companies to leverage supply chain capabilities throughout the product lifecycle and make their suppliers an integral part of product development.
- IP Lifecycle Management: The IP Lifecycle domain helps eliminate costly product development errors as it is designed to enable improved cross-functional product design, manufacturing planning and performance simulation.
- Unified Live Collaboration: The Unified Live Collaboration domain allows companies to deploy product lifecycle processes across the extended enterprise by providing a single, real-time view of IP across all business process domains, powerful collaborative process management capabilities, and a service-oriented architecture that integrates with other enterprise systems.

Universal Services

The Company has introduced software applications that now form part of its Universal Services, whose role is to enable customers to re-use and leverage the digital content created in particular with its PLM software solutions. As defined, they can be deployed by a wide range of users including businesses, individuals, education and society at large. These services include 3DVIA, for 3D lifelike experiences, Exalead, for search and search-based applications, and 3DSwYm for online collaboration and social innovation. 3DSwYm is currently in public Beta.

3DVIA – for 3D Lifelike Experience

Launched in 2007, 3DVIA brings 3D technology to new users, businesses and consumers. The Company's 3DVIA portfolio includes, among other solutions: 3DVIA Composer, which enables users to visually communicate accurate and up-to-date assembly procedures, technical illustrations and marketing materials leveraging existing 3D images and other 3D source engineering data; 3DVIA Shopper, which enables retailers to visually communicate merchandising strategy at three levels (store, department and shelf) and enables brand managers to virtually test consumer response to packaging and promotions; 3DVIA Studio, which is a social development platform that leverages interactive gaming technology and enables teams of programmers, 3D artists and designers to rapidly prototype, develop and publish engaging 3D applications that enhance exploration, learning and teaching; and 3DVIA.com, a community Web site dedicated to 3D enthusiasts and digital content creators to showcase 3D interactive experiences.

Exalead – for Search-Based Applications

Exalead provides a powerful search engine as well as an infrastructure for developing applications designed to optimize search and the use of search results. Exalead's technology offers a platform for search and search-based applications designed to optimize search and the utilization of these search-based results. Its technology enables companies to undertake intuitive, search-based applications to help them access critical information whether from internal or external sources. With Exalead, companies are able to conduct searches of information, externally from the Internet, and internally across both structured and unstructured data. Its contextual configured search capabilities enable companies to access information in a filtered and organized manner, and to conduct searches using multi-criteria as companies do every day in their decision making. Exalead's flagship product, CloudView, provides a unified platform for information search, access and reporting as well as an infrastructure platform for search-based applications.

3DSwYm – for Online Collaboration and Social Innovation

3DSwYm (See what you mean) is the Company's online solution for collaboration and social (community) innovation. The goal of 3DSwYm is to enable people and businesses of any size to unleash the power of communities to collaborate and innovate simply and instantly by creating their own complete, on-the-cloud communities for social innovation.

Employees, partners, suppliers, or consumers and any other stakeholders can become active participants in the innovation process, extending and enriching the innovation ecosystem. Participants network, explore ideas, share content, and form virtual projects and experiences spontaneously, all via online communities, in a safe and secure Web environment.

6.2.2 Industry sectors

The Company's target market is comprised of 11 sectors: automotive, industrial equipment, aerospace, consumer goods, consumer packaged goods, energy, high-tech, shipbuilding, life sciences, construction, and business services.

During 2010 the Company continued to advance its industry diversification while also seeing strong growth in core industries including automotive and industrial equipment. Newer industries, comprised of high-tech, life sciences, consumer goods, energy and consumer packaged goods, represented approximately 23% of end-user software sales, up from approximately 20% in 2009.

For 2010, the approximate breakdown of end-user software revenue by major industry was as follows: automotive, approximately 30% (29% in 2009); industrial equipment, approximately 21% (19% in 2009); aerospace, approximately 14% (14% in 2009); high-tech, approximately 10% (10% in 2009); and business services (including engineering services companies), approximately 10% (9% in 2009).

The Company is well diversified by customer size, with the largest customer representing approximately 3% of total revenue in 2010 (compared to 3% in 2009). In addition, its five, ten and twenty largest customers accounted, respectively, for approximately 12%, 18% and 23% of total revenue in 2010, compared to 13%, 19% and 23%, respectively, in 2009.

6.2.3 Extended enterprise partnerships

A core component of the Company's strategy is the concept of an extended enterprise. This extended enterprise network, with its customers at the center, encompasses partners across technology, software development, distribution, consulting, marketing, and education.

IBM relationship. The Company has had a strategic relationship with IBM. In 2010, IBM made Dassault Systèmes a "Global Alliance Partner". In connection with the acquisition of IBM PLM (see Section 5.1.5 "History of the Company – 2010"), the Company and IBM defined the next steps in their relationship, extending their cooperation in key areas: professional services, cloud computing, middleware, flexible financing, hardware, and sales and distribution. The Company and IBM also work together on research and development projects.

Customer partners. The Company establishes an ongoing dialogue between its research and development teams and its customers, thereby ensuring product developments that are responsive to market needs. A key part of the Company's research and development is focused on developing in-depth knowledge of its customers' industries and tailoring products to the needs of different industries.

Technology partners. The Company has established long-standing, technical collaborations with key partners in order to maximize the benefits from available technology and to increase the value for their shared customers. The Company's technology alliances are established with three objectives: to ensure compatibility between the IT infrastructure and its solutions; to expand the Company's global network of value partners sharing the same interests; and to integrate the latest features of these technologies into its solutions.

Software partners. The Company has software development partners working with its PLM and Mainstream 3D software solutions.

- The Company's largest program with software partners is its software community program that enables developers to create and market their own applications fully integrated with and complementary to the Company's PLM software solutions. As of December 2010, the Company's program is supporting more than 500 V5-based partner products delivered by over 165 partners. The Company has started signing new partnerships focused on V6 applications that run in concert with the Company's application platform. In parallel, V5 partners are migrating their applications to the Company's V6 platform in support of V6 market adoption.
- SolidWorks operates a development partnership program bringing together companies supplying complementary products that are either compatible with or tightly integrated with SolidWorks. Through this program, over 300 compatible products are available to customers in many functional areas, including manufacturing, rapid prototyping and mold design.

Industry solutions partners. Through strategic alliances with leading IT system integrators, service providers and consulting firms with profound expertise in industry processes, the Company's Industry Solution Partnerships ("ISP") provide innovative PLM solutions and services by industry or industrial segment to address clients' business challenges. Based on their strong competence in industries and application domains as well as their regional expertise, in conjunction with Dassault Systèmes' products and solutions, ISP partners help to deliver innovative PLM solutions that customers need for success in their business.

Education partners. The Company has established a number of relationships with research centers, universities and schools throughout the world over the years. For further information, see Section 17.1 "Social Report".

6.2.4 Sales and marketing

Summary

The Company has three sales channels, two for the PLM market and one for the Mainstream 3D market. For the PLM market, the Company utilizes direct sales to principally address large enterprises with its PLM Enterprise Business Transformation Channel organization, and utilizes indirect sales to primarily address small- to mid-size enterprises with its PLM Value Selling Channel organization. For the Mainstream 3D market, the Company's marketing and sales are largely conducted indirectly through its Professional Channel. The Company's go-to-market strategy is focused on extending its market reach, through broadening the adoption of its software by industry, by geography and by user type.

No channel partner represented more than 5% of the Company's total revenue in 2010. Revenue generated through the agreement with IBM represented 23% of the Company's total revenue in 2009 and less than 10% in 2010 due to the acquisition of IBM PLM on March 31, 2010.

The Company's sales channels

- **PLM Enterprise Business Transformation Channel:** Representing approximately 56% and 55% of the Company's total revenue in 2010 and 2009, respectively, this channel is focused on the marketing and sales of the Company's PLM solutions to large enterprises. The Company completed a major transformation of its PLM Enterprise Business Transformation Channel with the acquisition and integration of IBM PLM on March 31, 2010. Pursuant to the acquisition agreement, the Company acquired the IBM PLM sales, marketing, services and client support operations, as well as customer contracts and related assets. With this acquisition, the Company's direct sales channel is 100% under the Company's management.

  The Company and IBM also defined the next steps in their long-standing relationship, and established Dassault Systèmes as an IBM Global Alliance Partner (see Section 4.1 "Risk Factors – Integration of IBM PLM and Evolution of IBM Relationship").

- **PLM Value Selling Channel:** Representing approximately 24% of Dassault Systèmes' total revenue in 2010 and 2009, respectively, this channel is focused on the marketing and sales of the Company's PLM solutions to small- to mid-size enterprises via a network of value-added resellers.

- **Professional Channel:** Representing approximately 20% and 21% of the Company's total revenue in 2010 and 2009, respectively, the Professional Channel is comprised of a network of value-added resellers and distributors worldwide. The Professional Channel supports the sales activities of its value-added resellers through industry trade shows, seminars, online educational activities, advertisements and marketing materials.

6.2.5 Competition

Markets for the Company's products have been highly competitive historically, and competition is likely to continue to intensify in the future reflecting, among other factors, rapidly changing technologies, frequent new product introductions or enhancements, evolving business strategies of competitors, complex and rapidly evolving laws and requirements, and the emergence of new competitors due to the increased consolidation in the software industry.

The Company competes in its various product lines on the basis of the benefits that the solutions bring to customers, including product features, product and process coverage, performance, ease of use, product adaptation to specific industry needs and processes, scalability, openness, knowledge management, as well as price, technical support and services.

The Company's principal competitors in its PLM business segment include Siemens PLM Software, a business unit of Siemens Industry Automation Division, and Parametric Technology Corporation (PTC). Furthermore, within its PLM business segment, the Company competes with companies focused on specific applications, including but not limited to, ANSYS, Inc and MSC Software Corporation in simulation, and Oracle Corporation and SAP AG in product data management and collaboration. For its Mainstream 3D business segment, the Company's principal competitor is Autodesk, Inc. In general, the Company's largest competitors compete with it on a worldwide basis.

In addition to the competitors named above, numerous software developers compete with the Company in specific applications or industries including, among others, Adobe, Altair Engineering, Autonomy, Aveva, Bentley, Google, Intergraph (owned by Hexagon AB), MathWorks, Nemetschek AG, and Right Hemisphere.

For additional information, see also under Section 4.1, "Risk Factors – Competition and pricing pressure".

CHAPTER 7 – ORGANIZATIONAL STRUCTURE

7.1 Dassault Systèmes SA's Position within the Group

Dassault Systèmes SA, the Group's parent company, which owns directly or indirectly all the companies that make up the Group, has two primary functions: First, it is the Group's largest operating company and its principal research and development center, responsible for the development of a number of the Group's software solutions, including principally CATIA and the 3DSwYm, as well as a part of the Group's ENOVIA, DELMIA, SIMULIA and 3DVIA solutions. Second, Dassault Systèmes SA operates as a holding company and provides centralized services to all the companies in the Group. The business of Dassault Systèmes SA's subsidiaries is generally similar to the parent company's business: primarily the development and/or sales of software and/or, in certain cases, activity as a holding company.

Dassault Systèmes SA defines the Company's overall strategy and operating plans. The executive management team is based at Dassault Systèmes' corporate headquarters at the corporate Campus in Vélizy-Villacoublay (in the department of *les Yvelines*) to the southwest of Paris. The research and development policy is set by the parent company. Research and development activities are carried out in laboratories located primarily in France, the United States, and India. The Company has R&D facilities in other countries as well, notably in Germany and the United Kingdom. A specific objective is assigned to each laboratory within the Company's global research and development strategy according to brand. With regard to marketing and sales, the entire range of products is commercialized through three sales channels (described in Section 6.2.4 of this annual report) by Dassault Systèmes SA and by its subsidiaries that have sales operations. As part of its growth strategy, Dassault Systèmes SA continues to adapt its organization to respond to the challenges it faces. In this respect, the Company has organized its activities into 12 geographical zones to be closer to its customers and to foster awareness of its products. Finally, with respect to financing of the subsidiaries, the parent company has put in place a centralized cash management arrangement with most of its subsidiaries, which enables resources to be shared.

Dassault Systèmes SA provides support to the Group in a range of areas, such as finance, communications, legal, human resources and information technology. The costs of providing centralized services are charged back to the respective subsidiaries using these services. In 2010, the total amount charged back to subsidiaries by Dassault Systèmes SA for these areas was €51.6 million (compared to €34.9 million in 2009). This amount included management fees for administrative and technical services of €22.9 million in 2010 (compared to €12.1 million in 2009). With respect to the Company's assets, intellectual property for the Company's products is held primarily in France by Dassault Systèmes SA and Exalead SA, and in the United States by certain of the Company's subsidiaries.

See also the report of the Statutory Auditors on "regulated agreements" between Dassault Systèmes SA and its subsidiaries set forth in Section 20.4.3 of this annual report.

7.2 Principal Subsidiaries of the Company

At December 31, 2010, the Company included Dassault Systèmes SA and 84 operational subsidiaries, as compared to 74 operational subsidiaries in 2009; the increase is due principally to acquisitions made by Dassault Systèmes in 2010. The Company continues to pursue a project initiated in 2007 to simplify the organization of its legal entities throughout the world. The objective of this project is to reduce the number of legal entities held in each country. The Company is present in 31 countries and, in addition to the countries mentioned below, operates in various European countries as well as China, Korea, India and Latin America.

The list below sets forth the Company's main subsidiaries and also indicates the percentage equity interest and voting rights directly or indirectly held by Dassault Systèmes SA.

Dassault Data Services SAS (France) – 95%	Dassault Systèmes Services LLC (US) – 100%
Exalead SA (France) – 100%	Dassault Systèmes SolidWorks Corp. (US) – 100%
Dassault Systèmes Deutschland GmbH (Allemagne) – 100%	Dassault Systèmes Enovia Corp. (US) – 100%
Dassault Systèmes K.K. (Japan) – 100%	Dassault Systèmes Delmia Corp. (US) – 100%
SolidWorks Japan K.K. (Japan) – 100%	Dassault Systèmes Simulia Corp. (US) – 100%
Dassault Systèmes Americas Corp. (US) – 100%	Dassault Systèmes Canada Innovation Technologies Inc. (Canada) – 100%

See also Note 26 to the Company's consolidated financial statements and the table of subsidiaries and shareholdings under Note 23 to the parent company financial statements.

CHAPTER 8 – PROPERTY, PLANT AND EQUIPMENT

8.1 Properties Occupied by the Company and Other Important Existing or Planned Real Estate Interests

8.1.1 Facilities strategy

The Company does not own the offices it occupies. It does not have full ownership rights over any real estate or building, either directly or through a lease (see Chapter 20 Note 14 to the consolidated financial statements).

All of the Company's administrative, research and development and sales facilities, located particularly in France, the United States, Germany, India, Japan and the United Kingdom, are rented under rental contracts. The undertakings thereunder are described in Chapter 20 Note 23 to the consolidated financial statements. There is no relationship between the lessors and the Company or its management.

Decisions regarding the location of Dassault Systèmes facilities are guided by an on-going desire to encourage synergies within the Company, control costs and reduce environmental impact, while also improving staff working conditions. The Company seeks to be close to its customers, its partners in research and principal secondary schools and universities, which are one of the main sources of recruiting for Dassault Systèmes.

Facilities rationalization strategy

The rationalization of the Company's facilities is effected by grouping together subsidiaries and operations on a limited number of sites throughout a single region or country.

Co-localization results, particularly in connection with acquisitions, in an audit of facilities and their usage conditions to determine steps to be taken in connection with the Company's strategy (such as maintaining the lease, facilities rehabilitation, or consolidation).

This strategy was pursed in 2010 in all the geographic regions where Company has activities. The principal developments concern the following sites:

- Dassault Systèmes Deutschland GmbH grouped together 200 employees previously located at two separate sites (located at Fellbach and Stuttgart) in a new 3,700 square meter facility in Stuttgart; and
- Dassault Systèmes Americas Corp. entered into a long term lease for office, technology lab and data center space in Waltham, outside Boston, United States, forming the new U.S. headquarters called "Boston Campus" and consolidating the main American activities of the Company. Under this agreement, the Company committed to lease approximately 20,000 square meters of office space for a non-cancelable initial term of 12 years beginning in June 2011, with options to renew for additional periods. This new Campus will provide facilities for Dassault Systèmes employees currently located in Concord and Lowell, Massachusetts.

Respecting the environment

The Company is committed to a voluntary process of limiting its impact on the environment. This process leads to seeking sites offering performance criteria in terms of modern facilities, communications networks, environmental impact, accessibility and Dassault Systèmes' corporate image. The Company seeks to rent buildings certified "HQE" (*Haute Qualité Environnementale*, or High Environmental Quality), such as the DS Campus HQ in Vélizy, or satisfying the "RT 2005" thermal standard.

Recent decisions to set up facilities in the Boston Campus and in the offices in Pune, India, reflect the Company's commitment in this regard (see also the environmental report in paragraph 8.3.1.2).

8.1.2 Principal sites

At December 31, 2010, the principal sites occupied by Group companies, in its three geographic zones, are as set forth in the table below.

Geographic Zone	Site	Surface area (in square meters)	Activities on the site
Europe	Vélizy-Villacoublay, France	60,000	Headquarters – R&D – Marketing and sales
Americas	Concord, Massachusetts, USA(1)	18,000	R&D, Marketing and sales
	Providence, Rhode Island, USA	8,900	R&D, Marketing and sales
	Lowell, Massachusetts, USA(1)	7,000	R&D, Marketing and sales
Asia	Tokyo, Japan	3,700	Marketing and sales

(1) The personnel and activities on these two sites will be transferred in 2011 to the new facilities in Waltham, near Boston, in the United States (see paragraph 8.1.1).

Dassault Systèmes believes that its existing real estate facilities are adequate, and that it is possible to acquire additional or alternative space in the future, depending on need, at reasonable conditions.

8.2 Industrial and Environmental Risk

Dassault Systèmes, which operates in the services sector, does not believe that it is exposed to significant environmental risks. None of the Company's sites is classified SEVESO (a classification of sites presenting risks due to dangerous substances used by the European Directive) or ICPE (classified sites presenting risks), and a significant portion of its assets are intangible, which limits the Company's industrial and environmental risks. The principal sites occupied by the Company are described in paragraph 8.1.

The Company is not aware of any environmental situations or factors which could have a significant impact on its financial situation or results, the organization of its operational locations being guided by a desire to rationalize its activities and take into account environmental considerations. (See paragraphs 8.1 and 8.3)

Dassault Systèmes does not produce dangerous waste, nor emissions having an environmental impact on the soil, air or water. The only elements for which there is a minor environmental risk, but which the Company believes could not have a significant impact on the Company's financial situation, are:

- a PCB (polychlorobiphenyls) transformer located in Concord, Massachusetts, in the United States; the transformer is equipped with a collection tray, and its retirement is planned.
- fuel reserves are stocked on the DS Campus HQ to provide electrical needs in case of a power outage. The fuel tanks have a total capacity of 20,000 liters and are installed underground; they are equipped with retention tanks with a firewall system and leak and smoke detection systems. In India, the fuel storage tanks serving the Bangalore site were removed in 2010.

The Company's activities do not generate noise or odors which could disturb its surroundings.

In light of the limited nature of the Company's industrial and environmental risks, the costs related to the assessment, prevention and treatment of industrial and environmental risks are not significant and are included in the different investment and expense items set forth in the consolidated financial statements.

In 2010, no provision or guaranty for environmental risks was recorded in the Company's consolidated financial statements.

In 2010, no charge was integrated in the financial statements as a result of a court decision related to environmental issues or for actions taken to repair any environmental damage.

In order to anticipate regulatory risks regarding the environment, the Company carefully monitors all environmental regulations that could potentially impact its business.

8.3 Environmental Report

8.3.1 Dassault Systèmes and environmental issues

Since Dassault Systèmes' business is in the services sector, it has little environmental impact. Nevertheless, the Company is aware of its responsibility for protecting the environment. It has thus made sustainable development central to its objectives, with a strategy based on sustainable innovation, and implemented a strategy for optimizing and transforming its activities to reduce its environmental impact.

8.3.1.1 Dassault Systèmes' solutions contribute to meeting environmental challenges

Each of Dassault Systèmes' brands offers a promise of environmental protection. PLM solutions for product lifecycle management now consider the "Product in life", which means not only the product itself, but also the integration of the product into its environment.

The PLM and Mainstream 3D solutions thus allow Dassault Systèmes' customers to reduce their products' environmental impact starting with the design phase. They contribute particularly to reducing the consumption of raw materials through the use of digital models, to optimize energy consumption as well as work processes and to manage product compliance with environmental standards. Finally, 3DVIA and 3D visualization allow experiential communications regarding environmental issues.

8.3.1.2 Consideration of environmental matters in the Company's operational locations

Dassault Systèmes' commitment to environmental matters is also reflected through recent decisions regarding its operational locations:

The DS Campus HQ

Dassault Systèmes' world headquarters, located in Vélizy (France), which is the worksite for 2,500 of the Company's employees, received the HQE certification "*NF Bâtiments tertiaires Démarche HQE*" as well as a "very effective" score in five environmental areas (water, energy, the building and its immediate surroundings, construction site and maintenance), exceeding the minimum of three areas required for HQE certification.

The optimization of energy consumption at the DS Campus HQ is based on different technologies, including:

- Computer servers: in connection with its activities, Dassault Systèmes uses a large number of computer servers. The heat generated by the servers is used to heat a significant portion of the air circulated at the DS Campus HQ;
- Lighting: Dassault Systèmes saves energy on the DS Campus HQ by using motion detectors and detectors of natural light together with high-yielding lighting elements. For example, the lights used are 30% more efficient than fluorescent lights and five times more efficient than incandescent lights, with a 12- to 15-times greater life expectancy;
- Maintenance: A centralized computerized system oversees the DS Campus HQ's energy consumption, making it possible to locate leaks and defects and accelerate repair work to avoid energy loss;
- Renewable energy: The DS Campus HQ has solar panels place on the building rooftops. When connected to the energy grid, which is planned for 2011, the solar panels could generate 5,000 kWh of renewable energy per year, feeding directly into the national EDF network.

Dassault Systèmes generally includes requirements regarding sustainable development in the terms and conditions for bids from suppliers of the DS Campus HQ. In particular, the terms and conditions for maintaining the green spaces and cleaning the DS Campus HQ require the service provider to use non-toxic products.

To the extent possible, Dassault Systèmes seeks to work with companies that are, or are in the process of becoming, ISO 9001 and 14001 certified. For example, the Company has put in place real-time monitoring of the results of operational incidents and building maintenance with the assistance of ISO 9001 certified companies.

Boston Campus

In 2010, Dassault Systèmes announced the opening of a new DS Campus in the United States located in Waltham, Massachusetts, near Boston. Employees are expected to move in at the end of 2011. This new Campus will provide workspace for Dassault Systèmes' employees currently located in Concord and Lowell, Massachusetts.

The Boston Campus received the American certification LEED Gold, awarded for buildings designed to optimize environmental performance and built according to strict environmental standards. Dassault Systèmes is also seeking the LEED Silver certifications for the buildings' interior organization and furnishings.

Green offices at Pune

In November 2010, Dassault Systèmes' employees in India moved into offices in Pune, near Mumbai, with the "Green Office" certification. These offices are equipped with double windows on their exterior facade, LED light bulbs and low energy consumption air conditioning not typical in India. Water faucets are equipped with infrared detection systems to conserve water usage. In addition, during construction, the bricks and paint used were produced using recycled materials. Waste recycling was also put in place on the site.

8.3.1.3 Environmental impact of the Company's transportation policy

Since the Company's business is in the service sector, transportation is the principal source of its greenhouse gas emissions.

Dassault Systèmes' travel policy limits the use of transportation and reduces the impact of travel on the environment by encouraging meetings by conference call and video conference rather than by physical travel, train travel rather than air travel for trips under three hours in length, and economy class for air travel (the carbon footprint of business class being substantially greater than for economy class).

The greenhouse gas effect of travel is presented in paragraph 8.3.4.

8.3.1.4 Environmental considerations of the Company's computer equipment management policy

Dassault Systèmes places significant importance on managing its computer equipment both in terms of usage and recycling.

The Company's computer equipment includes fixed terminals, laptop computers and the servers of its data center. All the computer equipment has received the "Energy Star" certificate. When buying new material, the Company gives preference to environmental certificates such as "Energy Star" and "TCO", which are internationally recognized.

8.3.1.5 Creating Company employee awareness

Dassault Systèmes pursues an on-going policy of employee awareness by involving them in steps taken to save water and energy through presentations of actions and technologies which can reduce the environmental impact of the Company's activities.

In 2010, the Company organized on the DS Campus HQ a week of communication dedicated to sustainable development, with a presentation of the carbon footprint analysis for the campus by the Social and Environmental Responsibility Department. In addition, Dassault Systèmes created a "Sustainable Development for All" community on its intranet site. The community is composed of Company employees who wish to share ideas on sustainable development and the environment.

8.3.2 Methodology for environmental reporting

In 2010, Dassault Systèmes adopted its "Environmental Reporting Protocol", a system defining the Company's environmental indicators and the methodology for collecting and calculating environmental information. This system may evolve as part of the on-going process of improvement undertaken by the Company, or to take account of changes in applicable regulations.

The targeted perimeter for environmental reporting covers Dassault Systèmes SA and the companies controlled by the Company. Entities acquired by Dassault Systèmes during the year are not integrated in the environmental reporting perimeter until one full year of operation has passed.

During 2010, the environmental reporting perimeter covered 90% of the Company's employees. Dassault Systèmes, which follows a process of continuous improvement, seeks to cover the entire targeted perimeter by increasing the number of sites receiving the environmental reporting questionnaire.

The environmental indicators determined for 2010 are set forth in paragraph 8.3.3. Because the environmental information available for 2009 covered principally the Company's headquarters, changes in the indicators between 2009 and 2010 are communicated and commented on with respect to the DS Campus HQ.

Environmental data were collected and consolidated by the Social and Environmental Responsibility Department on the basis of the environmental reporting Protocol and the responses to questionnaires sent to contributors (principally, the Finance, Human Resources and R&D Departments) identified at each Company entity concerned. For certain questions, such as the carbon footprint and data concerning recycling, external service providers were also consulted.

When information could not be produced on the basis of real consumption (particularly for sites for which the charges related to water and energy consumption are included in rental charges), the environmental reporting Protocol specifies the approach to be followed to make necessary estimates (for example, an estimate of water and energy consumption on the basis of averages observed on other sites pro rata according to the number of employees and square footage occupied).

8.3.3 Company environmental indicators

8.3.3.1 Company consumption levels

Energy

Total energy consumption amounted to 48,593,231 kWh in 2010, including electricity consumption, natural gas consumption on site and energy consumption at Dassault Systèmes' data centers.

Electricity consumption (in kWh)	**Year 2010**
Europe	28,259,584
of which DS Campus HQ	*17,053,212*
Americas	16,288,940
Asia	4,044,707
Total	**48,593,231**

At the DS Campus HQ electricity consumption amounted to 17,053,212 kWh in 2010 compared to 14,601,500 kWh in 2009, which corresponded to an average electricity consumption per employee of 6,762 kWh per year in 2010 compared to 6,136 kWh per year in 2009. The increase in energy consumption was principally due to the increase in the number of servers installed in the offices at DS Campus HQ following the integration during 2010 of teams from IBM PLM. In addition, heavy snows and cold in December 2010 required increased heating in the DS Campus HQ facilities.

Dassault Systèmes has located part of its servers at several data centers in the world. Energy consumption at these centers is included in the total electricity consumption above. The most important data center underwent major modifications in 2010 with the "virtualization" of its servers: the replacement of several physical servers by a single high density virtual server. The "virtualization" of servers leads to better use of material, savings in space at the data center and a reduction in power consumed by the infrastructure, and thus a reduction in greenhouse gas emissions. The percentage of virtual servers in the world is estimated at 28% for 2009 according to a study by Gartner. Dassault Systèmes is far ahead in this area with 80% of the servers at its principal data center already virtualized. For equivalent capacity, the virtualization of the data center generated a 25% savings in energy consumption in 2010 for this data center.

Water consumption

Total water consumption amounted to 28,224 cubic meters in 2010.

Water consumption (in cubic meters)	**Year 2010**
Europe	22,538
of which DS Campus HQ	*18,241*
Americas	3,467
Asia	2,219
Total	**28,224**

On the DS Campus HQ, water consumption for 2010 amounted to slightly more than 18,241 cubic meters (7.32 cubic meters per employee), compared to 27,239 cubic meters (11.45 cubic meters per employee) in 2009. The substantial decrease was due to the fact that setting up the DS Campus HQ required an exceptional consumption level for planting the green areas in 2009 following the Company's arrive in November, 2008.

Paper and packaging

Total paper consumption amounted to 79 metric tonnes in 2010.

Paper consumption (in metric tonnes)	**Year 2010**
Europe	52
of which DS Campus HQ	*30*
Americas	23
Asia	4
Total	**79**

Paper consumption at the DS Campus HQ amounted to 30 metric tonnes in 2010, compared to 28 metric tonnes in 2009, as a result of the integration during 2010 of teams from IBM PLM. Between 2009 and 2010, paper consumption per employee on the DS Campus HQ remained at 11.8 kg/employee. Since moving to the DS Campus HQ, Dassault Systèmes has significantly reduced its paper consumption. The installation of multifunction printers has allowed the optimization of paper consumption at the DS Campus HQ.

On the DS Campus HQ, the paper used is FSC certified, an eco-label which ensures sustainable forest management. At a global level, 60% of employees use paper that is 100% recycled or FSC certified.

Packaging at Dassault Systèmes consists principally of packaging for the Company's software products. Since 2007, the supplier responsible for packaging the Company's products has complied with Reach (Registration Evaluation and Authorization of Chemicals), a legal framework for environmental protection in Europe, and received the Imprim'Vert label for its printing facility, which certifies, among other things, that no toxic products are used and that waste is sorted for recycling. The supplier's packaging is 100% recyclable and biodegradable.

8.3.3.2 Waste treatment

Waste generally

In light of the nature of its business, Dassault Systèmes generates principal ordinary waste (food products) and paper, cardboard and plastic. The Company does not generate hazardous waste.

For most of the Company's subsidiaries, waste collection is performed by the local government, which does not provide any information regarding the waste collected, thus making it impossible to indicate tonnage in the environmental report.

Nevertheless, all the Company's subsidiaries included in the 2010 reporting perimeter were asked whether recycling was carried out on their site. The table below indicates the percentage of employees performing recycling by geographic zone.

Percentage of employees performing recycling	***Year 2010***
Europe	90
of which DS Campus HQ	*100*
Americas	74
Asia	100
% of employees performing recycling in the world	**86**

On the DS Campus HQ, the service provider which collects waste is ISO 9001 certified for collection and ISO 14001 certified at all its waste treatment sites. The service provider carries out the sorting and collection of paper and boxes, removes large waste items once each quarter and offers electrical battery collection. The ordinary waste at the DS Campus HQ is recycled for energy production by the service provider.

Waste treatment at DS Campus HQ	Year 2010	Year 2009
Normal waste (metric tonnes)	50	53
Recyclable paper waste (metric tonnes)	73	65
% of ordinary waste recycled	**59%**	**55%**

The proportion of recycled waste increased from 55% in 2009 to 59% in 2010. The global increase in ordinary waste generated on the DS Campus HQ was due to the increase in the number of employees working on the site. On a per employee basis, the quantity of waste decreased from 49.6 kg/ employee in 2009 to 48.7 kg/employee in 2010.

Specific waste

The table below sets forth data regarding computer equipment recycling by the Company.

Computers recycled (in kg)	Year 2010
Europe	4,800
of which DS Campus HQ	*3,900*
Americas	700
Asia	1,100
Total	**6,600**

In 2010, on the DS Campus HQ, 3.9 metric tonnes of computer equipment were recycled by certified outside service providers in accordance with the European WEEE (Waste Electrical and Electronic Equipment) directive. The computer recycling documentation is provided to Dassault Systèmes by the service provider.

Globally, 45 sites, representing 70% of the Company's employees, included in their contracts with printer suppliers a requirement that ink cartridges be collected and recycled (as is the case at the DS Campus HQ) or sent to companies specialized in recycling specific waste.

8.3.4 Greenhouse gas emissions

To analyze its carbon footprint on a global basis, Dassault Systèmes uses the GHG Protocol (GreenHouse Gas Protocol). This method of evaluation of greenhouse gas effects was launched in 2001 by the World Business Council for Sustainable Development (WBCSD) and the World Resource Institute (WRI). It was developed through a partnership among businesses, non-governmental organizations and governments in order to create a common framework for accounting and reporting, measurement tools and actions to resist climate change. The GHG Protocol is currently the most widely used method at the international level.

The GHG Protocol divides the operational perimeter of greenhouse gas emissions of an organization as follows:

- Scope 1: direct emissions resulting from the combustion of fossil fuels from resources owned or controlled by the enterprise,
- Scope 2: indirect emissions resulting from the purchase or production of electricity,
- Scope 3: all other indirect emissions, from the extended supply chain to transport of goods and persons.

In 2010 Dassault Systèmes evaluated its global carbon impact using this methodology on the basis of emissions recognized for 2009 over a perimeter covering 60% of the Company's employees.

The information used to evaluate the global carbon footprint of the Company covered a perimeter representing 90% of its employees. The results are set forth below:

Year	**2010**
Scope 1	***Metric Tonnes CO2 emissions***
Emissions due to on-site fuel consumption	**92**
Total emissions due to the use of company vehicles	**2,306**
Emissions due to the use of company vehicles in Europe	2,222
Emissions due to the use of company vehicles in the Americas	13
Emissions due to the use of company vehicles in Asia	71
Emissions due to the use of refrigerants	**159**
Total scope 1	**2,557**
Scope 2	
Total emissions due to purchases of electricity	**12,954**
Emissions due to purchases of electricity in Europe	3,146
Emissions due to purchases of electricity in the Americas	7,177
Emissions due to purchases of electricity in Asia	2,631
Total scope 2	**12,954**
Scope 3	
Total emissions due to employee business air travel	**12,526**
Emissions due to employee business air travel in Europe	3,799
Emissions due to employee business air travel in the Americas	7,926
Emissions due to employee business air travel in Asia	801
Total emissions due to employee business travel by train	**494**
Emissions due to employee travel by train in Europe	180
Emissions due to employee travel by train in the Americas	5
Emissions due to employee travel by train in Asia	309
Total scope 3	**13,020**
Total greenhouse gas emissions (scopes 1 + 2 + 3)	**28,531**

8.3.5 NRE correspondence table

Article R. 225-105 of the Code of Commerce	**Environmental report**
Water consumption	8.3.3.1
Energy consumption	8.3.3.1
Raw materials consumption	8.3.3.1
Measures taken to improve energy efficiency	8.3.1
Use of renewable energy	8.3.1
Conditions of use of the soil, discharge into the air, water and soil	8.2 and 8.3.1
Noise and odor	8.2
Waste treatment	8.3.3.2
Measures taken to limit impact on environmental equilibrium and natural environments	8.2
Measures taken to ensure legal compliance	8.2
Evaluation processes or business environmental certificates	8.3.4
Expenses undertaken to prevent environmental impact of the Company's business activities	8.2
Existence of Company environmental management services	8.3.2
Employee training and information	8.3.1.5
Provisions and guaranties for environmental issues	8.2
Indemnifications paid during the year pursuant to judicial decisions on environmental matters	8.2
Matters assigned to foreign subsidiaries	8.3.1

CHAPTER 9 – OPERATING AND FINANCIAL REVIEW

9.1 General

The executive overview in Section 9.1.1 below highlights selected aspects of the Company's IFRS financial results for 2010. The executive overview, the supplemental non-IFRS financial information and the more detailed discussion that follows should be read together with the Company's consolidated financial statements and the related notes included in Chapter 20 of this Annual Report.

In discussing and analyzing the Company's results of operations, the Company considers supplemental non-IFRS financial information which excludes (i) the effect of adjusting the carrying value of acquired companies' deferred revenue, (ii) the amortization of acquired intangibles, (iii) share-based compensation expense, (iv) certain other operating income and expense, net and (v) certain one-time tax effects. A reconciliation of this supplemental non-IFRS financial information with information set forth in the Company's consolidated financial statements and the notes thereto is presented below under Paragraph 9.1.2 "Supplemental Non-IFRS Financial Information".

When the Company believes it would be helpful for understanding trends in its business, it restates percentage increases or decreases in selected financial data to eliminate the effect of changes in currency values, particularly the U.S. dollar and the Japanese yen, relative to the euro. When trend information is expressed below "in constant currencies", the results of the most recent year have first been recalculated using the average exchange rates of the preceding year, and then compared with the results of the preceding year. All constant currency information is provided on an approximate basis. Unless otherwise indicated, the impact of exchange rate fluctuations is approximately the same for both the Company's IFRS and supplemental non-IFRS financial data.

9.1.1 Executive Overview for 2010

2010 was a year of strong growth in revenue and net earnings following the deep global recession of 2009 while also a period of significant investment in the Company's sales, research and product development and sales support resources.

The Company's financial results for 2010 reflect the inclusion of the IBM PLM acquisition following its integration commencing April 1, 2010. The acquisition led to a significant increase in the number of direct customer accounts being managed by the Company and was an important contributor to growth in revenue and expenses for both the total Company and the PLM segment during 2010 in comparison to 2009. For the nine months from April 1, 2009, to December 31, 2009, after payment of software royalties to the Company, IBM PLM's software revenue portion was estimated at approximately €151 million and was not consolidated with the Company's revenue during this period prior to acquisition.

Total IFRS and non-IFRS revenue increased 20% and 21%, respectively, on software revenue growth of 23% and 24% (non-IFRS), respectively, all figures in constant currencies. The Company saw a positive dynamic in its target industries, including growth in investments by automotive and industrial equipment companies compared to 2009. By geographic region and in constant currencies, Europe represented approximately 45% of total revenues, the Americas 29% and Asia 26%.

The Company saw a significant increase in new business activity during 2010 leading to new licenses revenue growth of 30% in constant currencies. All regions and businesses contributed to this growth.

In addition to reporting improvement in new licenses revenue, recurring software revenue increased 21% and 23% (non-IFRS) in constant currencies. Recurring software revenue represented approximately 72% of total software revenue in 2010 compared to 73% in 2009. Over the course of 2010, the Company saw a progressive improvement in maintenance renewal rates which returned to pre-recession levels.

These positive trends in new licenses revenue and recurring software revenue growth were noted in both the Company's PLM business segment and in its Mainstream 3D business segment. PLM software revenue increased 26%, and PLM non-IFRS software revenue rose 27% with CATIA up 31%, ENOVIA up 29% and Other PLM higher by 16% (all figures in constant currencies). Mainstream 3D software revenue increased 15% in constant currencies.

The Company significantly expanded its direct sales channel (Enterprise Business Transformation Channel) with the acquisition of the IBM PLM sales organization. In total marketing and sales personnel increased 21% during 2010. In connection with the expansion of its direct sales channel and increase in customer accounts, the Company expanded its infrastructure and sales support functions leading to growth of general and administrative personnel of 17%.

In research and development, the Company increased its staffing by 9% during 2010 principally in connection with the acquisition of Exalead in search based applications and Geensoft in embedded systems. See Section 5.1.5 “History of the Company”.

Operating income increased 39.4% to €322.0 million and the operating margin improved to 20.6% for 2010 compared to 18.5% for 2009. On a non-IFRS basis, operating income increased 44.0% to €451.7 million for 2010 from €313.7 million, and the non-IFRS operating margin increased to 28.6%, compared to 25.0% for 2009.

Net income per diluted share increased 27.3% to €1.82 and 34.4% to €2.50 (non-IFRS) per share on strong operating income growth. Net operating cash flow increased to €408.3 million for 2010, compared to €297.9 million for 2009.

The Company’s net financial position was €845.7 million at December 31, 2010, compared to €858.0 million at December 31, 2009. Cash and short-term investments totaled €1.14 billion and long-term debt totaled €293.4 million at December 31, 2010, compared to €1.06 billion and €200.0 million, respectively, at December 31, 2009. During 2010 the Company entered into a loan facility in Japan for an equivalent of €115.0 million to finance a portion of the IBM PLM acquisition. The Company’s €200 million fully drawn down revolving credit facility matures in 2012. Stock options exercised during 2010 totaled €97.4 million principally in connection with the expiration of a major ten-year stock option program. See also Note 22, Borrowings, in the consolidated financial statements.

During 2010 the Company used cash to fund acquisitions totaling €461.4 million, including IBM PLM for a net cash purchase price of €325.6 million, Exalead for €127.0 million and Geensoft for €6.1 million. During 2010, the Company distributed cash dividends aggregating €54.5 million (including €0.3 million paid to non-controlling interests) and repurchased shares in the amount of €7.2 million. Capital expenditures in 2010 amounted to €37.3 million, including €29.1 million in fixed assets compared to €14.9 million in 2009. See also Note 16, Business Combinations, in the consolidated financial statements.

Currency exchange rates

The evolution of currency exchange rates during 2010 in comparison to 2009 had a net positive effect overall on the Company’s revenue and earnings, as the Company reports in euros but earns revenue and incurs expenses in three principal currencies: the euro (EUR), the U.S. dollar (USD) and the Japanese yen (JPY). See the discussion below under Section 9.2 “Consolidated Information: 2010 Compared to 2009” and Section 4.2.2 “Foreign Currency Exchange Risk”.

- The average euro to U.S. dollar exchange rate decreased 4.3% to $1.33 per euro for 2010 compared to $1.39 per euro for 2009. The average euro to Japanese yen exchange rate decreased 10.8% to an average rate of JPY116.2 per euro for 2010 compared to JPY130.3 per euro for 2009.
- In 2010 approximately 36% (37% in 2009) of the Company’s revenue was generated in U.S. dollars and approximately 40% (39% in 2009) of its expenses were denominated in U.S. dollars; approximately 16% (14% in 2009) of its revenue was generated in Japanese yen and approximately 7% (5% in 2009) of its expenses were denominated in Japanese yen.
- Changes in the value of foreign currencies compared to the functional currency of each entity had a net negative impact of €2.7 million on the Company’s short-term assets, since short-term assets held in functional currencies are translated to euro at the end of period exchange rate. This impact is taken into account in “Financial expense and other, net.” See Note 9 to the Company’s consolidated financial statements.

Acquisitions and divestitures

On March 31, 2010, the Company completed the acquisition of IBM PLM for a net cash purchase price of approximately €325.6 million and for a net purchase price of €361.1 million.

On June 8, 2010, Dassault Systèmes acquired Exalead, a French company providing Search Platforms and Search-Based Applications (SBA) for consumer and business users, for a total cost of €132.0 million.

On June 21, 2010, the Company advanced its systems strategy with the acquisition of Geensoft, a French-based company for a total cost of €6.1 million.

These acquisitions are described in Section 5.1.5 “History of the Company – 2010”, Section 6.2.4 “Sales and Marketing” and Note 16 of the Consolidated Financial Statements.

9.1.2 Supplemental non-IFRS financial information

Readers are cautioned that the supplemental non-IFRS financial information is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered in isolation from or as a substitute for IFRS measurements. The supplemental non-IFRS financial information should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS. Furthermore, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. Specific limitations for individual non-IFRS measures are set forth below.

In evaluating and communicating its results of operations, the Company supplements its financial results reported on an IFRS basis with non-IFRS financial data. As further explained below, the supplemental non-IFRS financial information excludes: deferred revenue adjustments for acquired companies, amortization of acquired intangibles, share-based compensation expense, other operating income and expense, net and certain one-time tax effects. Subject to the limitations set forth above and below, the Company believes that the supplemental non-IFRS financial information provides a consistent basis for period-to-period comparisons which can improve investors' understanding of its financial performance.

The Company's management uses the supplemental non-IFRS financial information, together with its IFRS financial information, to evaluate its operating performance, make operating decisions, conduct planning and set objectives for future periods. Compensation of its executive officers is based in part on the performance of its business measured with the supplemental non-IFRS information. The Company believes that the supplemental non-IFRS data also provides meaningful information to investors and financial analysts who use the information for comparing the Company's operating performance to its historical trends and to other companies in its industry, as well as for valuation purposes.

The supplemental non-IFRS financial information adjusts the Company's IFRS financial information to exclude:

– *deferred revenue adjustment of acquired companies:* Under IFRS, deferred revenue of an acquired company must be adjusted by writing it down to account for the fair value of customer support obligations assumed under support contracts acquired through the acquisition of the company. As a result, in the case of a typical one-year contract, the Company's IFRS revenues for the one-year period subsequent to an acquisition do not reflect the full amount of revenue on assumed contracts that would have otherwise been recorded by the acquired entity in the absence of the acquisition.

In its supplemental non-IFRS financial information, the Company has excluded this write-down to the carrying value of the deferred revenue, and reflects instead the full amount of such revenue. The Company believes that this non-IFRS measure of revenue is useful to investors and management because it reflects a level of revenue and operational results which corresponds to the combined business activities of Dassault Systèmes and the acquired company. In addition, the non-IFRS financial information provides a consistent basis for comparing its future operating performance, when no further adjustments to deferred income are required against recent results.

However, by excluding the deferred revenue adjustment, the supplemental non-IFRS financial information reflects the total revenue that would have been recorded by the acquired entity but may not reflect the total cost associated with generating the non-IFRS revenue.

– *amortization of acquired intangibles, including amortization of acquired software:* Under IFRS, the cost of acquired intangible assets, whether acquired through acquisitions of companies or of technology or certain other intangible assets, must be recognized according to the assets' fair value and amortized over their useful life.

In its supplemental non-IFRS financial information, the Company has excluded the amortization expenses related to acquired intangibles in order to provide a consistent basis for comparing its historical results. For technology and other intangible assets the Company develops internally, it typically expenses costs in the period in which they are incurred. For example, because it typically incurs most of its research and development costs prior to reaching technical feasibility, its research and development costs are expensed in the period in which they are incurred. By excluding the amortization expenses related to acquired intangibles, the supplemental non-IFRS financial information provides a uniform approach for evaluating the development cost of all the Company's technology, whether developed internally or acquired externally. As a result, the Company believes that the supplemental financial information offers investors a useful basis for comparing its historical results.

However, the acquired intangible assets whose amortization costs are excluded contributed to revenue earned during the period, and it may not have been possible to earn such revenue without such assets. In addition, the amortization of acquired intangibles is a recurring expense until their total cost has been amortized.

– *share-based compensation expense:* Under IFRS, the Company is required to recognize in its income statement all share-based payments to employees, including grants of employee stock options, based on their fair values over the period that an employee provides service in exchange for the award.

The Company excludes this expense in its supplemental non-IFRS financial information as financial analysts and investors use a valuation model which may not take into account its share-based compensation expense, and therefore, the exclusion of share-based compensation expense in the Company's supplemental non-IFRS financial information helps them ensure the consistency of their valuation metrics. The Company's management considers the supplemental non-IFRS information which excludes share-based compensation expense when reviewing the Company's operating performance, since share-based compensation expenses can fluctuate due to factors other than the level of its business activity or operating performance.

However, share-based compensation is one component of employee compensation. By excluding share-based compensation expense, the supplemental non-IFRS financial information does not reflect the Company's full cost of attracting, motivating and retaining its personnel. Share-based compensation expense is a recurring expense.

– *other operating income and expense, net: Under IFRS, the Company has recognized certain other operating income and expense comprised of income and expense related to restructuring expenses, acquisition costs, and relocation income and expense related to corporate or regional headquarters and certain facilities.*

In its supplemental non-IFRS financial information, the Company excludes other operating income and expense effects because of their unusual, infrequent or generally non-recurring nature. As a result, the Company believes that its supplemental non-IFRS financial information helps investors better understand the current trends in its operating performance.

However, other operating income and expense are components of the Company's income and expense and by excluding them the supplemental non-IFRS financial information excludes their impact to its net income.

– *certain one-time tax effects: The Company restructured certain activities that led to the utilization of tax losses carried forward that were reserved for in 2009 and 2008. The Company's IFRS financial statements reflect the impact of these one-time tax effects.*

In its supplemental non-IFRS financial information, the Company has excluded the one-time tax impact attributable to the restructuring of some of these activities because of their unusual nature in both qualitative and quantitative terms. The Company does not expect such tax effects to occur as part of its normal business on a regular basis. As a result, the Company believes that by excluding this one-time tax impact, its supplemental non-IFRS financial information helps investors understand the current trends in its operating performance. The Company also believes that the exclusion of certain one-time tax effects facilitates a comparison of its effective rate of income tax between different periods.

However, these one-time tax effects are a component of the Company's income tax expense for these periods. By excluding these effects, the supplemental non-IFRS financial information overstates the Company's income tax expense. These one-time tax effects are not a recurring benefit.

The following table sets forth the Company's supplemental non-IFRS financial information, together with the comparable IFRS financial measure and a reconciliation of the IFRS and non-IFRS information.

	Year ended December 31,						%Increase(Decrease)	
(in millions, except percentages and per share data)	**2010 IFRS**	**Adjustment[1]**	**2010 non-IFRS**	**2009 IFRS**	**Adjustment[1]**	**2009 non-IFRS**	**IFRS**	**Non-IFRS[2]**
Total Revenue	**€1,563.8**	**€16.2**	**€1,580.0**	€1,251.3	**€1.5**	**€1,252.8**	**25.0%**	**26.1%**
Total revenue by activity								
Software revenue	1,411.0	16.2	1,427.2	1,099.8	1.5	1,101.3	28.3%	29.6%
Services and other revenue	152.8	–	152.8	151.5	–	151.5	0.9%	0.9%
Total revenue by geography								
Americas	456.5	5.3	461.8	386.3	0.6	386.9	18.2%	19.4%
Europe	702.9	6.3	709.2	577.5	0.2	577.7	21.7%	22.8%
Asia	404.4	4.6	409.0	287.5	0.7	288.2	40.7%	41.9%
Total revenue by segment								
PLM revenue	1,252.3	16.2	1,268.5	990.2	1.5	991.7	26.5%	27.9%
Mainstream 3D revenue	311.5	–	311.5	261.1	–	261.1	19.3%	19.3%
Total Operating Expenses	**€1,241.8**	**€(113.5)**	**€1,128.3**	**€1,020.3**	**€(81.2)**	**€939.1**	**21.7%**	**20.1%**
Share-based compensation expense	20.9	(20.9)	–	24.5	(24.5)	–	(14.7)%	–
Amortization of acquired intangibles	71.8	(71.8)	–	41.6	(41.6)	–	72.6%	–
Other operating income and expense, net	20.8	(20.8)	–	15.1	(15.1)	–	37.7%	–
Operating Income	**€322.0**	**€129.7**	**€451.7**	**€231.0**	**€82.7**	**€313.7**	**39.4%**	**44.0%**
PLM Operating income	201.3	129.2	330.5	132.3	82.1	214.4	52.2%	54.2%
Mainstream 3D Operating income	120.7	0.5	121.2	98.7	0.6	99.3	22.3%	22.1%
Operating Margin	**20.6%**		**28.6%**	**18.5%**		**25.0%**		
PLM Operating margin	16.1%		26.1%	13.4%		21.6%		
Mainstream 3D Operating margin	38.7%		38.9%	37.8%		38.0%		
Income before Income Taxes	**€320.0**	**€129.7**	**€449.7**	**€226.9**	**€82.7**	**€309.6**	**41.0%**	**45.3%**
Income tax expense	(99.4)	(47.6)	(147.0)	(56.9)	(31.4)	(88.3)	74.7%	66.5%
(of which certain one-time tax restructuring effects)	*4.5*	*(4.5)*	–	*8.1*	*(8.1)*	–		
Minority interest	(0.1)	–	(0.1)	(0.3)	–	(0.3)		
Net Income attributable to shareholders	**€220.5**	**€82.1**	**€302.6**	**€169.7**	**€51.3**	**€221.0**	**29.9%**	**36.9%**
Diluted Net Income Per Share[3]	**€1.82**	**€0.68**	**€2.50**	**€1.43**	**€0.43**	**€1.86**	**27.3%**	**34.4%**

(1) In the reconciliation schedule above, (i) all adjustments to IFRS revenue data reflect the exclusion of the deferred revenue adjustment of acquired companies; (ii) adjustments to IFRS operating expenses data reflect the exclusion of the amortization of acquired intangibles, share-based compensation expense (as detailed below), and other operating income and expense, and (iii) all adjustments to IFRS income data reflect the combined effect of these adjustments, plus with respect to net income and diluted net income per share, the income tax effect of the non-IFRS adjustments and the exclusion of certain one-time tax restructuring effects.

	Year ended December 31,					
(in millions)	**2010 IFRS**	**Adjustment**	**2010 non-IFRS**	**2009 IFRS**	**Adjustment**	**2009 non-IFRS**
Cost of services and other revenue	€144.9	€(0.8)	€144.1	€139.4	€(0.6)	€138.8
Research and development	322.1	(12.0)	310.1	302.5	(14.1)	288.4
Marketing and sales	480.1	(4.3)	475.8	356.7	(4.7)	352.0
General and administrative	125.9	(3.8)	122.1	108.4	(5.1)	103.3
Total share-based compensation expense		**(20.9)**			**(24.5)**	

(2) The non-IFRS percentage increase (decrease) compares non-IFRS measures for the two different periods. In the event there is an adjustment to the relevant measure for only one of the periods under comparison, the non-IFRS increase (decrease) compares the non-IFRS measure to the relevant IFRS measure.

(3) Based on a weighted average of 121.2 million diluted shares for 2010 and 118.5 million diluted shares for 2009.

9.1.3 Critical Accounting Principles

The Company's consolidated financial statements have been prepared in accordance with IFRS. The preparation of these financial statements requires the Company to make certain assumptions and judgments. Actual results may differ from these estimates under different assumptions or conditions. The Company believes the following critical accounting policies, among others, involve the more significant judgments and estimates used in the preparation of its consolidated financial statements: revenue recognition, computer software costs/research and development, purchase price allocation for business combinations, goodwill and other intangible assets, and income taxes. See Note 2 to the Company's consolidated financial statements for a description of these accounting policies.

9.2 Consolidated Information: 2010 Compared to 2009

REVENUE

The Company's total revenue is comprised principally of (i) software revenue, which is its primary source of revenue, representing 90% of total revenue in 2010 and (ii) services and other revenue, which represented 10% of total revenue in 2010. Services and other revenue is generated principally by the PLM segment. The table below sets forth the Company's revenue by activity, geographic region and segment for the years ended December 31, 2010 and 2009 and measures percentage changes on an as reported basis and in constant currencies.

(in millions, except percentages)	Year ended December 31, 2010	% change	% change in constant currencies	Year ended December 31, 2009
Total Revenue	€1,563.8	25.0%	20%	€1,251.3
Total revenue by activity				
Software revenue	€1,411.0	28.3%	23%	€1,099.8
Services and other revenue	152.8	0.9%	(3)%	151.5
Total revenue by geographic region(1)				
Americas(2)	€456.5	18.2%	12%	€386.3
Europe(2)	702.9	21.7%	21%	577.5
Asia(2)	404.4	40.7%	27%	287.5
Total revenue by segment				
PLM revenue	€1,252.3	26.5%	26%	€990.2
Mainstream 3D revenue	311.5	19.3%	15%	261.1

(1) In its consolidated financial statements, the Company classifies and states software revenue by geographic region in two ways: (i) by the geographic location of the end-user customer and (ii) by the geographic location of the business unit which records the transaction. See Note 3 to the consolidated financial statements. In the table above, software revenue is classified by the geographic location of the end-user customer, while services and other revenue is classified by the location where the activity is performed.

(2) Germany and France account for a majority of the Company's sales in Europe. Most of the revenue in the Americas comes from the United States, and a majority of the revenue from Asia comes from Japan. See Note 3 to the Company's consolidated financial statements.

Total revenue increased 25.0% to €1.56 billion in 2010 from €1.25 billion in 2009. In constant currencies, total revenue increased approximately 20%, principally reflecting an increase in software revenue of 23% as further discussed below. In constant currencies, revenue in Europe increased by 21%, in the Americas by 12% and in Asia by 27%. On a non-IFRS basis, total revenue increased by 26.1% to €1.58 billion in 2010, compared to €1.25 billion in 2009, and by approximately 21% in constant currencies. For the nine months from April 1, 2009, to December 31, 2009, after payment of software royalties to the Company, IBM PLM's software revenue portion was estimated at approximately €151 million and was not consolidated with the Company's revenue during this period prior to acquisition.

Software Revenue

Software revenue is comprised of new licenses revenue and periodic licenses, maintenance and product development revenue. Periodic licenses and maintenance revenue are referred to together as “recurring revenue”.

The Company's PLM products are mainly licensed pursuant to one of two payment structures: (i) new licenses, for which the customer pays an initial fee for a perpetual license and subsequently pays fees for maintenance and product updates, generally on an annual basis, or

(ii) periodic (rental) licenses, for which the customer pays equal periodic fees to keep the license active. New licenses require the payment of fees for maintenance and product updates. Periodic (rental) licenses entitle the customer to corrective maintenance and product updates without additional charge. Product updates include improvements to existing products but do not cover new products. “Periodic license” revenue includes software revenue generated from new customers, or from new business with existing customers, if the customer chooses that payment structure. The Company’s product development revenue relates to the development of additional functionalities of standard products requested by customers.

Software licenses offered by SolidWorks require the payment of a one-time fee, which is recorded as new licenses revenue. Access to upgrades and maintenance requires payment of an annual subscription fee, which is recorded as maintenance revenue.

	Year ended December 31,	
(in millions, except percentages)	**2010**	**2009**
Software revenue		
New licenses revenue	€393.9	€289.7
Periodic licenses, maintenance and product development revenue	1,017.1	810.1
Total software revenue	**€1,411.0**	**€1,099.8**
(as % of total revenue)	90.2%	87.9%

Software revenue increased 28.3%, and approximately 23% in constant currencies. Non-IFRS software revenue increased 29.6%, and approximately 24% in constant currencies on strong growth in new licenses revenue and periodic licenses, maintenance and product development revenue.

IFRS and non-IFRS new licenses revenue increased 36.0% and approximately 30% in constant currencies. The increase in new licenses revenue in 2010 principally reflected higher new business activity across all of the Company’s businesses and in all geographic regions as well as the impact of the IBM PLM acquisition. The Company saw a substantial increase in activity in its core industries of automotive and industrial equipment and in new industries, in particular with high tech and energy companies.

Recurring software revenue increased 26.0% and approximately 21% in constant currencies to €1.01 billion for 2010, compared to €805.2 million in 2009. Non-IFRS software revenue increased 27.8%, and 23% in constant currencies. Recurring software revenue represented 72% and 73% of software revenue in 2010 and 2009, respectively. Recurring software revenue growth reflected an increase in customer subscription contracts principally as a result of the IBM PLM acquisition, as well as an increase in new business activity and an improvement in subscription (maintenance) renewal rates which returned to pre-recession levels.

Services and Other Revenue

Services and other revenue includes revenue from (i) consulting services in methodology for design, deployment and support, training services and engineering services, and (ii) services revenue from the commissions received by the Company as a result of its sales activities as a reseller. For each of the years 2010 and 2009, substantially all the Company’s service revenue was generated by the PLM segment.

	Year ended December 31,	
(in millions, except percentages)	**2010**	**2009**
Services and other revenue	**€152.8**	**€151.5**
(as % of total revenue)	9.8%	12.1%

Services and other revenue, representing 9.8% of total revenue for 2010, increased 0.9% to €152.8 million but decreased approximately 3% in constant currencies. The decrease in services and other revenue reflected principally the fact that services revenue trends lag behind the improvement in new license activity and therefore continued to be negatively impacted by the 2009 global recession.

OPERATING EXPENSES

Total operating expenses increased 21.7% to €1.24 billion for 2010 compared to €1.02 billion for 2009. Non-IFRS operating expenses increased 20.1% in 2010 compared to 2009. Excluding a net negative currency impact of 3 percentage points operating expenses increased approximately 18% and 17% on a non-IFRS basis.

Operating expense evolution during 2010 reflected a 15% increase in the Company’s total employee base to 9,035 employees at the end of 2010 compared to 7,834 at December 31, 2009. The Company significantly expanded its direct sales and sales resources with the acquisition of IBM PLM and additional hires, leading to growth in marketing and sales personnel of 21%. In connection with the acquisition of IBM PLM the Company expanded its infrastructure and sales support functions leading to growth of general and administrative personnel of 17%. The Company continued to grow its research and development resources, increasing staffing by 9% due principally to the acquisitions of Exalead and Geensoft.

	Year ended December 31,	
(in millions)	**2010**	**2009**
Operating expenses	**€1,241.8**	**€1,020.3**
Adjustments[(1)]	(113.5)	(81.2)
Non-IFRS operating expenses[(1)]	**€1,128.3**	**€939.1**

(1) The adjustments and non-IFRS operating expenses in the table above reflect adjustments to the Company's financial information prepared in accordance with IFRS by excluding (i) the amortization of acquired intangibles, (ii) share-based compensation expense, and (iii) other operating income and expense, net. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see Section 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Cost of revenue expenses

The cost of revenue expenses consists of the cost of software revenue and the cost of services and other revenue.

- The cost of software revenue includes principally software personnel costs, licensing fees paid for third-party components integrated into the Company's own products, CD costs, preparation costs for user manuals and delivery costs.
- The cost of services and other revenue includes principally personnel and other costs related to organizing and providing consulting services as well as personnel and other costs related to the Company's sales activities as a reseller.

	Year ended December 31,	
(in millions)	**2010**	**2009**
Cost of software revenue (excluding amortization of acquired intangibles)	€76.2	€56.6
Cost of services and other revenue	144.9	139.4
Cost of revenue expenses	**€221.1**	**€196.0**

Cost of software revenue (excluding amortization of acquired intangibles) increased 34.6%, principally due to the increase in personnel in connection with the IBM PLM acquisition, and to higher royalty costs primarily reflecting growth in software revenue. The cost of software revenue (excluding amortization of acquired intangibles) amounted to 4.9% and 4.5% of total revenue in 2010 and 2009, respectively. Currency had a net negative impact on cost of software revenue of approximately 6 percentage points.

Cost of services and other revenue increased €5.5 million or 3.9% compared to 2009. Excluding currency effects which had a net negative impact of approximately 4 percentage points, cost of services and other revenue was stable with 2009. The services and other revenue gross margin was 5.2% in 2010, compared to 8.0% in 2009. The cost of services and other revenue amounted to 9.3% and 11.1% of total revenue in 2010 and 2009, respectively.

Research and development expenses

The Company believes that research and development is one of the most important elements of its success. The Company conducts its research in three principal countries: France, the United States and India (through its 3D PLM business venture – see Chapter 19), as well as in Germany and the United Kingdom.

Expenses for research and development include primarily personnel costs as well as computer expenses, the depreciation and cost of maintenance related to computers and computer hardware used in research and development, development tools, networking and communication expenses.

Costs for research and development of software are expensed when incurred if the analysis of technical criteria does not qualify them as a capital asset. Since the Company's founding in 1981, implementation of this accounting policy has resulted in all such costs being expensed in the period in which they were incurred. A small percentage of research and development personnel pursue research and development activities in the context of providing clients with software maintenance, and their cost is thus included under cost of software revenue.

Expenses for research and development are recorded net of grants received from various governmental authorities to finance certain research and development activities (including tax research credits in France, which would be paid by the French tax authorities if the Company's income tax due were insufficient to enable the credits to be deducted).

	Year ended December 31,	
(in millions, except percentages)	2010	2009
Research and development expenses	**€322.1**	**€302.5**
(as % of total revenue)	20.6%	24.2%

Research and development cost increased €19.6 million or 6.5% in 2010 in comparison to 2009. The growth in research and development expense principally reflected an increase in salaries, benefits and variable compensation, growth in R&D personnel including the acquisitions of Exalead and Geensoft, offset in part by an increase in government grants and other governmental programs supporting research and development (€28.9 million in 2010 compared to €26.5 million in 2009). Currency fluctuations had a net negative impact on research and development expenses of approximately 3 percentage points.

Marketing and sales expenses

Marketing and sales expenses consist primarily of personnel costs, which include sales commissions and personnel for processing sales transactions; marketing and communications expenses; travel expenses; and marketing infrastructure costs, such as information technology resources used for marketing. A portion of marketing and sales personnel provide client services such as consulting and assistance in product deployment, and their cost is thus included in the cost of services and other revenue expenses line item.

	Year ended December 31,	
(in millions, except percentages)	2010	2009
Marketing and sales expenses	**€480.1**	**€356.7**
(as % of total revenue)	30.7%	28.5%

Marketing and sales expenses increased €123.4 million in 2010, or 34.6%, compared to 2009. The increase in marketing and sales expenses resulted principally from growth in personnel with the IBM PLM acquisition, an increase in commission compensation as a result of the growth in revenue, higher expenses for travel, events and other support activities for the sales channels, and an increase in IT and facilities costs. Currency fluctuations had a net negative impact on the evolution of marketing and sales expenses of approximately 3 percentage points.

General and administrative expenses

	Year ended December 31,	
(in millions, except percentages)	2010	2009
General and administrative expenses	**€125.9**	**€108.4**
(as % of total revenue)	8.1%	8.7%

General and administrative expenses increased €17.5 million or 16.1% in 2010 compared to 2009. The increase in general and administrative expenses resulted principally from growth in personnel in legal and finance to support the Company's larger direct sales force following the IBM PLM acquisition, and to a lesser extent an increase in costs for subcontractors and travel. Currency fluctuations had a negative impact on the evolution of general and administrative expenses of approximately 3 percentage points.

Amortization of acquired intangibles

Amortization of acquired intangibles includes amortization of acquired software, amortization of acquired technology and amortization of intangible assets recognized in connection with business combinations (primarily contractual customer relationships and technology). See the discussion above under Section 9.1.2 "Supplemental Non-IFRS Financial Information".

	Year ended December 31,	
(in millions)	2010	2009
Amortization of acquired intangibles	**€71.8**	**€41.6**

Amortization of acquired intangibles increased €30.2 million or 72.6% in 2010 compared to 2009 principally reflecting the higher level of acquisitions during 2010 compared to 2009.

Other operating income and expense, net

Other operating income and expense, net, includes the impact of events that are unusual, infrequent or generally non-recurring in nature.

	Year ended December 31,	
(in millions)	**2010**	**2009**
Other operating (income) and expense, net	**€20.8**	**€15.1**

Other operating income and expense, net, were largely comprised in 2010 of €13.6 million of acquisition and transition costs in connection with the IBM PLM and Exalead acquisitions, and relocation and related expenses totaling €7.2 million. In 2009, other operating income and expense, net included €10.2 million of restructuring measures, principally R&D office rationalization in the United States and Israel, relocation and related expenses totaling €2.3 million and acquisition costs of €2.6 million primarily in connection with the IBM PLM acquisition. See Note 8 to the Company's consolidated financial statements.

OPERATING INCOME

	Year ended December 31,	
(in millions)	**2010**	**2009**
Operating income	**€322.0**	**€231.0**

For 2010, operating income increased 39.4% or €91.0 million and principally reflected a 25.0% increase in revenue, offset in part by an increase in operating expenses of 21.7%. In addition to an increase in operating income, the operating margin improved to 20.6% for 2010 compared to 18.5% for 2009. On a non-IFRS basis, operating income increased 44.0% to €451.7 million for 2010 from €313.7 million in 2009 and the non-IFRS operating margin increased to 28.6%, compared to 25.0% for 2009. These improvements reflected the benefits from operating leverage, the net positive contribution of currency exchange rate fluctuations and in part to the impact of a change in tax law that resulted in the classification as income tax of certain French taxes previously accounted for as operating expenses. See Income tax expense below.

FINANCIAL EXPENSE AND OTHER, NET

	Year ended December 31,	
(in millions)	**2010**	**2009**
Financial expense and other, net	**€(3.8)**	**€(5.6)**

2010 financial expense and other, net was principally comprised of exchange losses of €2.7 million and net financial interest expense of €1.2 million. The 2010 improvement in financial expense and other, net primarily reflected the favorable impact on financial operations of movements in USD/euro and JPY/euro exchange rates which reduced the exchange losses by €5.1 million in 2010, compared to the exchange losses of €7.8 million in 2009. This positive effect was partially offset by a €3.8 million reduction in interest income principally due to a decrease in interest rates on investments held in Euro and US dollars. See Note 9 to the Company's consolidated financial statements.

INCOME TAX EXPENSE

	Year ended December 31,	
(in millions, except percentages)	**2010**	**2009**
Income tax expense	**€99.4**	**€56.9**
Effective consolidated tax rate	31.1%	25.1%

Income tax expense increased by €42.5 million or by 74.7%, reflecting an increase in pre-tax income of 41.0% and an increase in the effective consolidated tax rate. The effective consolidated tax rate increased 6 percentage points due to a lower level of recognized tax losses carried forward previously reserved for in comparison to 2009 and to the impact of a change in tax law (the French business tax reform) that resulted in the classification as income tax of certain French taxes previously accounted for as operating expenses. On a non-IFRS basis, the effective consolidated tax rate increased to 32.7% for 2010, compared to 28.5% for 2009, principally reflecting the effect of the French business tax reform. See Note 10 to the Company's consolidated financial statements for an explanation of the differences between the effective tax rate and the taxes computed at the statutory French tax rate of 34.43%.

NET INCOME AND DILUTED NET INCOME PER SHARE

	Year ended December 31,	
(in millions, except per share data)	**2010**	**2009**
Net income attributable to shareholders	**€220.5**	**€169.7**
Diluted net income per share	€1.82	€1.43
Diluted weighted average shares outstanding	121.2	118.5

Diluted net income per share increased 27.3%, principally reflecting an increase in operating income of 39.4%, which was offset in part by a 6 percentage point increase in the effective consolidated tax rate. Non-IFRS net income per diluted share increased 34.4% to €2.50 per share from €1.86 per share, principally reflecting an increase in non-IFRS operating income of 44.0%, offset in part by an increase of 420 basis points in the effective consolidated tax rate.

9.3 Revenue and Operating Income by Segment

2010 software revenue trends for both segments reflected an increase in new licenses activity as well as growth in recurring software revenue. In addition, revenue and operating income results for the PLM segment reflect the significant increase in the number of direct customer accounts and sales resources following the integration of the IBM PLM as of April 1, 2010. For the nine months from April 1, 2009, to December 31, 2009, after payment of software royalties to the Company, IBM PLM's software revenue portion was estimated at approximately €151 million and was not consolidated with the Company's revenue during this period prior to acquisition.

PLM

Revenue

	Year ended December 31,			
(in millions, except percentages)	**2010**	**% of Total revenue**	**2009**	**% of Total revenue**
Revenue (excluding inter-segment sales)				
PLM revenue	€1,252.3	80.1%	€990.2	79.1%
Supplemental non-IFRS Financial Information(1)				
PLM non-IFRS revenue	€1,268.5	80.3%	€991.7	79.2%

(1) The supplemental non-IFRS financial information reflects adjustments to the Company's audited financial information by excluding the effect of adjusting the carrying value of acquired companies' deferred revenue. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see Section 9.1.2 "Supplemental Non-IFRS Financial Information" above.

PLM revenue totaled €1.25 billion. PLM non-IFRS revenue totaled €1.27 billion in 2010 and was comprised of CATIA software revenue of €667.3 million, Other PLM software revenue (SIMULIA, DELMIA, 3DVIA and Exalead) of €243.2 million, ENOVIA software revenue of €205.2 million and Services and other revenue of €152.8 million.

Total revenue for the PLM segment increased 26.5% in 2010 compared to 2009, and 27.9% on a non-IFRS basis. On a constant currency basis, PLM software revenue increased approximately 26%, and 27% on a non-IFRS basis. On a non-IFRS basis, CATIA software revenue increased 36.9%, and approximately 31% in constant currencies, ENOVIA software revenue increased 34.3%, and approximately 29% in constant currencies, and Other PLM software revenue increased 21.5%, and approximately 16% in constant currencies. PLM service revenue increased 0.9% but decreased approximately 3% on a constant currency basis. (See "Services and Other Revenue" under Section 9.2 above.)

Operating income

(in millions, except percentages)	Year ended December 31, 2010	% of Total operating income	2009	% of Total operating income
Operating income				
PLM operating income	€201.3	62.5%	€132.3	57.3%
Supplemental non-IFRS Financial Information(1)				
PLM non-IFRS operating income	€330.5	73.2%	€214.4	68.3%

(1) The supplemental non-IFRS financial information reflects adjustments to the Company's audited financial information by excluding (i) the effect of adjusting the carrying value of acquired companies' deferred revenue, (ii) the amortization of acquired intangibles, (iii) share-based compensation expense and (iv) other operating income and expense, net. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see Section 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Operating income for the PLM segment increased 52.1% reflecting a 26.5% increase in revenue, and an increase in the PLM operating margin. On a non-IFRS basis, PLM operating income increased 54.1%, reflecting an increase of 27.9% in revenue and an increase in the operating margin. The PLM operating margin grew to 16.1% in 2010 from 13.4% in 2009, and the non-IFRS PLM operating margin increased to 26.1% in 2010 from 21.6% in 2009, reflecting similar factors as for the Company's consolidated operating margin.

Mainstream 3D

Revenue

(in millions, except percentages)	Year ended December 31, 2010	% of Total revenue	2009	% of Total revenue
Revenue (excluding inter-segment sales)				
Mainstream 3D revenue	€311.5	19.9%	€261.1	20.9%
Supplemental non-IFRS Financial Information(1)				
Mainstream 3D non-IFRS revenue	€311.5	19.7%	€261.1	20.8%

(1) The supplemental non-IFRS financial information reflects adjustments to the Company's audited financial information by excluding the effect of adjusting the carrying value of acquired companies' deferred revenue. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see Section 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Mainstream 3D revenue and non-IFRS revenue increased 19.3% and approximately 15% in constant currencies. Growth in revenue reflected increases in both new licenses revenue and recurring software revenue. During 2010, new SolidWorks seats licensed increased 18% to 42,205 seats.

Operating income

(in millions, except percentages)	Year ended December 31, 2010	% of Total operating income	2009	% of Total operating income
Operating income				
Mainstream 3D operating income	€120.7	37.5%	€98.7	42.7%
Supplemental non-IFRS Financial Information(1)				
Mainstream 3D non-IFRS operating income	€121.2	26.8%	€99.3	31.7%

(1) The supplemental non-IFRS financial information reflects adjustments to the Company's audited financial information by excluding (i) the effect of adjusting the carrying value of acquired companies' deferred revenue, (ii) the amortization of acquired intangibles, (iii) share-based compensation expense and (iv) other operating income and expense, net. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see Section 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Mainstream 3D operating income increased €22.0 million, or 22.3% in 2010 compared to 2009 principally reflecting the 19.3% increase in revenue. In addition, the operating margin increased to 38.7% in 2010 from 37.8% for 2009, benefiting from operating leverage. Similarly, on a non-IFRS basis, Mainstream 3D operating income increased €21.9 million or 22.1% in 2010 compared to 2009, and the operating margin improved to 38.9% in 2010 from 38.0% for 2009.

9.4 Trends in Quarterly Results

The Company's quarterly revenues have varied significantly and are likely to vary significantly in the future. The Company's net income also varies considerably each quarter, reflecting the change in revenues, together with the effects of the Company's investment plans. A significant portion of sales typically occurs in the last month of each quarter, and, as is typical in the software market, the Company normally experiences its highest licensing activity for the year in December. Software revenue, total revenue, operating income, operating margin and net income have generally been highest in the fourth quarter of each year.

Some of the factors causing the Company's quarterly revenues to vary significantly include, but are not limited to: changes in the macroeconomic environment, the timing and level of mergers and acquisition activities, including divestitures, the size of software sales transactions, the method of software licensing, the timing and size of service engagements, as well as the timing and size of product development software engagements. Additionally, quarterly revenue can vary significantly due to the varying length of time required to negotiate and complete sales contracts or to the timing of recognition of service engagements.

In 2010, revenue for the fourth, third, second and first quarters represented, respectively, 29.6% (27.1% in 2009), 25.8% (23.3% in 2009), 24.7% (24.8% in 2009) and 19.9% (24.8% in 2009) of the Company's total revenue for the year. The revenue contribution variations by quarter in 2010 in comparison to 2009 principally reflected the timing of the impact of the macroeconomic recession on 2009 business activity and the acquisitions completed during 2010.

9.5 Off-Balance Sheet Arrangements

See Note 23 to the Company's consolidated financial statements.

9.6 Tabular Disclosure of Contractual Obligations

See Section 4.2.3 "Liquidity Risk".

CHAPTER 10 – CAPITAL RESOURCES

The Company's principal source of liquidity is cash from operations. During 2010 cash obtained from operations was used primarily for the acquisitions of IBM PLM and Exalead (see Section 5.1.5 "History of the Company – 2010"), dividend payments, short-term investments and capital expenditures.

Working capital at December 31, 2010, increased by €55.4 million, compared to an increase in 2009 of €28.4 million. The increase in working capital in 2010 reflected principally the increase in activity in 2010.

Cash and cash equivalents and short-term investments increased to €1.14 billion as of December 31, 2010, compared to €1.06 billion as of December 31, 2009. During 2010, net cash provided by operating activities increased €110.4 million to €408.3 million compared with €297.9 million during 2009, reflecting the combined effect of an increase of €50.6 million in net income and an increase in working capital.

Net cash used in investing activities increased by €445.8 million to €541.4 million, compared to €95.6 million in 2009 and principally reflected the acquisition of IBM PLM and Exalead (see Note 16 to the Company's consolidated financial statements). The Company's capital expenditures (including both fixed and intangible assets) in 2010 amounted to €37.3 million.

In 2010, net cash provided by financing activities amounted to €138.0 million; in 2009 net cash used in financing activities amounted to €39.4 million. This increase primarily reflects a new term loan facility in Japan for JPY14,500 million (the equivalent of €115.0 million as of the draw date) in order to finance a portion of the IBM PLM acquisition (see Note 22 to the Company's consolidated financial statements), and proceeds from the exercise of stock options in the amount of €97.4 million, compared to €15.5 million in 2009. Dassault Systèmes paid dividends in the amount of €54.5 million in 2010, compared to €54.8 million in 2009, and effected share repurchases in 2010 for an amount of €7.2 million (the Company did not repurchase any of its shares in 2009).

Exchange rate fluctuations had a positive translation effect of €32.5 million on the Company's December 31, 2010 cash balance compared to a negative translation effect of €17.9 million on the Company's December 31, 2009 cash balance.

In 2006, the Company drew down €200 million on its five-year revolving credit facility which, taking into account the two one-year extensions exercised by the Company, will terminate at the end of 2012 (see Note 22 to the Company's consolidated financial statements). Pursuant to the terms of this credit facility, the Company is required to comply with limitations on its ability to grant liens on, or sell, its assets or the assets of its principal subsidiaries, or to carry out a restructuring. In the event of a change in control of the Company, the lenders could require immediate repayment. The term loan facility in Japan discussed above is scheduled to be repaid by the Company in ten equal semi-annual installments, with the last payment being due in June of 2015 (see Note 22 to the Company's consolidated financial statements).

The Company's net financial position, representing cash and short-term investments, net of long-term debt of €293.4 million, was €845.7 million at December 31, 2010, compared to €857.9 million at December 31, 2009.

CHAPTER 11 – RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Overview

The Company devotes significant resources each year to research and development. Research and development expenses totaled €322.1 million for 2010, compared to €302.5 million for 2009. Approximately 43% of the Company's total personnel are focused on research and product development.

During 2010 the Company increased its total R&D headcount by 9% (including personnel from the acquisitions of Exalead and Geensoft), and by 4% in 2009 despite the global economic downturn. At December 31, 2010, the Company's research and product development teams included 3,907 engineers, compared to 3,596 engineers at year-end 2009. The Company has research facilities located primarily in France, the United States and India (including the 1,079 and 956 employees at December 31, 2010 and 2009, respectively, of the Company's 3D PLM business venture described in Chapter 19), as well as in Germany and the United Kingdom.

The Company's research and development is conducted in close cooperation with customers to develop a deeper understanding of the unique business processes of these industries as well as the future innovation and product lifecycle management requirements of these industries.

Important trends in business practices globally which underpin the Company's current research directions include:

- the increasing importance of virtual design, simulation and manufacturing;
- the increasing importance of communities in the process of product creation;
- globalization, which continues to drive new business models and global collaborative innovation;
- current product trends with the development of complex embedded systems and smart products;
- critical issues around intellectual property creation, management and protection;
- the increasing importance of search-based applications to help customers gain a 360 view of their business and products by being able to search and organize both structured and unstructured data, internally and externally;
- the increasing importance of end-user input into the product creation process, through lifelike experiences with virtual products and mass customization;
- and an increased focus on environmental issues globally in connection with product creation, manufacturing, maintenance and retirement.

11.2 Intellectual Property

The Company relies on a combination of copyrights, trade secret, trademark and patents to establish and protect its technology. The Company distributes its software products under licenses which grant software utilization rights, and not ownership rights, to the Company's customers. The contracts contain various provisions protecting the Company's intellectual property rights over its technology, as well as related confidentiality rights.

The source code of its products is protected as a trade secret and as a copyrighted work. In addition, some of the key capabilities of its software products are protected through patents when possible.

However, no assurance can be given that others will not copy or otherwise obtain and/or use the Company's products or technology without authorization. In addition, effective copyright, trade secret, trademark and patent protection or enforcement may be unavailable or limited in certain countries.

The Company is nevertheless also engaged in an active policy against piracy and takes systemic measures to prevent the illegal use and distribution of its products, ranging from regularizing illegal use to initiating court actions.

With regard to trademarks, the Company's policy is to register trademarks for its principal products in the countries where it does business. Such registrations are a combination of international trademark registrations, EU trademarks registrations and national registrations. When companies are acquired, a review and an assessment of their main trademarks is made, and when necessary, complementary applications for registrations may be made in order to establish a scope of protection of such trademarks compliant with the Company's trademark policy.

In order to protect its core technologies and key product capabilities, the Company generally files patent applications in countries where many of its main customers and competitors are located. At year-end 2010, the Company's portfolio comprised more than 159 inventions protected by approximately 248 patents granted worldwide, among which nearly 100 were granted in the United States of America, and the Company had more than 286 pending patent applications. In addition, depending on the Company's interests, certain inventions are kept secret, proof of creation being preserved if necessary. The Company also applies a policy of crossed licenses for patents with major players in its environment.

See Section 4.1 "Risks Related to the Company's Business", and particularly "Infringement of third-party intellectual property rights" for risks concerning possible third-party allegations of unauthorized use of their intellectual property, and "Challenges to the Company's intellectual property rights" for the difficulties in ensuring adequate protection for the Company's own intellectual property.

CHAPTER 12 – TREND INFORMATION

For a discussion of the effects of current global economic conditions on the Company's business and operating results, see Section 4.1 "Risks Related to the Company's Business", and in particular the risk "Difficult global economic environment".

CHAPTER 13 – PROFIT FORECASTS OR ESTIMATES

Set forth below are the Company's preliminary 2011 non-IFRS financial objectives, as communicated on February 10, 2011, when the annual results for 2010 were released. The Company's financial objectives are prepared and communicated on a non-IFRS basis and are subject to the cautionary statement set forth below.

The Company's current outlook for 2011 assumes, among other things, that the global economic recovery will continue, but if global economic and business conditions improve more slowly than anticipated, or remain stable or deteriorate, the Company's business results may not develop as currently anticipated. In preparing such forward-looking statements, the Company has in particular assumed an average U.S. dollar to euro exchange rate of US$1.40 per €1.00 and an average Japanese yen to euro exchange rate of JPY120 to €1.00 for 2011; however, these exchange rates constitute a working hypothesis, currency values fluctuate, and the Company's results of operations may be significantly affected by changes in exchange rates if actual exchange rates are different.

In addition, the information below includes statements that express objectives for the Company's future financial performance. Such forward-looking statements are based on management's views and assumptions as of the date of this Annual Report and involve known and unknown risks and uncertainties. Actual results or performance may also be materially negatively affected by changes in customers' investment plans or investment horizons, growth in market share by the Company's competitors; new product developments and technological changes; difficulties or adverse changes affecting the Company's partners or its relationships with its partners, errors or defects in the Company's products; and the realization of any risks related to the integration of any newly acquired company and internal reorganizations. Actual results or performances may differ materially from those in such statements due to a range of factors, including the risk factors set forth under Section 4.1 "Risks Related to the Company's Business", and in particular "Difficult global economic environment".

These objectives are subject to revision as market conditions change during 2011.

The non-IFRS objectives set forth below do not take into account the following accounting elements: deferred revenue write-downs currently estimated at approximately €1 million for 2011; share-based compensation expense currently estimated at approximately €15 million for 2011; and amortization expense for acquired intangibles currently estimated at approximately €80 million for 2011. These objectives do not include other operating income and expense, net, (comprised principally of acquisition, integration and restructuring expenses) or the impact of any new stock option or share grants, or any new acquisitions or restructurings which may be completed after February 10, 2011.

- 2011 non-IFRS revenue growth objective range of about 9% to 11% in constant currencies (€1.68 to €1.71 billion based upon the 2011 currency exchange rate assumptions above);
- 2011 non-IFRS operating margin of about 29%; and
- 2011 non-IFRS earnings per share (EPS) range of about €2.64 to €2.75.

On June 15, 2010, the Company publicly outlined its new five-year financial objectives at its Capital Markets Day, including a five-year goal to more than double non-IFRS EPS in comparison to 2009.

For more information regarding the risks facing the Company, see Chapter 4 "Risk Factors".

CHAPTER 14 – ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 Board of Directors and Executive Officers

Board of Directors

In 2010 and at the date of this Annual Report, the Company's Board of Directors is made up of 9 members, nominated for periods of 4 years, of whom five are independent directors (the directors' terms were set at four years by the General Shareholders' Meeting of June 9, 2009, without effect on the length of the current terms at the date of the General Shareholders' Meeting). The independence criteria adopted by the Board of Directors takes into account market recommendations in France, in particular the recommendations by the Code of governance for listed companies of AFEP (*Association Française des Entreprises Privées*) and of MEDEF *(Mouvement des Entreprises de France*) of December 2008, as modified in April 2010 (the "Code AFEP-MEDEF"). These criteria reflect the general rule that an independent director must not be in a situation which may affect his independent judgment or give rise to a real or possible conflict of interest. The independent directors of Dassault Systèmes SA are Paul R. Brown, Bernard Dufau, André Kudelski, Jean-Pierre Chahid-Nouraï and Arnoud De Meyer. Their independence has been reviewed by the Board of Directors of March 25, 2011, upon the Compensation and Nomination Committee's report.

There is no director appointed by the employees of Dassault Systèmes. There are three foreign directors, of American, Swiss and Belgian nationality. The average age of the directors is 60 years old at the date of this Annual Report.

The mandates and responsibilities of the directors of Dassault Systèmes SA during the past year are shown in the table below.

Name	Current position within the Company Professional address	Other occupations and Directorships (*)	Other mandates (outside the Group) expired during the last 5 years	Company Shares owned at December 31, 2010
Charles Edelstenne Age: 73 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2014	Chairman of the Board Dassault Aviation 78 Quai Marcel Dassault 92210 Saint Cloud	Chairman and Chief Executive Officer (*Président-Directeur Général*) of Dassault Aviation (a listed company) French companies – Member of the Supervisory Board (*Conseil de surveillance*) of Groupe Industriel Marcel Dassault SAS – Director of Sogitec Industries SA – Director of Thalès and Carrefour (listed companies) – Manager (*Gérant*) of *sociétés civiles* Arie and Arie 2, Nili and Nili 2 Foreign companies – Director of SABCA (Belgium) – Chairman of Dassault Falcon Jet Corporation (United States) – President of Dassault International, Inc. (United States)	Director of Dassault Réassurance (Luxembourg) and Thalès Systèmes Aéroportés	7,684,189 (including 5,763,600 beneficial ownership shares)

Name	Current position within the Company Professional address	Other occupations and Directorships (*)	Other mandates (outside the Group) expired during the last 5 years	Company Shares owned at December 31, 2010
Paul R. Brown Age: 60 Director since: September 25, 2000 Term expires at annual shareholders' meeting in 2011	Director College of Business and Economics Lehigh University – 621 Taylor Street, Rauch Business Center Bethlehem, Pennsylvania 18015, United States of America	Dean of the College of Business and Economics at Lehigh University, Pennsylvania	Director and member of the Audit Committee of Dictaphone, Inc.	2
Bernard Charlès Age: 54 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2014	President and Chief Executive Officer (*Directeur général*) 10 rue Marcel Dassault 78140 Vélizy-Villacoublay France	Foreign subsidiaries of DS – Director and Chairman of Dassault Systèmes SolidWorks Corp., Dassault Systèmes Simulia Corp., Dassault Systèmes Delmia Corp., and Dassault Systèmes Corp. – President of Dassault Systèmes Holding Canada Inc.	Director of Business Objects	817,655

Name	Current position within the Company Professional address	Other occupations and Directorships (*)	Other mandates (outside the Group) expired during the last 5 years	Company Shares owned at December 31, 2010
Laurent Dassault Age: 57 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2011	Director 9 Rond-point des Champs Elysées 75008 Paris France	Vice-President and member of the Supervisory Board (*Vice-président* and *Membre du Conseil de surveillance*) of Groupe Industriel Marcel Dassault SAS French companies – Chairman of the Supervisory Board (*Président du Conseil de surveillance*) of Immobilière Dassault SA – President (*Président*) of Château Dassault SAS and of Château La Fleur Mérissac – Director and member of the Audit Committee of Generali France SA – Director of Sogitec Industries SA and of Société financière Louis Potel & Chabot – Co-Manager (*Co-Gérant*) of Artcurial Développement – Member of the Supervisory Board (*Membre du Conseil de surveillance*) of 21 Central Partners SA – Advisor at *Directoire* of ARQANA SAS – Member of the Steering Committee (*Comité de suivi*) of Pechel Industries SAS and Member of the Advisory Committee (*Comité consultatif*) of Sagard Private Equity Partners SAS – Chairman of the Development Committee (*Président du Comité de développement*) of the Groupe Artcurial – Managing Partner of LDRP SCI – Director of and of the Organisation pour la Prévention de la Cécité and of the Association des Amis du Musée national d'Art Moderne – Chairman of ONE DROP France society and of the association des Amis du FRAC (Fonds Régional d'Art Contemporain) in Aquitaine Foreign Companies – Chairman of the Advisory Board of CATALYST INVESTMENTS II L.P. – Director of Power Corporation du Canada, Kudelski SA (a listed company), Banque Privée Edmond de Rothschild Luxembourg SA, Lepercq, Neuflize and Co. Inc., and SITA SA	– Manager (*Gérant*) of Dassault Investissements – President of Dassault Falcon Jet do Brazil, Midway Aircraft Corp., Dassault Investment Fund Inc., Vina Dassault San Pedro – Director of Fingen SA, Compagnie Nationale à Portefeuille, BSS Investment SA, Chenfeng Machinery, Aero Precision Repair and Overhaul Company «A-pro», NAFCO National Aerospace Stener Co., Generali Assicurazioni SpA, Industrial Procurement Services, Société de Véhicules Electriques SAS, Fauchier Partners Management Ltd, Terramaris SA and Génération Entreprise – Member of the Supervisory Board (*Conseil de surveillance*) of Eurazeo and Member of the Advisory Board (*Comité consultatif*) of Power Private Equity Fund, Syntek Capital SA and ARQANA SAS – Chairman and Chief Executive Officer (*Président-Directeur Général*) of Dassault Belgique Aviation – Director of the the Association des Amis du Centre Georges Pompidou	10

Name	Current position within the Company Professional address	Other occupations and Directorships (*)	Other mandates (outside the Group) expired during the last 5 years	Company Shares owned at December 31, 2010
Bernard Dufau Age: 69 Director since: May 31, 2001 Term expires at annual shareholders' meeting in 2013	Director 165 avenue de Wagram 75017 Paris France	Director and Chairman of the Audit Committee of France Telecom SA (a listed company) Director and Member of the Audit Committee of Kesa Electricals plc Director of Neo Sécurité	– Manager (*Gérant*) of B. Dufau Conseil	1,000
André Kudelski Age: 50 Director since: May 31, 2001 Term expires at annual shareholders' meeting in 2013	Director Case Postale 134 1033 Cheseaux-sur-Lausanne Suisse	President and Chief Executive Officer (*Président et Administrateur délégué*) of Kudelski SA (a listed company) Chairman and Chief Executive Officer (*Président-Directeur Général*) of Nagra+ SA Director of HSBC Private Bank Holding (Switzerland), Nestlé and Edipresse Vice-President of the Swiss American Chamber of Commerce	Chairman of the Board of Open TV (USA) (a listed company)	10
Thibault de Tersant Age: 53 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2014	Senior Executive Vice President and Chief Financial Officer 10 rue Marcel Dassault 78140 Vélizy-Villacoublay France	French subsidiaries of Dassault Systèmes SA – President (*Président*) of Dassault Systèmes International SAS and Dassault Systèmes HoldCo SAS Foreign subsidiaries of Dassault Systèmes SA – Director and Chairman of Spatial Corp. – Director of Dassault Systèmes SolidWorks Corp., Dassault Systèmes Delmia Corp., Dassault Systèmes Corp., Dassault Systèmes Simulia Corp. and of Dassault Systèmes Enovia Corp.	Director of Icem Ltd President of Dassault Systèmes SAS	9,815
Jean-Pierre Chahid-Nouraï Age: 72 Director since: April 15, 2005 Term expires at annual shareholders' meeting in 2011 (term proposed for renewal at the General Shareholders' Meeting of May 26, 2011)	Director 56 rue de Boulainvilliers 75016 Paris France	Executive Trustee of the Fondation Stanislas pour l'Education	– Director of Stanislas SA and of Fondation Notre Dame de Garaison – Managing Director (*Administrateur Délégué*) of Finanval Conseil	1,010
Arnoud De Meyer Age: 56 Director since: April 15, 2005 Term expires at annual shareholders' meeting in 2011 (term proposed for renewal at the General Shareholders' Meeting of May 26, 2011)	Director Singapore Management University, 81 Victoria street, SINGAPORE 188065	President of the Singapore Management University Director of Kylian Technology Management Pte. Ltd.	Director of SR&DM, INSEAD (Singapore), INSEAD EAC Pte. Ltd and Option International NV Professor and Director of the Judge Business School at the University of Cambridge, United Kingdom	570

(*) Principal occupation appears first for directors whose principal employment is not at Dassault Systèmes.

- Charles Edelstenne was the founder of Dassault Systèmes in 1981 and was its Managing Director (*gérant*) until it was transformed into a *société anonyme* in 1993. From 1993 to 2002, Mr. Edelstenne was Chairman and Chief Executive Officer (*Président-Directeur Général*) of Dassault Systèmes, and since 2002, Mr. Edelstenne has served as Chairman of the Board. Mr. Edelstenne devotes the majority of his time to his duties at Dassault Aviation, as indicated above.

- Bernard Charlès has been Chief Executive Officer (*Directeur Général*) of Dassault Systèmes since 2002, Mr. Edelstenne being since then only the Chairman of the Company's Board. Mr. Charlès served similar executive functions since 1995 which were shared with Mr. Edelstenne. Prior to holding this position, Mr. Charlès served as Director of Research and Strategy of Dassault Systèmes from 1985 to 1988 and as Director of Research and Development from 1988 to 1995.

- Thibault de Tersant has been Senior Executive Vice President and Chief Financial Officer of Dassault Systèmes since 2003. He joined Dassault Systèmes in 1988 as Chief Financial Officer. Prior to joining Dassault Systèmes, Mr. de Tersant served as a finance executive at Dassault International. Mr. de Tersant is also a member of the Board of Directors of the DFCG (French National Association of Chief Financial Officers and Financial Controllers).

- Paul R. Brown has been a certified public accountant in Pennsylvania since 1974. He is Dean of the College of Business and Economics of the Lehigh University in Bethlehem, Pennsylvania. He was formerly a professor and Chairman of the Accounting, Taxation and Business Law Department of the Leonard N. Stern Business School at New York University. Professor Brown was also the Academic Director of TRIUM Executive MBA program. He has also worked at the Yale School of Management, INSEAD and the International University of Japan and has worked for Arthur Andersen & Co. and for the Financial Accounting Standards Boards (FASB). He is also a consultant for numerous financial enterprises.

- Laurent Dassault has served in management positions in the Dassault Company since 1991. Mr. Dassault is Vice President of Groupe Industriel Marcel Dassault, Chairman of the Supervisory Board (*Président du Conseil de Surveillance*) of Immobilière Dassault and President (*Président*) of Château Dassault and Château La Fleur Mérissac. Prior to this, Mr. Dassault worked for 14 years in banking at Banque Vernes, Banque Parisienne Internationale and Banque Industrielle et Commerciale du Marais.

- Bernard Dufau first joined the IBM group as a commercial engineer and then served in various management positions. Mr. Dufau served as Chairman of the Board (*Président du Conseil d'administration*) of IBM France from 1996 to 2001, Chairman of the Management Board (*Président du Directoire*) of IBM France from 1995 to 1996, Managing Director of the Distribution Division of IBM Europe in 1994, Chief Operating Officer of IBM France from 1992 to 1994 and Sales Director of IBM France from 1989 to 1992.

- André Kudelski has been President and Chief Executive Officer (*Président and administrateur délégué*) of Kudelski SA since 1991 and of Nagra Plus SA, a joint-venture of Kudelski SA and Canal +, since 1992. He first joined Kudelski SA in 1984 as an R&D engineer and was Product Manager for pay-TV products from 1989 to 1990, Managing Director of Nagravision, the pay-TV division of the group and succeeded his father as Chairman of the Board and Chief Executive Officer of Kudelski SA. From 2007 to 2010, Mr. Kudelski was Chairman of the Board of Open TV, a US company listed on the NASDAQ and controlled by the Kudelski Company.

- Jean-Pierre Chahid-Nouraï is an independent consultant. He was managing director (*administrateur délégué*) of Finanval Conseil from 1992 to 2007. Former member of the Executive Team (*gérance*) of Michelin and Chief Financial Officer of the Michelin group, Mr. Chahid-Nouraï has also worked as an investment banker for MM. Lazard Frères et Cie., Banque Vve Morin-Pons, Financière Indosuez and S.G. Warburg and as consultant with McKinsey & Co. Inc. Mr. Chahid-Nouraï has also taught finance at ESSEC, at the *Centre de Formation à l'Analyse Financière,* INSEAD and at the *Centre européen d'éducation permanente*. Mr. Chahid-Nouraï is also Executive Trustee of the Fondation Stanislas pour l'Education.

- Arnoud De Meyer is President of the Singapore Management University. Mr. De Meyer is a specialist in the Management of Innovation, a subject on which he has published numerous articles and books. He was previously Director of Judge Business School and Professor in Management Studies (University of Cambridge, UK). Before holding these positions, he was Professor of Technology Management at INSEAD and Deputy Dean of INSEAD in France in charge of Administration and External Relations. He has also taught at Waseda University and Keio Business School in Japan and created the INSEAD Campus in Singapore.

Board and Committee Practices

The practices of the Board of Directors and the principal terms of its internal rules are described in the Report of the Chairman reproduced in Section 16.1 "Report on Corporate Governance and Internal Control" below. The membership, responsibilities and practices of the Board's Committees are also described in the Report of the Chairman.

Senior Management

The Company's senior management in 2010 is set forth below.

Name	Position
Charles Edelstenne	Chairman of the Board
Bernard Charlès	President and Chief Executive Officer
Dominique Florack	Senior Executive Vice President, Products, Research and Development
Thibault de Tersant	Senior Executive Vice President and Chief Financial Officer
Laurence Dors	Senior Executive Vice President, Adviser to the President and Chief Executive Officer (until February 28, 2010)
Laurence Barthès	Executive Vice President, Chief People & Information Officer
Pascal Daloz	Executive Vice President, Strategy and Marketing
Etienne Droit	Executive Vice President, PLM Value Selling Channel
Philippe Forestier	Executive Vice President, Global Affairs and Communities
Bruno Latchague	Executive Vice President, PLM Business Transformation Channel
Jeff Ray*	Chief Executive Officer of SolidWorks and Vice President Professional Channel
Michel Tellier*	Chief Executive Officer of ENOVIA

* Based in the United States.

- Dominique Florack has been Senior Executive Vice President, Products – Research and Development of Dassault Systèmes since 2007. Mr. Florack served as Executive Vice President, Strategy, Research and Development of Dassault Systèmes from 2004 to 2006, Executive Vice President Strategy, Applications, Research and Development from 1995 to 1999. He also served as Director of Mechanical CAD from 1994 to 1995, and as Director of Strategy and Research from 1990 to 1993, and he was responsible for Dassault Systèmes data base solutions from 1986 to 1989.

- Pascal Daloz has been Executive Vice-President Strategy & Marketing since January 2007. He joined the Company in 2001 as Research & Development Director and was appointed Vice President Strategy and Development in 2003. Mr. Daloz served five years at Arthur D. Little, where he was a consultant and member of Arthur D. Little's Technology Innovation Management team, and four years at Credit Suisse First Boston Technology Company, where he served as a financial analyst.

- Étienne Droit has been Executive Vice President, PLM Value Selling Channel of Dassault Systèmes since 2007. Mr. Droit joined Dassault Systèmes in 1985 as a member of its CATIA Development Team and served different management positions within strategy and applications development divisions from 1987 to 1995, and was in particular appointed Director of CATIA applications products in 1991. In 1995, he became Executive Vice President of sales and services to large enterprises, a responsibility which was widened to global sales and distribution in 1997. In the context of the reinforced responsibility of Dassault Systèmes for the distribution of its products, Mr. Droit is responsible for PLM sales through Dassault Systèmes' network of resellers (the Company's PLM Value Selling Channel).

- Philippe Forestier has been Executive Vice President, Global Affairs and Communities of Dassault Systèmes since 2009. Mr. Forestier joined Dassault Systèmes in 1981 as responsible engineer for development of the CATIA geometric modeler. He then served various management positions in marketing and technical support for Dassault Systèmes products until 1995 and was responsible for sales and marketing for Americas until 2001. Mr. Forestier also served as Executive Vice President Sales and Marketing for Small and Medium Businesses (SMB) until 2002, as Executive Vice President Alliances, Marketing and Communications until 2006, and as Executive Vice President, Network Selling, through 2008.

- Bruno Latchague has been Executive Vice President, PLM Business Transformation of Dassault Systèmes since 2007. In this position, he is responsible for PLM sales to large accounts, as well as for PLM solutions and services. Mr. Latchague joined Dassault Systèmes in 1987 as Manager CATIA Software Infrastructure. He then served various management functions in research and development and more particularly in the development and support of PLM solutions. Prior to joining Dassault Systèmes, Mr. Latchague served as Manager CAD/CAM Products Support at Renault.

- Jeff Ray was appointed Executive Vice President Geographic Operations beginning January 1, 2011. From July 2007 to the end of 2010, Jeff Ray was Chief Executive Officer of SolidWorks and Vice President Professional Channel from 2008 to 2010. Mr. Ray joined SolidWorks in 2003 as Chief Operating Officer. He started his career at IBM where he served in several management positions during seventeen years. He then held management positions in two other US companies within the software industry: he has been Vice-President Global Solutions at Compuware Corp. and Vice-President Worldwide field operations at Progress Software Corp. Mr. Ray graduated from Texas A&M University.

- Michel Tellier was appointed CEO of ENOVIA in October 2008, and is responsible for overall leadership of this brand worldwide. He joined Dassault Systèmes in 1997 as Program Manager for VPM solutions. Since then he served various management functions including Business Development for ENOVIA and development of the Company's Services & Consulting organization in the Americas. In 2008 Mr. Tellier assumed global responsibility for Dassault Systèmes BT Solutions organization. Previously Mr. Tellier worked for Bombardier Aerospace in Dorval, Canada, where as an engineering manager he was responsible for the internal transformation to a 3D digital design-based aircraft development process. Mr. Tellier holds a degree in Mechanical Engineering from Dalhousie University, Halifax, Canada.

- Laurence Dors was Senior Executive Vice President, Global Development & Resources, from April 1, 2008, until September 30, 2009, then Senior Executive Vice President, Adviser to the President and Chief Executive Officer from October 1, 2009, until February 28, 2010. Prior to joining the Company, Mrs. Dors held international positions in several companies and government services. She served as General Secretary of the EADS Company beginning in 2003, as General Secretary of EADS International from 2000 to 2003, and as General Secretary of International Affairs of the Lagardère group, and International Directorate of Aerospatiale-Matra, from 1998 to 2000. Previously, Mrs. Dors was an adviser on international economic matters to the French Prime Minister and Minister of Economy, and held several executive management positions in the international services of the French Ministry of Economy and Finance.

- Laurence Barthès has been Executive Vice President, Chief People & Information Officer, since October 1, 2009. She began her career at Dassault Systèmes in 1987. She then served in various management positions in quality, process and industrialization. In 2002 she was appointed Vice-President, Customer Support & Satisfaction and in 2008 Chief Information Officer.

To the Company's knowledge, there is no family relationship between the Company's directors, or between the Company's directors and its executive officers.

In the past five years, to the Company's knowledge, none of the directors and officers has been (i) convicted of fraud, (ii) declared bankrupt, had their property impounded or liquidated, or (iii) subject to an official accusation and/or penalty delivered by legal or regulatory authorities.

In addition, to the Company's knowledge, in the past five years, none of the directors and officers has been prohibited by a court from becoming a member of an administrative, management or supervisory body of a company, or from being involved in the management or direction of the affairs of such a company.

14.2 Administrative, Management and Supervisory Bodies and Senior Management Conflicts of Interests

To the knowledge of Dassault Systèmes SA, there are no potential conflicts of interest between the duties to the Company of the members of the Board of Directors and their private interests and/or other duties, and no Director or member of senior management has been named to the Board or to an administrative, management or supervisory body as a result of an agreement between the Company's main shareholders, customers, suppliers or any other persons.

At the date of this Annual Report, no Director or senior manager is party to a service contract with Dassault Systèmes SA, or one of its subsidiaries, which provides him with a personal benefit.

To the knowledge of Dassault Systèmes SA, no loans or guaranties have been granted or established on behalf of the directors or members of senior management, and there are not assets used by the Company which belong directly or indirectly to the Directors, members of senior management or their families.

Bernard Charlès and Charles Edelstenne have accepted restrictions on the transfer of their interests in the capital of Dassault Systèmes SA, as described at the end of Section 15.1 under “Lock-up commitment” and under Section 18.4 “Shareholder Agreements”.

CHAPTER 15 – REMUNERATION AND BENEFITS

15.1 Compensation of the Company's Executive Directors ("*Mandataires Sociaux*")

The principles and rules used by the Company's Board of Directors to set the compensation and benefits granted to the Company's executive directors (*"mandataires sociaux"*) are set forth in the Report on Corporate Governance and Internal Control prepared by the Chairman of the Board of Directors pursuant to article L. 225-37 paragraph 6 of the French Commercial Code (see Section 16.1 of this Annual Report).

Compensation and benefits paid to each executive director (*mandataire social*) of the Company are described below, in accordance with the presentation established by the Code AFEP-MEDEF and specified by the recommendation of the AMF of December 22, 2008. (See also Section 17.2 "Shareholdings and Stock Options of the Directors and Executive Officers" of this Annual Report).

Table 1 – Summary of the compensation, options and shares awarded to each executive director

The table below sets forth the compensation owed for each of 2010 and 2009, as well as the value of the free shares and subscription options awarded during these years.

	2009	2010
Charles Edelstenne, Chairman of the Board of Directors		
Compensation due for the year *(detailed in table 2)*	€871,500	€903,200
Value of the stock options awarded during the year *(detailed in table 4)*	–	–
Value of the share grants awarded during the year *(detailed in table 6)*	–	–
Bernard Charlès, President and Chief Executive Officer		
Compensation due for the year *(detailed in table 2)*	€1,877,227	€2,037,727
Value of the stock options awarded during the year *(detailed in table 4)*(1)	€528,000	€588,500
Value of the share grants awarded during the year *(detailed in table 6)*(2)	€5,553,000	€6,762,000

(1) The valuation of one option granted was €11.77 in 2010 and €10.56 in 2009, based on the IFRS 2 methods used for the consolidated financial statements, before spreading out the expense over time. (See also Note 6 to the consolidated financial statements.)

(2) The valuation of one freely granted share was €45.08 in 2010 and €37.02 in 2009, based on the IFRS 2 methods used for the consolidated financial statements, before spreading out the expense over time. (See also Note 6 to the consolidated financial statements.)

The global gross compensation paid in 2010 by the Company to its senior management, made up of twelve executive officers as set forth above in Paragraph 14.1 "Board of Directors and Executive Officers", amounted to €7,121,975, including profit-sharing.

Table 2 – Summary of the compensation of each executive director

Gross compensation before tax of the executive directors (*dirigeants mandataires sociaux*) is set forth in the table below in accordance with the recommendations of the Code AFEP-MEDEF and the AMF.

	2009		2010	
	Amounts due for 2009	Amounts paid in 2009	Amounts due for 2010	Amounts paid in 2010
Charles Edelstenne Chairman of the Board				
Fixed compensation	€836,000	€836,000	€866,000	€866,000
Variable compensation	–	–	–	–
Extraordinary compensation	–	–	–	–
Directors' fees	35,500	34,500	€37,200	€35,500
Benefits	–	–	–	–
Total	**€871,500**	**€870,500**	**€903,200**	**€901,500**
Bernard Charlès, President and Chief Executive Officer				
Fixed compensation	€900,000	€900,000	€932,000	€932,000
Variable compensation(1)	945,000(4)	855,000(2)	€1,071,800(3)	€945,000(4)
Extraordinary compensation	–	–	–	–
Directors' fees	€20,500	€19,500	€22,200	€20,500
Benefits(5)	€11,727	€11,727	€11,727	€11,727
Total	**€1,877,227**	**€1,786,227**	**€2,037,727**	**€1,909,227**

(1) The rules governing the awarding of variable compensation to the executive director are described in the Report on Corporate Governance and Internal Control in Section 16.1.
(2) Variable portion due for 2008 and paid in 2009.
(3) Variable portion due for 2010 and paid in 2011.
(4) Variable portion due for 2009 and paid in 2010.
(5) These benefits are related to the use of a car provided by Dassault Systèmes SA.

Table 3 – Directors' fees and other compensation received by the Directors

The Directors do not receive any compensation other than the fees set forth in the table below, except for Charles Edelstenne and Bernard Charlès, whose compensation is set forth in Table 2 above, and Thibault de Tersant, Senior Executive Vice President and Chief Financial Officer, whose compensation is set forth in Note 2 to the table below.

	Directors' fees paid in 2009 for the year 2008	Directors' fees paid in 2010 for the year 2009
Paul Brown	€25,000	€24,000
Jean-Pierre Chahid-Nouraï	€27,500	€29,500
Laurent Dassault	€18,500	€20,500
Bernard Dufau	€33,500	€36,000
André Kudelski	€25,500	€31,500
Arnoud De Meyer	€22,000	€23,500
Charles Edelstenne (1)	€34,500	€35,500
Bernard Charlès	€19,500	€20,500
Thibault de Tersant (2)	€19,500	€20,500
TOTAL	**€225,500**	**€241,500**

(1) Groupe Industriel Marcel Dassault SAS ("GIMD") paid to Charles Edelstenne €20,000 in Directors' fees in 2010 in connection with his mandate as a member of the Supervisory Board of GIMD.

(2) The entire compensation received by Thibault de Tersant in 2010 and 2009 is as set forth below:

	Compensation paid in 2009	Compensation paid in 2010
Thibault de Tersant, Director		
Fixed compensation	€301,000	€315,932
Variable compensation	€149,000 (a)	€234,000 (b)
Extraordinary compensation	–	–
Directors' fees	€19,500	€20,500
Benefits (c)	€7,173	€7,173
Total	**€476,673**	**€577,605**

(a) Variable portion due for 2008. In 2009, Thibault de Tersant also received €29,490 under the Company's French profit-sharing plans.

(b) Variable portion due for 2009. In 2010, Thibault de Tersant also received €32,120 under the Company's French profit-sharing plans.

(c) These benefits are related to the use of a car provided by Dassault Systèmes SA.

In addition, for the year ended December 31, 2010, the amount budgeted for Directors' fees totaled €248,800, of which €154,000 consisted of Board retainer fees and €94,800 were for attendance at meetings of the Board of Directors and its Committees.

The allocation of Directors' fees in 2010 was based on the following principles decided by the Board of Directors on May 27, 2010: €15,000 for each director, and an additional €15,000 for the Chairman of the Board and an additional €4,000 for the Chairman of the Audit Committee; €1,200 per meeting of the Board attended in person; €2,400 per meeting of the Audit Committee attended in person; €1,200 per meeting attended in person of the Compensation and Nomination Committee and the Scientific Committee (only for independent Board members); and €600 for each meeting of the Board or its Committees attended by telephone or video-conference.

The General Shareholders' Meeting held on May 27, 2010, fixed the maximum annual amount of Directors' fees at €275,000 for the year 2010 and thereafter until otherwise decided by the shareholders.

Table 4 – Subscription or purchase options awarded during 2010 to each executive director

	Number and date of plan	Type of option (purchase or subscription)	Valuation of the options	Number of options awarded in 2010	Exercise price	Exercise period
Charles Edelstenne	2010-01 5/27/2010	Subscription options	–	none	–	–
Total		–	–	–	–	–
Bernard Charlès	2010-01 5/27/2010	Subscription options	€588,500	50,000	€47[(1)]	Beginning 5/27/2014
Total			**€588,500**	**50,000**		

(1) The exercise price was fixed without any reduction.

The valuation of one subscription option was €11.77, based on the IFRS 2 methods used for consolidated financial statements, before spreading out the expenses over time (see also Note 6 to consolidated financial statements).

The 2010-01 Options granted by the Board on May 27, 2010, will vest and become exercisable in whole or in part beginning on the fourth anniversary of their grant date.

The Board of Directors' meeting on May 27, 2010, decided that the percentage represented by stock options that would be granted to the executive directors based on the authorization of the General Shareholders' Meeting of May 27, 2010, could not represent more than 5% of the total number of options fixed by the General Shareholders' Meeting held on the same day.

The 50,000 Options 2010-01 granted to the executive directors on May 27, 2010 represented 1.35% of the envelope fixed by the General Shareholders' Meeting and 4.03% of the total number of options granted by the Board on such date. As provided for in the Code AFEP-MEDEF and on the basis of the recommendations of the Compensation and Nomination Committee, the Board of Directors made the exercise of the Options 2010-01 granted to Bernard Charlès subject to a performance condition related to variable compensation actually paid to Mr. Bernard Charlès over three financial years. The level of such variable compensation is itself dependent on achieving performance criteria previously established by the Board. The rules regarding the granting of the variable portion of the Chief Executive Officer's compensation are set forth in Section 16.1 "Report on Corporate Governance and Internal Control".

As a result, the actual number of Options 2010-01 which may effectively be exercised by Bernard Charlès at the end of the four-year period following the grant will depend on the product of the number of Options 2010-01 granted by the Board on May 27, 2010, multiplied by the average, calculated over three financial years and expressed as a percentage, of the ratio of the variable compensation actually paid to the Chief Executive Officer and the corresponding target variable compensation. In no case, however, may the number of options exercised exceed the number of options granted by the Board.

The 2010-01 Options may not be exercised in the event the beneficiary ceases being an executive director (*mandataire social*), except in certain cases such as the beneficiary's departure or retirement, termination due to disability, or appointment to another company of the Group. Information regarding the options granted to executive directors (*mandataires sociaux*) is set forth in Section 17.2 "Shareholdings and Stock Options of the Directors and Executive Officers" of this Annual Report.

The Chief Executive Officer is subject to a holding period for shares acquired through the exercise of Options 2010-01, as set forth under "Lock-up Commitment" below.

Table 5 – Subscription or purchase options exercised during 2010 by each executive director

	Number and date of plan	Number of options exercised during 2010	Exercise price
Charles Edelstenne	–	None	–
Total	–	None	–
Bernard Charlès	1998-08 March 29, 2001	83,072	€52
	1998-11 October 5, 2001	141,048	€35
	2002-03 January 20, 2003	380,379	€23
Total		**604,499**	

It should be noted that M. Bernard Charlès generally reinvests the gains realized through the exercise of subscription stock options in shares of Dassault Systèmes SA.

Table 6 – Free performance shares granted in 2010 to each executive director (*mandataire social*)

	Number and date of plan	Number of performance shares awarded during 2009	Valuation of the shares based on the method used for the consolidated financial statements	Acquisition date	Availability date
Paul Brown	–	none	–	–	–
Jean-Pierre Chahid-Nouraï	–	none	–	–	–
Laurent Dassault	–	none	–	–	–
Bernard Dufau	–	none	–	–	–
André Kudelski	–	none	–	–	–
Arnoud De Meyer	–	none	–	–	–
Charles Edelstenne	–	none	–	–	–
Bernard Charlès	May 27, 2010	150,000	€6,762,000	May 27, 2012	May 27, 2014
Thibault de Tersant	–	None	–	–	–
Total		**150,000**			

The valuation recorded was €45.08 per free performance share granted, based on the IFRS 2 methods used for the consolidated statements, before spreading out the expense over time (see also Note 6 to the consolidated financial statements).

Pursuant to an authorization granted by the shareholders at the general meeting held on May 27, 2010, the Board of Directors decided on the same day to grant 150,000 free shares to the Company's Chief Executive Officer, Bernard Charlès, in accordance with the recommendations of the Compensation and Nomination Committee. The Compensation and Nomination Committee and the Board considered that the grant of free shares would allow a further association of the Company's Chief Executive Officer to the development and performance of the Company. These performance shares were granted to the Chief Executive Officer in light of the essential entrepreneurial contribution of Mr. Bernard Charlès to the Company's development and performance. The performance shares granted to the Chief Executive Officer in May 2010 represented 8.41% of the global envelope fixed by the General Shareholders' Meeting on May 27, 2010.

Such shares shall be actually acquired only in May 2012, at the end of an acquisition period of two years from the date of the Board meeting which granted them, subject to the condition that the Chief Executive Officer shall be an executive director (*mandataire social*) at such acquisition date.

As provided for in the Code AFEP-MEDEF and on the basis of the recommendations of the Compensation and Nomination Committee, the Board of Directors made the vesting of the free shares granted to Bernard Charlès subject to a performance condition related to variable compensation actually paid to him over two financial years. The level of such variable compensation is itself dependent on achieving performance criteria previously established by the Board. In no case, however, may the number of free shares received exceed the number of free shares initially granted by the Board. The rules regarding the granting of the variable portion of the executive directors' (*dirigeant mandataire social*) compensation are set forth in Section 16.1 "Report on Corporate Governance and Internal Control".

As a result, the actual number of shares which will actually be acquired by Mr. Bernard Charlès at the end of the two-year period will depend on the product of the number of free shares granted by the Board on May 27, 2010, multiplied by the average, calculated over two financial years and expressed as a percentage, of the ratio of the variable compensation actually paid to the Chief Executive Officer and the corresponding target variable compensation.

At the end of the acquisition period, the Chief Executive Officer will be required to hold the free shares acquired for a period of two years.

Moreover, until he has left his current functions, the Chief Executive Officer is subject to a holding period for shares acquired through the grant of free shares, as set forth under "Lock-up Commitment" below.

No company of the Company other than Dassault Systèmes SA granted free shares to executive directors (*mandataires sociaux*).

Table 7 – Free shares that have become available during 2010 for each executive director (*mandataire social*)

	Number and date of plan	Number of shares that became available during 2010	Acquisition terms
Paul Brown		none	
Jean-Pierre Chahid-Nouraï		none	
Laurent Dassault		none	
Bernard Dufau		none	
André Kudelski		none	
Arnoud De Meyer		none	
Charles Edelstenne		none	
Bernard Charlès	June 8, 2005	150,000	N/A
	June 14, 2006	150,000	N/A
Thibault de Tersant		none	
Total		**300,000**	

- Shares becoming available

In June 2010, the 300,000 shares acquired by Bernard Charlès in 2008 pursuant to two former grants of free shares became available. On June 6, 2011, the 150,000 shares acquired by Bernard Charlès in 2009 pursuant to a former grant of free shares will become available, the two-year lock-up period following acquisition expiring on such date.

- Shares subject to a two-year lock-up

The shares acquired by Bernard Charlès in 2009 and 2010 (150,000 shares each year) pursuant to former grants of free shares are subject to a two-year lock-up period.

It should also be noted that Bernard Charlès undertook an additional lock-up commitment of such shares until he has left his current functions according to the conditions described below under "Lock-up commitment".

- Shares being acquired

In addition to the performance shares granted to Bernard Charlès by the Board of Directors on May 27, 2010 (see Table 6 above), 150,000 performance shares, subject to the same lock-up conditions, are being acquired. They should be acquired in November 2011 and become available in November 2013, provided that Bernard Charlès is still an executive director at such date. In that regard, it should be noted that the Board of Directors of Dassault Systèmes SA acknowledged on March 25, 2011, that the performance condition to which such share grant was subject had been realized and confirmed the firm number of shares which would be acquired as a result (i.e., 150,000 shares).

- Authorization of the General Shareholders' Meeting

The authorization granted to the Company's Board of Directors by the shareholders on May 27, 2010, to grant shares to Company management and employees or certain categories of management and employees, representing up to 1.5% of the share capital, is still valid in 2011, since it was granted for a 38-month period. Taking into account the grant of free shares decided by the Board in May 2010, a further 1,634,210 free shares may still be granted by the Board.

Table 8 – Grants of share subscription or purchase options

See Section 17.2 "Shareholdings and Stock Options of the Directors and Executive Officers" of this Annual Report.

Table 9 – Share subscription options granted to the ten employees who are not executive directors and who received the most share subscription options, and options exercised by these employees

See Section 17.2 "Shareholdings and Stock Options of the Directors and Executive Officers" of this Annual Report.

Table 10 – Follow-up of the AFEP-MEDEF's Recommendations

Executive directors	Employment agreement		Additional retirement plan		Indemnities or benefits due or which may become due in the event of termination of or change in present functions		Indemnities related to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
Charles Edelstenne Chairman of the Board Director since (1st appointment): 04/08/1993 Term: until the annual general shareholders' meeting to be held in 2014		X		X		X		X
Bernard Charlès President and Chief Executive Officer Director since (1st appointment): 04/08/1993 Term: until the annual general shareholders' meeting to be held in 2014		X		X	X			X

At its meeting on March 26, 2010, the Board of Directors noted the resignation of Mr. Bernard Charlès as Director of Innovation under his employment contract, which had already been suspended since 2008.

Mr. Bernard Charlès is entitled to an indemnity payment in the event he is dismissed from his present functions as President and Chief Executive Officer, according to the conditions below. At the time of the renewal of his appointment as Chief Executive Officer, the Board of Directors authorized on May 27, 2010, upon the proposal of the Compensation and Nomination Committee and in compliance with Article L. 225-42-1 of the French Code of Commerce, the renewal of the agreement regarding the Company's undertakings to Bernard Charlès, relating to indemnities which would be due upon the termination of his functions as Chief Excecutive Officer, according to the terms adopted by the Board of Directors at its meetings on March 28, 2008, and March 27, 2009. In compliance with Article L. 225-42-1 of the French Code of Commerce, this agreement will be submitted to the approval of the General Shareholders' Meeting of May 26, 2011 (see Section 26.1 "Presentation of the Resolutions Proposed by the Board of Directors to the General Meeting of May 26, 2011").

The amount of the indemnity due will be equivalent to a maximum of two years of compensation as Chief Executive Officer and will depend on satisfying the performance conditions established for calculating his variable compensation. The amount paid would be calculated pro rata with respect to the percentage of variable compensation which was paid during the three years preceding his departure as compared to the targeted variable compensation for such years. The amount due would be calculated by applying the following formula:

- the aggregate gross compensation (including variable compensation but excluding compensation in kind and directors' fees) due in connection with his position for the two financial years completed prior to the date of departure;
- multiplied by the quotient of (i) the amount of variable compensation actually paid during the three financial years completed prior to the date of departure with respect to their respective years of reference, divided by (ii) the amount of target variable compensation determined for each of these years by the Board of Directors on the basis of achievement of the objectives set for the Company.

The indemnity is thus subject to performance conditions related to achieving targets fixed for the variable compensation (see Section 16.1 "Report on Corporate Governance and Internal Control").

The indemnity may be paid only in case of change in control or strategy of the Company, duly acknowledged by the Board of Directors, which results in an imposed departure (*départ contraint*) in the following 12 months. The indemnity may also be paid in the event of an imposed departure (*départ contraint*) which is not linked to poor results of the Company or to mismanagement by the Chief Executive Officer, the Board of Directors being entitled to decide to pay all or part of the indemnity.

The indemnity will not be due in the event Mr. Charlès would leave the Company on his own initiative to take a new position elsewhere or would be assigned a new position within the Group, or in the event he would be able to benefit from pension rights shortly after leaving the Company.

In the event of exceptional circumstances seriously damaging the image or results of the Company and significantly reducing, in the opinion of the Board, the market price of the Company's shares, or in the event of misconduct other than in connection with his corporate functions (*faute séparable de ses fonctions*) and incompatible with the normal performance of his mandate, the Board may determine that the indemnity payment is not due.

There is no specific complementary retirement plan *(régime complémentaire de retraite)* for the executive directors. The companies controlled by Dassault Systèmes SA have not paid any compensation or granted any other benefits to the executive directors (*mandataires sociaux*) mentioned above.

Lock-up commitment

In accordance with the law, Dassault Systèmes SA's Board of Directors decided at the time of each of the free share grants since 2007, including on May 27, 2010, upon the recommendation of the Compensation and Nomination Committee, that the Chairman of the Board and the Chief Executive Officer agree to a lock-up commitment with respect to shares which they may hold as a result of exercising stock options or the effective acquisition of free shares. In light of the grants made, the Chief Executive Officer must maintain in registered form at least 15% of the total amount of shares he subscribes or acquires in connection with stock options or free shares granted to him since 2007, until he has left his current functions at the Company.

15.2 Transactions in the Company's Shares by the Management of the Company

Pursuant to article 223-26 of the *règlement général* of the *Autorité des marchés financiers* (the "AMF"), the purchase, sale, subscription or exchange of any security issued by Dassault Systèmes S.A. made by directors or executive officers of the Company, or by persons related to them (according to article R. 621-43-1 of the French Monetary and Financial Code), must be disclosed to the Company's shareholders. The table below presents those transactions as published by the AMF in 2010.

Date and place	Directors and Executive Officers	Nature of the transaction(*)	Unit Price	Gross amount
02/22/2010 Euronext Paris	Etienne Droit	Subscription	€23.00	€230,000.00
		Sale	€41.02	€410,200.00
03/01/2010 Euronext Paris	Etienne Droit	Subscription	€23.00	€230,000.00
		Sale	€42.00	€420,000.00

Date and place	Directors and Executive Officers	Nature of the transaction(*)	Unit Price	Gross amount
03/01/2010 Euronext Paris	Thibault de Tersant	Subscription	€35.00	€350,000.00
		Sale	€42.00	€420,000.00
03/03/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€42.90	€461,604.00
03/04/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€43.20	€463,752.00
03/04/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€43.20	€461,808.00
03/04/2010 Euronext Paris	Etienne Droit	SO exercise	€23.00	€230,000.00
		Sale	€43.10	€431,000.00
03/08/2010 Euronext Paris	Philippe Forestier	Subscription	€23.00	€460,000.00
		Sale	€43.45	€869,000.00
03/09/2010 Euronext Paris	Thibault de Tersant	Subscription	€23.00	€230,000.00
		Sale	€43.55	€435,500.00
03/09/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€43.80	€461,652.00
03/11/2010 Euronext Paris	Dominique Florack	Subscription	€23.00	€759,000.00
		Sale	€43.60	€1,438,800.00
03/12/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€51,750.00
		Sale	€43.50	€52,200.00
03/12/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€408,250.00
		Sale	€43.11	€409,976.10
05/06/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€350,000.00
		Sale	€47.00	€470,000.00
05/10/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€350,000.00
		Sale	€47.00	€470,000.00
05/11/2010 Euronext Paris	Philippe Forestier	Subscription	€35.00	€700,000.00
		Sale	€46.04	€920,800.00
05/12/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€53,725.00
		Sale	€47.00	€72,145.00
05/13/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€47.00	€462,010.00
05/13/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€296,275.00
		Sale	€47.00	€397,855.00
05/13//2010 Euronext Paris	Thibault de Tersant	Subscription	€35.00	€700,000.00
		Sale	€47.00	€940,000.00
05/17/2010 Euronext Paris	Etienne Droit	Subscription	€23.00	€138,000.00
05/19/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€8,225.00
		Sale	€46.00	€10,810.00
05/26/2010 Euronext Paris	Bernard Charlès	SO exercise	€23.00	€460,000.00
		Sale	€45.35	€471,640.00
05/27/2010 Euronext Paris	Bernard Charlès	SO exercise	€23.00	€460,000.00
		Sale	€45.07	€462,418.20
05/28/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€46.40	€470,960.00
05/28/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€460,000.00
		Sale	€46.40	€470,960.00
05/28/2010 Euronext Paris	Bruno Latchague	Subscription	€35.00	€4,550,000.00
		Sale	€46.00	€5,980,000.00

Date and place	Directors and Executive Officers	Nature of the transaction(*)	Unit Price	Gross amount
05/28/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€516,775.00
		Sale	€46.00	€679,190.00
08/02/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€350,000.00
		Sale	€49.815	€498,150.00
08/03/2010 Euronext Paris	Etienne Droit	Subscription	€39.50	€790,000.00
		Sale	€49.8293	€996,586.00
08/05/2010 Euronext Paris	Dominique Florack	Subscription	€23.00	€949,532.00
		Sale	€50.00	€2,064,200.00
08/05/2010 Euronext Paris	Philippe Forestier	Subscription	€23.00	€460,000.00
		Sale	€50.00	€1,000,000.00
08/06/2010 Euronext Paris	Dominique Florack	Subscription	€23.00	€188,968.00
		Sale	€50.00	€410,800.00
08/10/2010 Euronext Paris	Laurence Barthès	Subscription	€23.00	€4,416.00
		Sale	€49.64	€9,530.88
08/16/2010 Euronext Paris	Thibault de Tersant	Subscription	€23.00	€226,688.00
		Sale	€48.0012	€473,099.83
08/16/2010 Euronext Paris	Thibault de Tersant	Subscription	€23.00	€233,312.00
		Sale	€48.00	€486,912.00
08/18/2010 Euronext Paris	Laurence Barthès	Subscription	€39.50	€185,650.00
		Sale	€48.67	€228,749.00
08/19/2010 Euronext Paris	Etienne Droit	Subscription	€23.00	€92,000.00
		Sale	€48.80	€195,200.00
08/19/2010 Euronext Paris	Etienne Droit	Subscription	€35.00	€525,000.00
		Sale	€48.80	€732,000.00
08/20/2010 Euronext Paris	Dominique Florack	Subscription	€35.00	€448,595.00
		Sale	€48.70	€624,187.90
08/24/2010 Euronext Paris	Dominique Florack	Subscription	€35.00	€2,389,485.00
		Sale	€47.5518	€3,246,408.94
08/24/2010 Euronext Paris	Dominique Florack	Subscription	€35.00	€1,711,920.00
		Sale	€47.5026	€2,323,447.17
08/26/2010 Euronext Paris	Thibault de Tersant	Subscription	€23.00	€314,640.00
		Sale	€46.00	€629,280.00
08/26/2010 Euronext Paris	Thibault de Tersant	Subscription	€23.00	€145,360.00
		Sale	€46.00	€290,720.00
08/27/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€512,440.00
		Sale	€47.00	€514,133.00
08/27/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€334,650.00
		Sale	€47.2183	€336,288.73
11/02/2010 Euronext Paris	Bruno Latchague	Subscription	€39.50	€1,735,393.00
		Sale	€56.7526	€2,493,368.73
11/02/2010 Euronext Paris	Philippe Forestier	Subscription	€39.50	€511,564.50
		Sale	€56.7702	€735,230.86
11/02/2010 Euronext Paris	Bernard Charlès	Subscription	€23.00	€200,583.00
		Sale	€56.8076	€201,212.52
11/02/2010 Euronext Paris	Thibault de Tersant	Subscription	€52.00	€828,360.00
		Sale	€56.0442	€892,784.11
11/02/2010 Euronext Paris	Etienne Droit	Subscription	€52.00	€1,318,148.00
		Sale	€56.7489	€1,438,527.87
11/02/2010 Euronext Paris	Etienne Droit	Subscription	€45.50	€1,043,315.00
		Sale	€56.7306	€1,300,832.66

Date and place	Directors and Executive Officers	Nature of the transaction(*)	Unit Price	Gross amount
11/03/2010 Euronext Paris	Etienne Droit	Subscription Sale	€52.00 €55.4086	€4,128,176.00 €4 398,777.94
11/03/2010 Euronext Paris	Philippe Forestier	Subscription Sale	€35.00 €55.50	€23,450.00 €37,185.00
11/03/2010 Euronext Paris	Philippe Forestier	Subscription Sale	€39.50 €55.5003	€20,540.00 €28,860.16
11/04/2010 Euronext Paris	Philippe Forestier	SO exercise Sale	€39.50 €55.6065	€257,895.50 €363,054.84
11/04/2010 Euronext Paris	Philippe Forestier	SO exercise Sale	€35.00 €55.6447	€166,460.00 €264,646.19
11/04/2010 Euronext Paris	Etienne Droit	SO exercise Sale	€52.00 €55.5887	€793,676.00 €848,450.33
11/05/2010 Euronext Paris	Philippe Forestier	SO exercise Sale	€35.00 €55.50	€6,895.00 €10,933.50
11/09/2010 Euronext Paris	Pascal Daloz	SO exercise Sale	€35.00 €55.0391	€350,000.00 €550,391.00
11/09/2010 Euronext Paris	Etienne Droit	SO exercise Sale	€45.50 €55.087	€321,685.00 €389,465.09
11/09/2010 Euronext Paris	Philippe Forestier	SO exercise Sale	€35.00 €55.50	€18,690.00 €29,637.00
11/10/2010 Euronext Paris	Bruno Latchague	SO exercise Sale	€39.50 €55.012	€634,607.00 €883,822.79
11/12/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €54.00	€460,000.00 €461,700.00
11/12/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €54.0792	€460,000.00 €462,377.64
11/15/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €54.50	€380,190.00 €381,500.00
11/15/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €54.10	€460,000.00 €461,473.00
11/15/2010 Euronext Paris	Etienne Droit	SO exercise	€23.00	€184,000.00
11/16/2010 Euronext Paris	Thibault de Tersant	SO exercise Sale	€35.00 €53.7253	€525,000.00 €805,879.50
11/18/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €53.9367	€460,000.00 €462,776.94
11/18/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €53.5434	€460,000.00 €463,151.14
11/18/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€23.00 €53.30	€420,854.00 €423,095.40
11/19/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€52.00 €54.20	€1,040,000.00 €1,043,350.00
11/19/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€52.00 €54.0097	€1,040,000.00 €1,043,467.40
11/19/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€52.00 €54.012	€1,040,000.00 €1,043,511.84
11/19/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€52.00 €54.10	€1,040,000.00 €1,043,589.00
11/19/2010 Euronext Paris	Bernard Charlès	SO exercise Sale	€35.00 €53.8461	€700,000.00 €703,230.07

Date and place	Directors and Executive Officers	Nature of the transaction(*)	Unit Price	Gross amount
11/19/2010 Euronext Paris	Bernard Charlès	SO exercise	€35.00	€700,000.00
		Sale	€53.9842	€703,414.13
11/19/2010 Euronext Paris	Philippe Forestier	SO exercise	€35.00	€134,505.00
		Sale	€54.25	€208,482.75
11/22/2010 Euronext Paris	Bernard Charlès	SO exercise	€52.00	€18,200.00
		Sale	€54.30	€18,299.10
11/22/2010 Euronext Paris	Bernard Charlès	SO exercise	€52.00	€141,544.00
		Sale	€54.1109	€141,987.00
11/22/2010 Euronext Paris	Bernard Charlès	SO exercise	€35.00	€700,000.00
		Sale	€53.75	€702,243.75
11/23/2010 Euronext Paris	Bernard Charlès	SO exercise	€35.00	€700,000.00
		Sale	€53.85	€702,204.00
11/23/2010 Euronext Paris	Bernard Charlès	SO exercise	€35.00	€700,000.00
		Sale	€53.6099	€702,289.69
11/23/2010 Euronext Paris	Etienne Droit	SO exercise	€39.50	€790,000.00
		Sale	€53.90	€1,078,000.00
11/24/2010 Euronext Paris	Bernard Charlès	SO exercise	€35.00	€393,750.00
		Sale	€53.7297	€395,450.79
11/24/2010 Euronext Paris	Dominique Florack	SO exercise	€45.50	€2,903,946.50
		Sale	€53.80	€3,433,677.40
11/24/2010 Euronext Paris	Dominique Florack	SO exercise	€52.00	€3,942,952.00
		Sale	€53.80	€4,079,438.80
11/26/2010 Euronext Paris	Dominique Florack	SO exercise	€23.00	€2,300,000.00
		Sale	€52.50	€5,250,000.00
11/26/2010 Euronext Paris	Dominique Florack	SO exercise	€45.50	€2,783,553.50
		Sale	€52.50	€3,211,792.50
11/29/2010 Euronext Paris	Bernard Charlès	SO exercise	€35.00	€1,042,930.00
		Sale	€51.9408	€1,046,087.71
12/02/2010 Euronext Paris	Dominique Florack	SO exercise	€52.00	€841,204.00
		Sale	€53.80	€870,322.60

(*) The transactions listed above refer to exercises of stock options which were followed by the sale of all or a part of the acquired Dassault Systèmes SA shares; “SO Exercise” means “Stock Option Exercise”.

With respect to Mr. Bernard Charlès, it should be noted that he generally reinvests in shares of Dassault Systèmes SA the gains realized through the exercise of subscription stock options.

CHAPTER 16 – BOARD PRACTICES

16.1 Report on Corporate Governance and Internal Control

Report of the Chairman of the Board of Directors to the shareholders' meeting of May 26, 2011, on corporate governance and internal control

To the Shareholders of Dassault Systèmes,

The purpose of this report is to describe the composition of the Board of Directors of Dassault Systèmes SA and the conditions under which the work of its Board of Directors is prepared and organized, as well as the internal control and risk management procedures established by Dassault Systèmes SA and its subsidiaries (the "Company" or the "Group") during the fiscal year ended December 31, 2010. It is presented to you in addition to the management report included in the annual report (*Document de référence*) of the Company for 2010.

This report has been prepared pursuant to article L. 225-37 paragraph 6 of the French Code of Commerce and the recommendations of the AMF (*Autorité des marchés financiers)* contained in its Report on corporate governance and executive compensation of July 12, 2010. The Chairman has entrusted the diligence related to the preparation of this report to the finance, legal and internal audit departments; the report was then reviewed by the Audit Committee and approved by the Board of Directors during its meeting held on March 25, 2011.

It should first be recalled that Dassault Systèmes SA is a French company listed on NYSE Euronext Paris – Compartiment A since 1996. Until October 2008, it was also listed on the Nasdaq Stock Market in the United States; the Company decided upon the voluntary withdrawal of its American Depository Shares (ADS) from the Nasdaq, which became effective on October 16, 2008, its deregistration from the Securities and Exchange Commission (SEC) being effective on January 15, 2009.

With respect to corporate governance, Dassault Systèmes SA ensures compliance with the French recommendations, and in particular refers to the recommendations of the Code of corporate governance of listed companies of the AFEP ("Association française des enterprises privées") and of the MEDEF ("Mouvement des enterprises de France") dated December 2008, as amended in April 2010, available on the MEDEF website (www.medef.fr). The provisions of this Code ("Code AFEP-MEDEF") with which Dassault Systèmes SA does not directly comply are mentioned in this report.

Since Dassault Systèmes SA was listed in the United States until the end of 2008, the Company continued to be compliant with the COSO framework ("Committee of Sponsoring Organization of the Treadway Commission") in order to elaborate, implement and define its internal control system, and took also into consideration the internal control framework proposed by AMF in 2007, as updated on July 22, 2010.

1) Composition and practices of the Board of Directors

a. Composition of the Board of Directors

In 2010, the Board of Directors of Dassault Systèmes SA was composed of nine members: Messrs. Charles Edelstenne, Bernard Charlès, Thibault de Tersant, Laurent Dassault, Bernard Dufau, André Kudelski, Paul Brown, Jean-Pierre Chahid-Nouraï and Arnoud De Meyer. More than half of the members are independent directors, as this term is defined by the criteria set forth by the Code AFEP-MEDEF. According to the terms of the Company's internal regulation, a director is independent when he has no relationship of any type with the Group, the Company or its management which could reduce his freedom of judgment. The five independent directors are Messrs. Dufau, Kudelski, Brown, Chahid-Nouraï and De Meyer. The independence of Directors is subject to an annual review at the meeting of the Board approving the financial statements for the preceding year.

Pursuant to the amendment to our by-laws adopted at the General Shareholders' Meeting on June 9, 2009, the Directors are appointed for terms of 4 years for new appointments and for appointments to be renewed, with the terms in progress remaining for an unchanged duration of 6 years.

The terms of the Directors Laurent Dassault, Paul Brown, Jean-Pierre Chahid-Nouraï and Arnoud De Meyer expire at the General Shareholders' Meeting on May 26, 2011. It is proposed to the General Shareholders' Meeting to re-appoint Mssrs. Chahid-Nouraï and De Meyer as Directors for a term of four years, and to appoint two new directors, Mrs. Nicole Dassault and Mrs. Toshiko Mori (information regarding these candidates is set forth in Paragraph 26.1 "Presentation of the Resolutions Proposed by the Board of Directors to the General Meeting of May 26, 2011").

If these proposals are adopted at the General Shareholders' Meeting, the Board of Directors of Dassault Systèmes SA will be composed 22% by women, in compliance with the new recommendation of the AFEP-MEDEF Code of April 19, 2010, regarding reinforcing the presence of women on the boards of directors and with the temporary provisions adopted by Article 5 of the Law 2011-103 of January 27, 2011, regarding equal representation of women and men on boards of directors and supervisory boards and professional equality (see also paragraph 26.1 “Presentation of the Resolutions Proposed by the Board of Directors to the General Meeting of May 26, 2011”).

All the information related to the composition of the Board of Directors is provided in Chapter 14 “Administrative, management and supervisory bodies and senior management” of this Annual Report.

b. Practices of the Board of Directors

In addition to the deliberations and resolutions on its agenda pursuant to the laws and regulations in France (including the notice of Shareholders’ Meetings and the approval of the annual management report), the Board also discussed principally the following issues:

- the Company’s strategy (definition and review of strategic directions, review of partnership and acquisition transactions);
- the accounts and the budget (approval of the 2009 parent company and consolidated accounts, the consolidated accounts for the first half of 2010, the management planning documents for 2010, review of quarterly results). The Board was informed as to the Company’s financial condition by reports from the Audit Committee and presentations made at each meeting by the Senior Executive Vice President and Chief Financial Officer;
- the compensation of executive directors (*mandataires sociaux*);
- the internal control (review of the assessment of the internal control procedures);
- the compliance of Dassault Systèmes SA with French and European rules and recommendations on financial communication and corporate governance.

The Board met 8 times in 2010, with an attendance rate of 86%.

For purposes of good corporate governance, the offices of Chairman of the Board and Chief Executive Officer have been separated. The Chairman of the Board, Mr. Charles Edelstenne, organizes and supervises the work of the Board and reports thereon at the shareholders’ meeting. He ensures the proper functioning of the Board and its committees and that the directors are able to perform their duties. The Chief Executive Officer, Mr. Bernard Charlès, is legally vested with the widest powers to act in any circumstances in the name of the Company, subject to the limitations set forth below, and represents the Company, vis-à-vis third parties.

Specialized committees have been established to assist the Board of Directors in the performance of its duties: in 1996 the Audit Committee and in 2005 the Compensation and Nomination Committee and the Scientific Committee. The Committees report regularly to the Board as to the performance of their missions.

In 2005, the Board of Directors adopted an internal regulation which defines the rules governing the composition and operation of the Board and its committees, and the interaction between the Board and the committees, as well as the committees’ responsibilities. The internal regulation is upated regularly, particularly as regards legal and regulatory developments.

This internal regulation sets the normal frequency of Board meetings, the means of participating in these meetings and the rules related to the information to be continuously available to the members of the Board, including if an event occurs which might have a significant impact on the prospects, outlook or the implementation of the Company’s strategy as presented to the Board, and the rules related to the limitations on the powers of the Chief Executive Officer and to the annual review of the independence of the Directors.

This regulation specifies that the Board must proceed with an annual review of its practices, and formal assessments shall be made every three years. The last formal review took place in 2009. In 2010, the functioning of the Board was on the agenda of one of its meetings.

The internal regulation restates the obligation of confidentiality applying to the Directors. The Directors must also comply with the insider trading rules established by Dassault Systèmes SA, which prohibit trading in any securities issued by Dassault Systèmes SA if they are aware of any insider information, and in any event if they have not received the prior approval of the Insiders Committee of Dassault Systèmes SA.

Finally, the internal regulation states that external Directors (i.e., Directors who are neither executives nor employees of Dassault Systèmes SA) must meet at least once a year without the presence of the other Directors to perform a general review of how Dassault Systèmes SA and its Board are operating.

c. Audit Committee

The Audit Committee is composed of four independent directors: Bernard Dufau, Chairman, André Kudelski, Paul Brown, and Jean-Pierre Chahid-Nouraï. Messrs. Bernard Dufau and André Kudelski are or have been company managers. Messrs. Paul Brown, a university professor in accounting, and Jean-Pierre Chahid-Nouraï, who held responsible positions in finance in companies and commercial banks, offer specific skills in finance or accounting.

This Committee met physically three times in 2010. The Senior Executive Vice President and Chief Financial Officer of Dassault Systèmes, the Company Finance Vice President, the consolidation director, the internal audit director, the general counsel and the statutory auditors of the Company attended these meetings. In addition, in order to review the quarterly earnings announcements and other occasional issues, the members of the Audit Committee held four conference calls with the Senior Executive Vice President and Chief Financial Officer, the Company Finance Vice President and the consolidation director. The attendance rate for these meetings and calls was 89%.

The responsibilities of this Committee as defined in its charter were expanded in 2003 in order to take into consideration both the French recommendations of the Bouton report and the US rules resulting from the Sarbanes-Oxley Act which were applicable to the Company until the end of 2008. The charter of the Committee was revised in 2009, in order to take into consideration the delisting of Dassault Systèmes SA from the Nasdaq of the Company, the French regulation dated December 8, 2008, transposing the European Directive on statutory audits of accounts and the recommendations of the Code AFEP-MEDEF. Dassault Systèmes SA respects the spirit of the AMF recommendation of July 22, 2010 regarding audit committees while identifying certain matters which should be formalized.

On March 25, 2011, the Board of Directors modified the Board's internal regulation and the Audit Committee charter to specify, in compliance with the banking and financial regulation law of October 22, 2010, which modified Article L. 823-19 of the Code of Commerce, that the Audit Committee acts under the responsibility of the Board of Directors and not the "exclusive and collective liability" of the members of the Board. Its mission is to ensure the follow up of matters related to the preparation and the monitoring of accounting and financial information. Without limiting the powers of the Board of Directors, this Committee is, in particular, responsible for overseeing the preparation process of the financial information, the effectiveness of the internal control and risks management systems, the audit by the statutory auditors of the annual parent company and consolidated accounts and the independence of the statutory auditors.

The Audit Committee is responsible for examining these various matters and giving its recommendations to the Board of Directors.

The Audit Committee oversees the relationship between the Company and its statutory auditors and participates in their appointment or the renewal of their mandate.

The Audit Committee thus issued a positive recommendation on the appointment of a second statutory auditor, Ernst & Young et Autres, to replace Ernst & Young Audit, as proposed to the General Shareholders' Meeting on May 27, 2010. It also recommended that the proposal to renew the other statutory auditor, PricewaterhouseCoopers Audit, and to appoint a new deputy statutory auditor, Yves Nicolas, be submitted to the General Shareholders' Meeting on May 26, 2011.

The Audit Committee also approves the annual plan of the internal audit missions. The internal audit director reports to the Audit Committee on the outcome of its work.

d. Compensation and Nomination Committee

Since its creation in 2005, this Committee is composed of two independent directors: Bernard Dufau and André Kudelski. The missions and the operating rules of the Committee are defined in the internal regulation of the Board of Directors, and are not contained in a separate regulation.

The Compensation and Nomination Committee's main objectives are:

(i) to propose to the Board of Directors the amounts for compensation and benefits of the Chairman of the Board and the Chief Executive Officer,

(ii) to set the formulas and the rules to apply for determining the variable part of the compensation of the Chairman of the Board and the Chief Executive Officer, and to verify the application of these rules,

(iii) to evaluate the global amount and the allocation of the directors' fees,

(iv) to examine the Company's policy for nominating and to be informed of the compensation policy for, the executive officers who are not members of the Board,

(v) to review the independence of the Directors identified as such,

(vi) to consider the stock-options allocation policy or any kind of profit-sharing mechanism based on the Company's shares and make proposals on this topic,

(vii) to make any proposition concerning the nomination or renewal of Directors,

(viii) to propose to the Board of Directors solutions in case of vacancy of the position of Chairman of the Board and of Chief Executive Officer.

In 2010, the Compensation and Nomination Committee met twice physically, with an attendance rate of 100%. It has confirmed the independence of the Board's "independent directors", on the basis of responses to the questionnaire sent to each Director concerned. It formulated recommendations to the Board of Directors about the allocation of Directors' fees, the free allocation of shares to the Chief Executive Officer and the allocation of stock options to certain executives and employees of the Company. It also reviewed the structure and level of the 2010 compensation of the executive officers who are not members of the Board and reviewed the stock option allocation process in general.

The Committee has issued advice on the variable part of the compensation of the Chief Executive Officer for 2009 and has proposed to the Board a compensation composed of a fixed amount and variable amount for the Chief Executive Officer and the amount of fixed compensation for the Chairman of the Board for 2010.

The Compensation and Nomination Committee also proposed the performance conditions related to share subscription options and free shares granted to the Chief Executive Officer, and examined the criteria for variable remuneration which may be publicly disclosed without harming the Company's competitive interests.

The Committee was consulted on the renewal of the appointments of the Directors Messrs. Edelstenne, Charlès and de Tersant as proposed to the General Shareholders' Meeting on May 27, 2010, the renewal of the appointments of Mr. Edelstenne as Chairman of the Board and of Mr. Charlès as Chief Executive Officer, that their respective compensation as fixed by the Board of Directors on March 26, 2010, be maintained, and finally on the renewal of the agreement relating to the commitments undertaken by the Company to Bernard Charlès, regarding indemnities which would be due upon the termination of his functions as Chief Executive Officer. The Compensation and Nomination Committee examined as a general matter Dassault Systèmes SA's compliance with the recommendation of the Code AFEP-MEDEF in this area.

e. Principles and rules set forth by the Board of Directors of Dassault Systèmes SA in order to determine the compensation of the executive directors

The Dassault Systèmes SA compensation policy is designed to attract, motivate and retain highly qualified individuals in order to achieve the Company's strategic, business and financial objectives. In setting forth criteria for the determination of compensation, the balance between short-term and long-term financial objectives is sought, the creation of stockholder value is taken into account and individual performance is rewarded.

- Fixed and variable compensation

Consistent with those criteria, the annual compensation of each executive officer includes two portions – a fixed portion and a variable portion – except for the Chairman of the Board of Directors, who receives only a fixed portion. The variable portion may represent a significant part of the total compensation if the annual targets are achieved or overachieved. The targets are reviewed every year in order to be consistent with the Company's strategic orientations and include specific individual management targets.

Beyond their fixed and variable compensation, the French executive officers, except for the Chairman of the Board and, since early 2008, the Chief Executive Officer, are eligible for corporate profit-sharing in the same manner as other employees of the Company. More than 90% of the employees of the French direct subsidiaries of Dassault Systèmes SA (not taking into account the employees of Exalead, which was acquired by the Company in June 2010) are also eligible for corporate profit-sharing.

The annual target compensation with objectives achieved for the Chief Executive Office is comprised of a fixed portion for 50%, paid monthly, and a variable portion for 50%, paid annually as a function of the achievement of the performance criteria previously set by the Board of Directors. The level of achievement of the objectives determines the amount actually paid for the variable compensation, which can result in a payment below the target, or up to 140% above the target.

In addition, the Chief Executive Officer receives benefits in-kind, as indicated in the Chapter 15 of the Company Annual Report (*Document de référence*) for 2010, which contains all the data with respect to compensation of the executive officers.

The Board of Directors, during its meeting held on March 25, 2011, decided to fix the amount of the variable compensation due to the Chief Executive Officer for 2010, paid in 2011, at €1,071,800, after review of the achievement of the performance criteria set in 2010, which included the net profit per share on a non-IFRS basis for 2010 achieving the objectives announced by Dassault Systèmes, relative growth in the Company's revenue compared to its competitors and development of the Company's market share, the evaluation of the Company's efficiency processes as measured by its operating margin and the development of infrastructure organization and sharing, the composition of the Company's product portfolio and the implementation of the Company's strategy as approved by the Board of Directors.

At its meeting on March 25, 2011, the Board of Directors also set the performance conditions for the payment of the Chief Executive Officer's variable compensation for the year 2011, which include the net profit per share on a non-IFRS basis achieving the objectives set therefor as announced by the Company, an increase in the Company's market share, an evaluation of the Company's efficiency process, the product portfolio and the execution of the Company's strategy.

At its meeting on March 25, 2011, the Board of Directors decided to set the Chairman's fixed compensation for 2011 at €899,000 and the annual target compensation with objectives achieved of the Chief Executive Officer for 2011 at €1,936,000, with €968,000 for fixed compensation and €968,000 for the target variable compensation.

As in preceding years, the Chairman and the Chief Executive Officer will receive director's fees (see Chapter 15 of this annual report).

The Board meeting of March 25, 2011, also noted the achievement of the performance condition set for the acquisition of free shares granted on November 27, 2009 to the Chief Executive Officer, and the final number of shares acquired as a result (150,000 shares). The Chief Executive Officer will acquire these performance shares on November 27, 2011, provided that he is still an executive director *(mandataire social)* at such date.

- Indemnities due in case of the imposed departure (*départ contraint*) of the Chief Executive Officer

At the time of the renewal of the appointment of the Chief Executive Officer, the Board of Directors on May 27, 2010, authorized, on the proposal of the Compensation Committee and in compliance with Article L. 225-42-1 of the Code of Commerce, the renewal of the agreement regarding commitments undertaken by the Company in favor of Bernard Charlès, concerning indemnities which would be due upon the termination of his position as Chief Executive Officer, according to the terms adopted by the Board of Directors at its meetings on March 28, 2008, and March 27, 2009

In compliance with Article L. 225-42-1 of the Code of Commerce, this agreement will be submitted for approval at the General Shareholders' Meeting on May 26, 2011 (see paragraph 26.1 "Presentation of the Resolutions Proposed by the Board of Directors to the General Meeting of May 27, 2010").

The amount of the indemnity due will thus be equivalent to a maximum of two years of compensation as Chief Excecutive Officer and will depend on satisfying the performance conditions established for calculating his variable compensation. The amount paid would be calculated pro rata with respect to the percentage of variable compensation which was paid during the three years preceding his departure as compared to the targeted variable compensation for such years. The amount due would be calculated by applying the following formula:

- the aggregate gross compensation (including variable compensation but excluding compensation in kind and directors' fees) due in connection with his position for the two financial years completed prior to the date of departure;
- multiplied by the quotient of (i) the amount of variable compensation actually paid during the three financial years completed prior to the date of departure with respect to their respective years of reference, divided by (ii) the amount of target variable compensation determined for each of these years by the Board of Directors on the basis of achievement of the objectives set for the Company.

The indemnity is thus subject to performance conditions related to achieving targets fixed for the variable compensation.

The indemnity will be due only in case of change in control or strategy of the Company, duly acknowledged by the Board of Directors, which results in an imposed departure (*départ contraint*) in the following 12 months. The indemnity may also be paid if the imposed departure is not linked to poor results of the Company or to mismanagement by the Chief Executive Officer, the Board of Directors being entitled to decide to pay all or part of the indemnity. The Board decided to provide for this indemnity payment, which is in addition to those recommended by the Code AFEP-MEDEF, given the shareholder structure of the Company and the seniority of Mr. Charlès in the Company.

The indemnity will not be due in the event the Chief Executive Officer would leave the Company on his own initiative to take a new position elsewhere, or would be assigned a new position within the Company, or if he would be able to benefit from pension rights shortly after leaving.

Furthermore, in the event of exceptional circumstances seriously damaging the image or results of the Company and significantly reducing, in the opinion of the Board, the market price of the Company's shares or in the event of misconduct other than in connection with his corporate functions *(faute séparable de ses fonctions)* and incompatible with the normal performance of his mandate, the Board may decide that the indemnity payment is not due.

It should be noted that the Code AFEP-MEDEF recommends that an executive who becomes a member of the Board of Directors (*mandataire social*) terminate his employment contract with the company or any company of the group. The Board of Directors, at its meeting on March 26, 2010, acknowledged the resignation of Mr. Bernard Charlès with respect to his employment contract. The Board of Directors, at its meeting on March 28, 2008, had authorized the suspension of his employment contract effective as of January 1, 2008.

- Performance shares and share subscription options

The executive officers are given long-term incentives notably through grants of Dassault Systèmes stock options, intended to encourage them to create value in the interest of the shareholders. In general, stock options may be granted to key employees, including executive officers, of the Company, and the number of stock options granted is dependent on individual performance and level of responsibility.

The Company's Chief Executive Officer was granted share subscription options (without a discount) and free shares in 2010. In conformity with the recommendation of the Code AFEP-MEDEF, exercise of all of the subscription options is subject to the condition that the Chief Executive Officer remains with the Company and to a performance condition related to variable compensation actually paid to Mr. Bernard Charlès over three financial years (calculated according to the criteria described above). Similarly, the definitive acquisition of the free shares is subject to the condition that the Chief Executive Officer remains with the Company and to a performance condition related to variable compensation actually paid to Mr. Bernard Charlès over two financial years (calculated according to the criteria described above).

In addition, these grants are in compliance with Articles L. 225-186-1 and L. 225-197-6 of the Code of Commerce in light of the payments of supplemental Company profit-sharing (*intéressement*) or regulatory employee profit-sharing (*participation*) during the year 2010 for all the employees of Dassault Systèmes SA and at least 90% of the employees of its subsidiaries pursuant to the terms of Article L. 233-1 of the Code of Commerce.

The Board decided at that time, upon the recommendation of the Compensation and Nomination Committee, to impose a holding period until the termination of his functions for 15% of the shares which may be acquired through stock options and free share grants. Hedging transactions to ensure the gain in connection with exercising stock options or selling free shares are prohibited. Since the determination of compensation of the executive officers does not occur on the same date as the grant of share subscription options or free shares, the Board was not able to specifically define the maximum portion represented by such options and shares in the total compensation of the Chief Executive Officer.

Nevertheless, the Board of Directors on May 27, 2010 decided that the percentage represented by options granted to the executive directors (*dirigeants mandataires sociaux*) under the authorization of the General Shareholders' Meeting of May 27, 2010, would not represent more than 5% of the global envelope set by at the shareholders' meeting.

The share subscription options granted to the Chief Executive Officer on May 27, 2010, represent 4.03% of the total number of options granted on such date and 1.35% of the global envelope decided by the General Shareholders' Meeting. The free shares were granted to the Chief Executive Officer in light of his essential entrepreneurial contribution to the development and the performance of the Company. The free shares granted to the Chief Executive Officer on May 27, 2010, represent 8.41% of the global envelope fixed by the General Shareholders' Meeting.

The Company seeks to grant share subscription options during the same calendar periods provided they are compatible with the restrictive rules related to the Company possessing inside information.

The Company has profit sharing plans for employees. The results of the financial year ended December 31, 2010, which are subject to the approval by the General Shareholders' Meeting on May 26, 2011, should enable the distribution of €10,929,522 in profit and to set aside a special profit sharing reserve (*intéressement*) of €10,502,653.

Other information concerning share subscription options and free shares are provided in Chapter 15 "Remuneration and Benefits" and Section 17.2 "Shareholdings and Stock Options of the Directors and Executive Officers" of this Annual Report.

f. Scientific Committee

The Scientific Committee is composed of two directors, Bernard Charlès and Arnoud De Meyer, the latter being independent, and of an executive officer, Dominique Florack, the Company's Senior Executive Vice President, Products – Research and Development.

The Scientific Committee meets once a year. The Committee reviews the main directions of research and development, examines the Company's technological advances and makes recommendations on these matters. Dassault Systèmes employees with relevant skills in research and development or regarding questions raised by the Committee may be invited to these meetings.

The Scientific Committee met twice in 2010 with an attendance rate of 67%. In connection with the Lifelike Experience strategy, several demonstrations and detailed presentations were given of the innovative concept of "Search-Based Applications" relying on new indexation and structured and non-structured data research technologies. With respect to the goal of reaching new audiences, particularly in the educational field (students, professors), the Scientific Committee studied the benefits of "Serious Gaming" and discussed strategic developments adopted to provide new generations with more intuitive learning and training tools.

g. Powers of the Chief Executive Officer

Pursuant to French law, the daily management of the Company is under the responsibility of the Chief Executive Officer. However, his powers are limited by the corporate purpose of the Company and by the powers reserved to the shareholders or the Board of Directors.

Thus, amendments to the by-laws, approval of the financial statements and allocation of profits, appointment or dismissal of directors, decisions on their compensation, appointment of the auditors and approval of regulated agreements fall under the sole and exclusive responsibility of the shareholders.

Similarly, the Board of Directors has sole responsibility to call shareholders' meetings, prepare the parent company and consolidated financial statements and the annual management report, prepare forecast management documents and the corresponding reports, issue prior authorizations for regulated agreements, co-opt directors, appoint and dismiss the Chairman of the Board or the Chief Executive Officer, set their respective compensation, create Board committees and appoint committee members, and allocate directors' fees.

In addition, pursuant to the Board's internal regulation, certain decisions of the Chief Executive Officer must be submitted to the prior authorization of the Board.

Thus, the completion of a significant transaction outside the scope of the Company's strategy presented to the Board of Directors requires the prior approval of the Board. Such prior approval is also required in case of any acquisition or disposal of any entity or minority interests, any organic growth investment, any internal restructuring and any external financing (through bank debt or accessing the capital markets), in the event where these transactions exceed a threshold which is determined at the beginning of the year by the Board of Directors when meeting to establish the accounts for the preceding fiscal year, and which is effective until the next Board meeting approving the parent company financial statements. The Board of Directors meeting on March 25, 2011, thus set a threshold of €400 million, as in 2010, above which the prior approval of the Board is required for the operations mentioned above.

On March 25, 2011, the Board authorized the Chief Executive Officer, for one year, until the meeting of the Board approving the accounts for 2011, to grant guarantees in the name of Dassault Systèmes SA in the global limit of €500 million.

It should be noted that the Chief Executive Officer is assisted in his mission of execution of the strategy and daily management by executive vice presidents located at the Company headquarters in France, who are named in the Dassault Systèmes SA Annual Report, and who meet weekly as the Executive Committee.

h. Application of the Code AFEP-MEDEF

With respect to corporate governance, Dassault Systèmes follows the French recommendations and refers in particular to the recommendation of the Code AFEP-MEDEF. The Company seeks to improve its good governance practices each year. Nevertheless, it has been necessary to adjust or interpret certain provisions of the Code in light of the specific situation of the Company or in light of other provisions of the Code AFEP-MEDEF:

– Indemnity payment in the event of the departure of the Chief Executive Officer

  The Company respects the exclusions of the Code AFEP-MEDEF in this area and will not pay an indemnity in the event of poor Company results or mismanagement by the officer. It nevertheless retains three cases for payment, one of which is not explicitly provided for by the Code AFEP-MEDEF, in light of the Company's shareholder base and the long term of service of Mr. Charlès in the Company. It applies in the event of an imposed departure (*départ contraint*) if the departure is not related to poor results of the Company or mismanagement on the part of the Chief Executive Officer. In such case, the Board could decide to pay all or a portion of the departure indemnity.

– Calendar period for the granting of share subscription options and free shares

  The Company seeks to grant share subscription options during the same calendar periods provided they are compatible with the restrictive rules related to the Company possessing inside information, which may lead the Company to postpone a grant.

– Proportion of share subscription options and free shares in executive officer compensation

  Since the determination of compensation of the executive officers (*dirigeants mandataires sociaux*) does not occur on the same date as the grant of share subscription options or free options, the Board has not been able to specifically define the maximum portion represented by such options and shares in the total compensation of the Chief Executive Officer.

– Percentage of free shares granted to the executive directors (*dirigeants mandataires sociaux*)

  Free shares were granted to the Chief Executive Officer in light of his essential entrepreneurial contribution to the development and the performance of the Company. It should be noted that the stock options granted to the Chief Executive Officer on May 27, 2010, represent 4.03% of the total number of options granted.

– Acquisition of shares by the executive officers (*dirigeants mandataires sociaux*) benefitting from grants of free shares

  The Company believes that the holding period of the Chief Executive Officer, until he terminates his functions, with respect to 15% of the shares which may be acquired through the exercise of stock options and free share grants, represents a mechanism with an effect equivalent to the recommendation in the Code AFEP-MEDEF to subject the acquisition of free shares related to the performance of executive officers to the purchase of a fixed number of shares once the free shares become available.

2) Internal control procedures and risk management

Dassault Systèmes has defined and implemented an internal control procedure based mainly on the COSO framework (Committee of Sponsoring Organization of the Treadway Commission), as well as on the AMF's reference framework regarding internal control updated on July 22, 2010.

According to the COSO framework, internal control is a process carried out by the Board of Directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives: realization and optimization of operations, reliability of financial and accounting information and compliance with applicable law and regulations.

The Chairman's report on internal control procedures applies to Dassault Systèmes SA and its consolidated subsidiaries.

a. Internal control objectives

The internal control procedures within the Company, whether at the level of Dassault Systèmes SA or its subsidiaries, are designed to:

- improve the performance and efficiency of operations through optimized use of available resources (an objective inspired by the COSO framework);
- ensure the reliability, quality and availability of financial data (an objective inspired by the COSO and AMF frameworks);
- ensure that operations comply with legislation in effect and the Company's internal procedures (an objective inspired by the COSO and AMF frameworks);
- guarantee the safety of the assets, particularly the intellectual property, the human and financial resources and the image of the Company (an objective inspired by the AMF framework);
- prevent risks of error or fraud.

b. Internal control participants and organization

All corporate governance bodies participate in the implementation of the internal control processes.

The Board of Directors, which is sensitive to the issue of internal control, created in 1996 an Audit Committee, with the mission described above.

In parallel, the Company's management has established the following bodies:

- An Insider Committee: This Committee is responsible for setting and communicating to employees, directors and consultants the dates of the periods during which it is recommended that they not buy or sell Dassault Systèmes SA shares, in order to prevent insider trading. This Committee's role is to be informed of transactions executed by members of the management of the Company. The Company applies the rules issued by the AMF regarding the prevention of insider trading.
- An internal audit department reporting to the Senior Executive Vice President and Chief Financial Officer and to the Audit Committee: The mission of this department is to evaluate the relevance of Dassault Systèmes' internal control processes, to alert the management and the Audit Committee regarding possible deficiencies or risks, and to propose measures that will limit the risks and improve the efficiency of operations. In 2010, the internal audit department was responsible for evaluating, for the management team, internal control mechanisms related to financial reporting.
- An Ethics & Compliance Department reporting to the Chief Executive Officer, responsible for ensuring the implementation and respect of the Code of Business Conduct, which defines the ethical behavior rules applicable within the Company.

The internal control organization is also based on the principle of giving responsibility to each of the departments and subsidiaries of the Company in its respective area of expertise, and on delegations of powers to certain members of the Executive Committee of the Company.

Moreover, the subsidiaries' chief executives and financial officers are responsible for the preparation of the subsidiaries' accounts which are to be included in the consolidated accounts of the Company, and the annual accounts and activity reports for each of their respective subsidiaries, whether the accounts are prepared by their own financial teams or by shared internal financial and accounting services centers, particularly in the United States and France.

The Company controlling department is responsible for directing the financial objectives of the Company in accordance with budget monitoring procedures and, in this respect, performs specific controls and analyses of the quarterly accounts. It is also responsible for identifying, analyzing and warning of any differences from the previous year, the previous quarter and the Company's budget objectives, which are subject to a quarterly update.

c. Internal control and risk management procedures

The internal control mechanisms developed by the Company rely on the COSO methodology and on the recommendations of the framework recommended by the AMF, and promote internal control in the following areas:

- Control environment: the professional ethics of the Company are set forth in the corporate governance procedures, and specifically in the Code of Business Conduct, which describes the manner in which Dassault Systèmes expects to conduct business and which provides a guide intended to assist employees adopt correct decisions in their professional work, whether on an individual or collective basis. The Code of Business Conduct, which applies to all employees of Dassault Systèmes and is available on the Company's internet and intranet sites, addresses, among other matters (i) compliance with regulations applicable to the Company's business, (ii) individual interactions within the Company and with its ecosystem, and (iii) protecting the Company's assets (in particular, the Company's intellectual property and that of its clients and partners). The Code also includes rules governing conflicts of interest, insider trading and financial reporting.
- Risk analysis: the main risks which may impact the performance of the Company are identified, assessed and regularly reviewed by the management of the Company. These risks are described in the Chapter 4 of the Dassault Systèmes Annual Report (*Document de référence*) "Risk factors" for 2010, which mentions the measures taken by the Company to manage or limit the risks when possible. The Audit Committee reviews and holds a working session for reviewing measures to limit the main risks which could affect the Company.

Operational risks are managed mostly at the level of the subsidiaries, with intellectual property risks handled by the Company's headquarters legal services, and ethical conduct risks handled by the Company's Ethics & Compliance Department in close collaboration with the internal audit department. Management of financial risks is the responsibility of the Company's Treasury and Financial Division.

- Protection and monitoring activities:

  1) Protecting the Company's intellectual property is a constant concern. This protection is ensured by implementing and monitoring corporate processes designed to verify the Company's rights before it markets its software products.

     The Company has also developed during recent years protection for its inventions through a reasonable and well-considered approach to filing patents in several jurisdictions. The Company's principal brands are also registered in a large number of countries.

  2) Information systems protection, which is critical to ensure the security of the source codes for the Company's applications, is continually evaluated, tested and strengthened in the areas of network access or performance, anti-virus protection, and the physical security of servers and other information system facilities.

  3) Publication of the annual report is reviewed in detail in close cooperation between the financial, the legal and investors relations departments.

  4) The internal control policies related to the main processes within the Company (information technology security, sales administration, human resources, protection of intellectual property, closing and publication of financial statements, treasury management, client credit risk management) are formalized and updated at the level of both Dassault Systèmes SA and its main subsidiaries or the related shared services centers.

  5) Key control points making it possible to prevent or detect risks impacting the financial information in the significant entities of the Company are documented.

  6) Tests are performed annually on these key control points to evaluate their effectiveness.

  7) The implementation of action plans by the operational entities with a purpose of continuous enhancement.

- Communication:

The Company has deployed processes to review on a regular basis the performance of its main subsidiaries (budget review meetings, quarterly activity review, board meetings) and bi-annual communication forums.

- Monitoring:

In 2010 the internal audit department carried out different missions within the Company's subsidiaries to verify compliance of the local internal control procedures with the Company objectives. These missions, authorized by the Audit Committee, result in the issuance of recommendations to the local management teams and the implementation of action plans when deemed necessary to reinforce the audited processes and organizations.

d. Internal Control Procedures relating to the preparation and the treatment of financial and accounting information

Finally, with respect to the internal control processes related to the preparation of financial and accounting information, the Company's focus has been to:

- implement a quarterly control system to update budget objectives and identify and analyze any variation from the objectives set by the Financial Division of the Company and from the previous quarter and financial year.

Thus, each of the subsidiaries prepares a detailed and documented presentation of its sales activity for the quarter and the year, and performs a comparative analysis of its financial results (revenues and costs) in comparison with its budget targets and with the same quarter for the previous year.

Budget projections are reviewed, analyzed and updated each quarter to take into account all changes in the PLM market and the economic environment, particularly as regards exchange rates, and to present realistic objectives to shareholders and financial markets.

- Improve the reliability of its consolidation tools and processes in order to establish and publish required financial information every quarter as soon as possible. The consolidation procedure as defined by the Company is based on:

    1. Giving responsibility to the chief financial officers in the subsidiaries, who are required to certify the quarterly statements transmitted to Dassault Systèmes SA and to provide detailed business reviews and analyses before the accounts are consolidated.

    2. The use of reporting and consolidation tools that make data transmission and processing secure and allow the elimination of intra-group transactions. In 2010, the use of a new consolidation and reporting tool continued to improve the analytical and internal control capabilities of the headquarters consolidation and internal control teams.

    3. The implementation of an annual process to monitor off-balance sheet commitments, related party or regulated agreements ("*conventions réglementées*").

    4. A detailed review of the quarterly accounts of the subsidiaries and of the parent company by the Group's financial division.

    5. The detailed analysis by the Company accounting department of all the software and services transactions impacting in a significant manner the accounts in order to validate the accounting process.

- Systematize the processes by which the Audit Committee and the Board of Directors review financial information during quarterly conferences calls prior to the publication of the financial statements and during meetings of the Audit Committee prior to meetings of the Board of Directors.

- Structure its financial communications to ensure simultaneous and equivalent publication of information on its principal markets of financial results or transactions that could have an impact on the price of its shares.

e. Evaluation of internal control

The Company is no longer subject to the requirements of the U.S. Sarbanes-Oxley Act with regard to the assessment of its internal control procedures, since its voluntary delisting from the Nasdaq in October 2008.

Nevertheless, in conformity with European regulation, the Company evaluates its internal control procedures applicable to its principal processes and subsidiaries.

Thus, in 2010, detailed assessment work continued to be carried out, the management of the Company wishing to maintain a high level of internal control within the Company. This work is in line with the continuing improvement process of internal control, and allows the implementation of action plans and specific audits.

f. Limitations on internal control

The internal control system cannot provide an absolute guaranty that the Company's objectives in this area will be achieved. Inherent limitations apply to all internal control systems, related in particular to uncertainties in the external environment, the exercise of individual judgments, or dysfunctions which may occur as a result of human failure or simple error.

3) Other information required pursuant to section L. 225-37 of the French Code of Commerce

a. Specific modalities related to the shareholders' participation in the Shareholders' meeting

Shareholders participate in the shareholders' meetings of the Company according to provisions specified by law and by Articles 24 to 33 of the Company's by-laws. More specifically, any shareholder has the right to participate in shareholders' meetings and deliberations either personally or via a proxy, regardless of the number of shares held, according to Article 27 of the by-laws of Dassault Systèmes.

It should be noted that, following modifications to the by-laws as approved by the Extraordinary Shareholders' meeting on December 15, 2010, the right to vote attached to shares whose ownership rights have been split belongs to the owner of the "bare property" (*nu-propriétaire*) except for votes on decisions concerning the allocation of benefits, the right to which belongs to the holder of beneficial rights (*l'usufruitier*) (see Paragraph 21.2 "Memorandum and Articles of association").

It is proposed to the General Shareholders' Meeting of May 26, 2011, to modify the by-laws to provide, pursuant to Ordonnance 2010-1511 of December 9, 2010, and its decree for application 2010-1619 of November 23, 2010, that the shareholders may have themselves represented by any physical or legal person they choose, subject to compliance with the law (see Chapter 26 "General Shareholders' meeting").

b. Publication of the information as required by section L. 225-100-3 of the French Code of Commerce.

Information required by section L. 225-100-3 of the Code of Commerce is set out in Chapter 10 "Capital Resources" (concerning early repayment of the credit line of €200 million), Chapter 18 "Major Shareholders" (concerning control by GIMD), Paragraph 21.1.4 "Company shares" (relating to the repurchase by the Company of its own shares), Paragraph 21.2.5 "Shareholder meetings" (concerning conditions of voting rights) and Paragraph 15.1 "Compensation of the Company's Executive Directors ("*Mandataires Sociaux*")" (concerning an indemnity for the Chief Executive Officer in the event of an imposed departure (*départ contraint*)) of the Dassault Systèmes SA annual report ("*Document de référence"*) for 2010, which also includes the annual management report of the Board of Directors. The Annual Report *("Document de référence")* is available on the AMF website (www.amf-france.org) and on the Dassault Systèmes website (www.3ds.com). A press release will be issued to announce when this Annual Report becomes available.

Charles Edelstenne
Chairman of the Board

16.2 Report of the Statutory Auditors on Corporate Governance and Internal Control

For the year ended December 31, 2010

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Dassault Systèmes SA

To the Shareholders,

In our capacity as Statutory Auditors of Dassault Systèmes SA, and in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial Code for the year ended 31/12/2010.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, on 28 March 2011

The statutory auditors

PRICEWATERHOUSECOOPERS AUDIT	ERNST & YOUNG ET AUTRES
Xavier Cauchois	Jean-François Ginies

CHAPTER 17 – EMPLOYEES

17.1 Social Report

17.1.1 Dassault Systèmes and its employees

In 2010, Dassault Systèmes began a new phase of development with the goal of bringing 3D virtual universes to the service of sustainable innovation and development for man and the environment.

In connection with permanent innovation, the men and women who work at Dassault Systèmes constitute the Company's most important asset. They represent its culture and values and ensure its development by their strong capacity for innovation.

Technological innovation

In order to respond to issues related to the development of its technology, Dassault Systèmes recruits employees with very diverse expertise, and seeks to attract them with an environment which encourages each employee's professional and personal development.

In addition, the acquisitions made by Dassault Systèmes in 2010 through Exalead and Geensoft (see Paragraph 5.1.5 "History of the Company – 2010") significantly increased the range of its technologies and knowledge in fields such as Search Based Applications and embedded systems. These developments, which expand the Company's addressable market, also enable Dassault Systèmes employees to learn new skills and open new opportunities.

Social innovation

Social innovation is, and will remain, at the heart of the Company's development process. Dassault Systèmes is a global company which uses its products and solutions not only to bring value to its customers, but also to transform its own internal operations. The 3D SwYm platform, which has replaced the Group's Intranet, enabled a true community spirit to be put in place within the Company to encourage collaborative innovation. This platform encourages a new model of business networking, centered on employees, which radically changes processes for learning, testing and collaboration, and enhances the skills and contributions of each participant.

In this context, the role of "People@DS", the department responsible for human resources, is to attract and inspire talent to enable all Dassault Systèmes employees and partners to become actors in sustainable innovation.

17.1.2 Methodology for employee reporting

Scope

Employee reporting covers the company Dassault Systèmes SA and all the companies which it controls. The employees of companies or businesses acquired during the year are included in the social report.

Key employee indicators

For the purposes of its social report, the Company has selected key indicators which are set forth beginning in paragraph 17.1.3. Among these indicators, Dassault Systèmes has defined the notion of total employees as:

- the employees of Dassault Systèmes, and
- outside service providers who have worked more than one full month for the Company as of the end of the year. These service providers include in particular the employees of 3D PLM (see Chapter 19 "Related Party Transactions").

Data related to employees is calculated on the basis of "Full-Time Equivalents", which corresponds to the proportion of "hours worked per standard full-time work hours".

In connection with its active process of on-going improvement in the quality of information produced, the Company has also sought to extend in 2010 the number of key employee indicators communicated. The indicators for 2010 are compared with those of 2009 when available.

Limits of the social report

Since the Company operates in numerous countries with local regulations and practices which are not always harmonized or consolidated. Thus, for example, since notions generally adopted in France to define socio-professional categories (non-management, management, senior management) are not used outside France, and more than two thirds of Dassault Systèmes employees work outside France, the Company has used the following two categories:

- managers, which are responsible for a team, and
- non-managers, which do not manage a team and are specialized on specific issues (it is possible to move from one category to another).

For the same reasons of local differences, the Company is not able to provide consolidated data for overtime.

Gathering and consolidating employee data

The social report is prepared by People@DS, which is responsible for gathering and consolidating data through human resources and financial management software used in the business units included within the scope. In addition, People@DS has carried out interviews with the persons responsible for human resources at Dassault Systèmes' principal subsidiaries in France, the United States, Germany, the United Kingdom, Japan and Korea (representing 85% of the Company's employees) to complement the information from employee reporting related to principal policies for health and safety, anti-discrimination initiatives, training and absenteeism.

17.1.3 Company employees

17.1.3.1 Overview of Company employees (including outside service providers)

In 2010 Dassault Systèmes teams increased sharply, with a rise of nearly 15% in the number of employees compared to year-end 2009, to reach a total of 9,035 employees at December 31, 2010. The number of employees over the last three years is set forth below.

Year	Employees	Service Providers	3D PLM	Total Employees	Percent change
2010	7,507	449	1,079	9,035	15.3%
2009	6,472	406	956	7,834	(0.5)%
2008	6,760	154	961	7,875	–

The Company's growth, both organically and through acquisitions, has been very rapid; the number of Dassault Systèmes' employees has increased 83% from 2004 to 2010.

In connection with acquisitions, and particularly IBM PLM, the average rate of retention has been greater than 98%, which confirms the attractiveness of the Company, its culture and its business.

At December 31, 2010, the Company had 7,507 employees, located in 31 countries and representing 94 different nationalities, to which were added 449 outside service providers and the 1,079 employees of 3D PLM. This information is discussed in paragraphs 17.1.3.2 and 17.1.3.3.

Between 2008 and 2009, the Company's employees diminished 0.5% as a result of a policy of strict control over hiring and the difficult economic environment.

17.1.3.2 Overview of Company employees (excluding outside service providers)

Growth of the Company

The number of the Company's employees grew 16% in 2010 from 6,472 employees at December 31, 2009, to 7,507 employees at December 31, 2010. This increase was principally due to the integration of employees from IBM PLM, Exalead and Geensoft (see paragraph 5.1.5 "History of the Company – 2010").

Geographic distribution

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Total	***3,798***	***51%***	***2,667***	***35%***	***1,042***	***14%***	***7,507***	***100%***

With respect to their geographic distribution, 51% of the Company's employees are located in Europe, 35% in the Americas and 14% in Asia. This distribution has remained stable as compared to 2009 (Europe: 50%, the Americas: 36% and Asia: 14%).

Distribution by activity

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
R&D and maintenance	1,366	36%	919	34%	257	25%	2,542	34%
Sales, marketing and services	1,904	50%	1,320	50%	644	62%	3,868	51%
Administration and other	528	14%	428	16%	141	13%	1,097	15%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***

The acquisition of IBM PLM contributed to strengthening the size of the sales force, which represented 48% of total employees in 2009 and increased to 51% in 2010. The relative weight of the other services declined slightly as a result from 36% to 34% of total employees for R&D and from 16% to 15% for administrative functions.

Type of contract

99% of the Company's employees work under open term contracts.

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Open term contract	3,734	98%	2,659	100%	1,038	100%	7,431	99%
Fixed term contract	64	2%	8	0%	4	0%	76	1%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***

The distribution of types of contracts is the same as in 2009; 99% of the Group's employees worked under open term contracts.

Types of positions

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Managers	823	22%	553	21%	223	21%	1,599	21%
Non Managers	2,975	78%	2,114	79%	819	79%	5,908	79%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***

In 2010, managers represented 21% of Dassault Systèmes' employees, as in 2009.

Distribution by age

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
< 25 years old	40	1%	10	0%	5	0%	55	1%
25 to 30 years old	598	16%	263	10%	151	15%	1,012	13%
31 to 40 years old	1,314	34%	839	31%	462	45%	2,615	35%
41 to 50 years old	1,248	33%	868	33%	336	32%	2,452	33%
51 to 60 years old	561	15%	562	21%	85	8%	1,208	16%
More than 60 years old	37	1%	125	5%	3	0%	165	2%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***

Nearly half of the Company's employees (49%) were under 40 years old, as in 2009.

Distribution by seniority

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Fixed term contracts	64	2%	8	0%	4	0%	76	1%
Less than 2 years	601	16%	355	13%	191	18%	1,147	15%
2 to 5 years	1,292	34%	1,216	46%	517	50%	3,025	40%
6 to 10 years	669	17%	536	20%	186	18%	1,391	19%
11 to 15 years	492	13%	341	13%	70	7%	903	12%
16 to 20	231	6%	53	2%	15	1%	299	4%
More than 20 years	449	12%	158	6%	59	6%	666	9%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***

Proportion of women

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Women	803	21%	632	24%	173	17%	1,608	21%
Men	2,995	79%	2,035	76%	869	83%	5,899	79%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***

The relatively low proportion of women in the Company (21%; 22% in 2009) is due to the historically low number of women in engineering schools, which is one of Dassault Systèmes' principal sources of recruiting.

The distribution by socio-professional category between men and women is set forth below.

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Women								
Managers	128	16%	127	20%	21	12%	276	17%
Non-Managers	675	84%	505	80%	152	88%	1,332	83%
Total Women	***803***	***100%***	***632***	***100%***	***173***	***100%***	***1,608***	***100%***
Men								
Managers	695	23%	425	21%	202	23%	1,322	22%
Non-Managers	2,300	77%	1,610	79%	667	77%	4,577	78%
Total Men	***2,995***	***100%***	***2,035***	***100%***	***869***	***100%***	***5,899***	***100%***
Total	***3,798***		***2,667***		***1,042***		***7,507***	

17% of women employees of Dassault Systèmes are managers compared to 22% of the men. See also Paragraph 17.1.8.2 “Professional Equality between Men and Women”.

17.1.3.3 Employee arrivals and departures

Recruitment

In 2010, the number of Dassault Systèmes employees increased by 1,678 persons compared with 2009: 868 persons in Europe, 529 in the Americas and 281 in Asia. 95% of the contracts signed in 2010 were for an open term.

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Employees	% of total
Open term contract	791	91%	519	98%	277	99%	1,587	95%
Limited term contract	77	9%	10	2%	4	1%	91	5%
Total	***868***	***100%***	***529***	***100%***	***281***	***100%***	***1,678***	***100%***

Dassault Systèmes did not experience any particular difficulties in recruiting employees, even if the employment markets in Asia, and particularly in China and India, reflected certain signs of tension related to strong economic growth in the region.

In 2010, hiring followed the Company’s growth strategy, with:

- the strengthening of commercial teams, particularly for direct sales through the integration of 649 employees from the IBM PLM teams on April 1, 2010. This integration succeeded particularly well since 98% of the employees who joined Dassault Systèmes were still employees at December 31, 2010;
- the strengthening of the R&D teams through acquisition of Exalead and the integration of its 144 employees into the Company and by continued recruiting in R&D. The candidates selected in this context were typically university or engineering school graduates, most of them being hired at the end of their studies.

9% of these new hires were as Managers.

At 31 December 2010	Europe		Americas		Asia		Total	
	Employees	% of total	Employees	% of total	Employees	% of total	Effectifs	% of total
Managers	90	10%	39	7%	28	10%	157	9%
Non Managers	778	90%	490	93%	253	90%	1,521	91%
Total	***868***	***100%***	***529***	***100%***	***281***	***100%***	***1,678***	***100%***

In addition, 26% of the new hires in 2010 were women, who represent 21% of Dassault Systèmes' employees.

	Europe		Americas		Asia		Total	
At 31 December 2010	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**
Women	231	27%	143	27%	54	19%	428	26%
Men	637	73%	386	73%	227	81%	1,250	74%
Total	***868***	***100%***	***529***	***100%***	***281***	***100%***	***1,678***	***100%***

Finally, the age distribution of new hires in 2010 was affected by integrating the IBM PLM sales force, which was made up largely of experienced sales personnel.

	Europe		Americas		Asia		Total	
At 31 December 2010	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**
< 25 years old	41	5%	10	2%	5	2%	56	3%
25 to 30 years old	226	26%	74	14%	48	17%	348	21%
31 to 40 years old	228	26%	119	23%	101	36%	448	27%
41 to 50 years old	202	23%	145	27%	88	31%	435	26%
51 to 60 years old	161	19%	137	26%	38	14%	336	20%
More than 60 years old	10	1%	44	8%	1	0%	55	3%
Total	***868***	***100%***	***529***	***100%***	***281***	***100%***	***1,678***	***100%***

Employee departures

In 2010, 641 employees left the Company: 315 in Europe, 214 in the Americas and 112 in Asia.

	Europe		Americas		Asia		Total	
At 31 December 2010	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**
Open term contract	242	77%	205	96%	112	100%	559	87%
Limited term contract	73	23%	9	4%	–	–	82	13%
Total	***315***	***100%***	***214***	***100%***	***112***	***100%***	***641***	***100%***

The rate of employee turnover amounted to 8.9% for the year on a global basis.

The table below sets forth the different reasons for these departures.

Departures	Europe		Americas		Asia		Total	
Initiated by the Company	80	25%	61	28%	14	12%	155	24%
Initiated by the employee	125	40%	136	64%	93	83%	354	55%
Retirement	26	8%	2	1%	1	1%	29	5%
End of fixed term contract	65	21%	7	3%	2	2%	74	11%
Other	19	6%	8	4%	2	2%	29	5%
Total	***315***	***100%***	***214***	***100%***	***112***	***100%***	***641***	***100%***

More than half of the departures (55%) took place at the initiative of the employees, 24% were initiated by the Company, 11% were due to the termination of a fixed term contract, and 5% were due to retirement.

Most departures were by employees during their first five years at Dassault Systèmes

Seniority at time of departure	Europe		Americas		Asia		Total	
Less than 2 years	80	25%	26	12%	16	14%	122	19%
2 to 5 years	136	43%	133	62%	85	76%	354	55%
6 to 10 years	46	15%	33	16%	8	7%	87	14%
11 to 15 years	22	7%	19	9%	2	2%	43	7%
16 to 20	4	1%	2	1%	1	1%	7	1%
More than 20 years	27	9%	1	0%	–	0%	28	4%
Total	***315***	***100%***	***214***	***100%***	***112***	***100%***	***641***	***100%***

17.1.3.4 External labor resources and sub-contractors (other than 3D PLM)

Dassault Systèmes regularly uses outside service providers when it need to mobilize new resources with specific knowledge on projects for limited time periods.

In general, the Company seeks to hire only sub-contractors who respect the terms of the basic conventions of the International Labour Organization relating to the eradication of forced labor, the equality of pay between men and women, the absence of discrimination (in hiring and professional development), the elimination of child labor and freedom and protection for labor unions.

December 31, 2010, 449 outside service providers (in full time equivalents) worked for the Company.

	Europe		Americas		Asia		Total	
At 31 December 2010	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**
Total outside service providers	***147***	***33%***	***238***	***53%***	***64***	***14%***	***449***	***100%***

Payments made in 2010 to companies providing outside service providers amounted to €73.0 million (compared to €64.9 million in 2009).

17.1.4 Organization

17.1.4.1 Full-time and part-time

98% of the Company's employees work on a full-time basis. 8% of the women employees and 1% of the men employees work on a part-time basis.

	Europe		Americas		Asia		Total	
At 31 December 2010	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**	**Employees**	**% of total**
				Full-time/part-time				
Full-time	3,653	96%	2,649	99%	1,042	100%	7,344	98%
Part-time	145	4%	18	1%	–	0%	163	2%
Total	***3,798***	***100%***	***2,667***	***100%***	***1,042***	***100%***	***7,507***	***100%***
				Full-time/part-time as between men and women				
Women								
Full-time	690	86%	620	98%	173	100%	1,483	92%
Part-time	113	14%	12	2%	–	0%	125	8%
Total women	***803***	***100%***	***632***	***100%***	***173***	***100%***	***1,608***	***100%***
Men								
Full-time	2,963	99%	2,029	100%	869	100%	5 861	99%
Part-time	32	1%	6	0%	–	0%	38	1%
Total Men	***2,995***	***100%***	***2,035***	***100%***	***869***	***100%***	***5,899***	***100%***
Total	***3,798***		***2,667***		***1,042***		***7,507***	

17.1.4.2 Workweek

In each county where Dassault Systèmes has operations, the length of the workweek is determined according to local regulations in effect. When there is no legally determined workweek, it is generally set at 40 hours.

This is the situation at Dassault Systèmes KK in Japon, and at all the Dassault Systèmes subsidiaries in the United States, the United Kingdom and Germany.

In France, at Dassault Systèmes, the length of the workweek depends on whether an employee is subject to the system of annual working days (*forfait jours*) or not (*mode horaire*, or hourly system). Employees subject to the system of annual working days work a predefined number of days per calendar year and other employees work a certain number of hours per year as defined in local labor agreements.

- At Dassault Systèmes SA, management subject to the system of annual working days works 216 days per year, to which are added one day per year of "solidarity". For management not working under the "annual working days" system, the work week is set at 37.8 hours and takes into account "days of reduced work time" (JRTT) according to labor regulations.

  For non-management, the workweek is set at 35 hours, taking into account days of reduced work time.

- At Dassault Data Services, pursuant to an agreement signed in 2008 on "the organization and reduction of the workweek", the work week is organized as follows:
  - Management and non-management not subject to the system of annual working days work a 37 hour week over five days (with five weeks of paid vacation plus 12 days of additional "reduced work time" days off).
  - The system of annual working days only applies to management and corresponds to 216 work days per year (which already takes into account the additional "reduced work time" days off).

- At Dassault Systèmes Provence SAS, full-time management subject to the system of annual working days work 210 days a year plus one day of "solidarity". Full-time management not subject to the system of annual working days, the workweek, in accordance with French labor laws, is set at

– 39 hours for management under the “1,670 hour” system (this includes 13 days of “reduced work time”)

– 37 hours and 30 minutes for management under the “1,589 hour” system (this includes 15 days of “reduced work time”)

For non-management, the average workweek is set at 35 hours after taking into account time off for “reduced work time”.

17.1.4.3 Absenteeism

Absenteeism is tracked locally in accordance with regulations applicable in the different countries where Dassault Systèmes has operations. The Company does not have a harmonized system for managing absenteeism throughout its subsidiaries.

The data presented below covers the three French companies Dassault Systèmes SA, Dassault Systèmes Provence and Dassault Data Service, which represent approximately one third of the Company’s employees.

- The reasons for absence other than paid time off are: illness: 6,632 days; maternity and paternity leave: 3,811 days; work and travel accidents: 203 days. The resulting absenteeism rate is 2.04%.
- The total number of authorized absences (such as parental leave and leave for family events and excluding paid leave) was 4,689 days, or 0.9% of the number of days theoretically worked.

17.1.5 Compensation

17.1.5.1 Salaries and social charges

Total salaries

Total salaries paid by the Company amounted to €547.3 million in 2010, compared to €439.6 million in 2009, an increase of 24% for the year.

The salary policy at Dassault Systèmes seeks to ensure that each employee receives compensation which is:

- Consistent with market practices in advanced technology in each country where the Company has operations; and
- Differentiated according to the individual performance of each employee as evaluated by his direct manager during an annual interview reviewing performance and goals.

Increases take place for the entire Company in April each year. All the employees who were with the Company on October 1 of the preceding year are eligible for the annual salary increase.

In 2010, the average increases granted by Dassault Systèmes varied according to expected inflation in each country where the Company has activities.

Social charges

Social charges for the Company amounted to €150.4 million in 2010, compared to €128.9 million in 2009.

17.1.5.2 Profit-sharing (pursuant to Titles I and II of Book III of the Labor Code)

Regulatory profit-sharing (*la participation*) and employee profit-sharing (*l’intéressement*) are two methods of employee savings established by the law in France; regulatory profit-sharing is required for all businesses with more than 50 employees, while employee profit-sharing is optional. In 2008, Dassault Systèmes SA renewed its agreements with employee representatives for regulatory profit-sharing and employee profit-sharing for a period of three years.

Employee profit-sharing for the year 2009, which was paid in 2010 at Dassault Systèmes SA, amounted to €7.2 million.

The total amount of the contribution by Dassault Systèmes SA for regulatory profit-sharing for the year 2009, which was paid in 2010, was €10.8 million including a supplemental contribution of €2.6 million approved by the Board of Directors.

The table below sets forth the amounts of employee profit-sharing and regulatory profit-sharing at Dassault Systèmes SA over the past three years.

	2010		2009		2008	
(in thousands of euros)		% of total remuneration		% of total remuneration		% of total remuneration
Employee profit-sharing (*Intéressement*)	10,503	9%	7,208	7%	8,140	8%
Regulatory profit-sharing (*Participation*)	10,929	10%	10,812	11%	9,203	10%
Total	***21,432***	***19%***	***18,020***	***18%***	***17,343***	***18%***

The amounts attributed individually to employee beneficiaries are, as each employee may choose, directly received, contributed to one of the Company's savings plans or deposited (only possible for regulatory profit-sharing) in a blocked, interest-bearing bank account.

The results of operations recorded by Dassault Systèmes SA for the year 2010, and which will be submitted for approval at the General Shareholders' Meeting on May 26, 2011, should permit the distribution of employee profit-sharing of €10.5 million and of regulatory profit-sharing of €10.9 million.

17.1.6 Labor relations

17.1.6.1 Social dialogue and collective agreements

The quality of the social dialogue is based on the numerous exchanges between the Company's management and the employees and employee representatives.

Europe

In France, numerous meetings were organized by each business unit and collective agreements, concerning one or several subjects in connection with working and employment conditions, were negotiated and signed:

- A meeting with the Group Council (*le Comité de Groupe*)
- At Dassault Systèmes SA, 20 meetings with the Workers' Council (*le Comité d'entreprise*), 12 meetings with labor delegates and 25 negotiation meetings with all the representative labor unions were organized; in addition, the following collective agreements were reached:
  - Amendment n° 2 of January 6, 2010, to the agreement of July 4, 2007, relating to PERCO
  - Agreement relating to the employment of older persons at Dassault Systèmes on January 15, 2010
  - Agreement on the organization of work time of management of February 5, 2010
  - Agreement of February 26, 2010, on the annual required salary negotiation
  - Amendment n° 1 to the regulatory profit-sharing agreement for the years 2008, 2009 and 2010 of March 24, 2010
  - Agreement on consultation for preventing psycho-social risks: "Actions for Dassault Systèmes to be a place of growth and well-being at work" of June 11, 2010
  - Agreement on flexibility in the organization of work to facilitate access to the Campus of July 19, 2010
- The company Dassault Data Services organized professional elections on June 10 and 24, 2010; 14 meetings were held with the Workers' Council (*le Comité d'entreprise*) and 12 meetings were held with labor delegates; in addition, the following collective agreements were reached:
  - Agreement relating to the employment of older persons signed on January 21, 2010, by the CFDT and the CFE-CGC
  - Agreement on the postponement of professional elections signed on February 18, 2010, by all the representative labor organizations

– Agreement on the annual required negotiation signed on February 26, 2010 by all the representative labor organizations

– Agreement on the length of the mandates signed on April 16, 2010 by all the representative labor organizations

– Protocol of a pre-electoral agreement signed on May 7, 2010, by all the representative labor organizations

– Agreement relating to the Collective Savings Plan (*Plan Epargne Retraite Collective*) signed on December 21, 2010.

- At Dassault Systèmes Provence, 11 meetings were held with the Workers' Council (*le Comité d'entreprise*), 12 were held with labor delegates, and 23 negotiation meetings with all the representative labor unions; in addition, the following collective agreements were reached:

– Protocol of agreement on the employment of older persons signed on January 25, 2010, by the CFE-CGC and FO

– Protocol of agreement on period for taking holday signed on February 9, 2010 by the CFE-CGC and FO

– Protocol of a pre-electoral agreement signed on March 1, 2010, by all the CFE-CGC and FO

– Protocol of agreement on the annual required salary negotiation signed on May 7, 2010 by the CFE-CGC

– Agreement on employee profit sharing 2010/2011/2012 signed on June 8, 2010 by the CFE-CGC and FO

– Agreement on regulatory profit sharing signed on June 8, 2010 by the CFE-CGC

In Germany, collective agreements are negotiated and signed with the workers' council of each Company business unit. As a result, in 2010, five agreements were signed by Dassault Systèmes Germany GmbH in Stuttgart and two in Hanover:

– Agreement on the review of compensation (Stuttgart and Hanover)

– Agreement on the bonus and commission plans

– Agreement on the survey "Great place to work" (Stuttgart and Hanover)

– Agreement on the move from Fellbach to Stuttgart

– Agreement on the extension of the "Übergangsmandat" of labor unions

In the United Kingdom, there are no employee representatives or unions in the Dassault Systèmes subsidiaries.

Americas

In the United States, there are no employee representatives or unions in the Dassault Systèmes subsidiaries.

Asia

In Korea, an employee representative is elected every year and participates in the organization of the company's social activities.

In Japan, there are no employee representatives or unions in the Dassault Systèmes subsidiaries.

17.1.6.2 Health and Safety

The Company ensures that each of its employees has medical coverage in compliance with the practices in the countries where it has activities. In addition, in certain countries, employee representatives are responsible for communicating with the management of the relevant business units on employee health and safety.

France

Health, safety and working conditions committees ("CHSCT") exist in each of the Company's three French companies, thereby covering all of the 2,472 employees of Dassault Systèmes SA, Dassault Data Services and Dassault Systèmes Provence:

- The CHSCT of Dassault Systèmes SA met eight times during 2010. An agreement to prevent psycho-social risks, which calls for an equal-opportunity working group on the prevention of such risks, was signed on June 11, 2010.
- The CHSCT of Dassault Data Services met four times during 2010.
- The CHSCT of Dassault Systèmes Provence met six times during 2010.

All 2,472 employees in France have regular medical check-ups and benefit from supplementary health coverage. On the DS Campus HQ, a medical team composed of an occupational physician and three nurses looks after the health and wellbeing of all on-site employees.

Work or travel accidents resulting in absence from work for more than one day numbered seven during 2010.

United States

The Company has put in place a health coverage program for all its full-time employees. Depending on their family situation, the employees have the choice between two distinct programs. These programs include an individual health check-up every year.

Work or travel accidents resulting in absence from work for more than one day numbered three during 2010.

Asia

In Japan, an annual health check-up is organized by Dassault Systèmes KK for each employee; in 2010, 89% of the employees participated. In addition, all the employees are covered by health insurance.

In Korea, an annual health check-up is organized each year for all the employees, who are covered by a specific health insurance.

17.1.7 Development, training and career management

The Company has put in place a process to evaluate each employee's performance and development ("P&DC"), enabling each employee to meet his direct manager at least once each year to:

- define goals for the coming year, and
- evaluate the performance of the past year from the perspective of goals previously set.

In 2010, the goals of 97% of the Company's employees were discussed and formally documented in this manner.

Each employee can also raise with his manager or human resources department his goals for individual development and consider together setting up training.

In 2010, Dassault Systèmes invested in an original system for sharing information and expertise through on-line communities using the 3DSwYm solution. This collaborative platform enables each employee to connect and exchange informally with all the Company's experts on a specific issue. In this manner, answers given to client questions, programming tips or trends affecting the markets can be very rapidly communicated, shared and handled using all the collective knowledge within a community.

In parallel with this informal knowledge sharing, structured training programs are deployed in the Company's different subsidiaries. The training plans put in place, aligned with the Dassault Systèmes' strategy and the evolution of the PLM market, allow employees to develop their expertise regarding the V6 product portfolio and industrial processes, and to strengthen the professional and managerial skills.

Several programs have thus been developed to enrich the professional expertise of the sales teams, project management teams, and client service and support teams. These programs apply to the fundamentals of V6, new sales techniques, deepening operational skills and workshops focused on the different industries addressed by the Company.

An extensive training program was implemented for all R&D departments (development, industrialization, client support and industries). A predefined program covering worldwide processes and tools was implemented for all new R&D employees. This program will help these employees understand and master the knowledge required for their development.

As part of the Company's new development phase, the first management training programs were initiated in 2010 and will be more widely deployed in 2011. Two subjects were addressed: the fundamentals of management for new managers and performance management as regards the "Performance and Development Commitment" process. 68 managers participated in the pilot sessions organized around the world.

In 2010, in France, 65% of the employees benefited from at least one training during the year, representing more than 2,732 training sessions.

Distribution of training hours by type:	
Management	3,060
Job skills	21,856
Health, safety and environment	126
Language	3,771
Computer skills	9,378
Personal development	3,277
Other	8,666
Total in 2010	**50,134**

Distribution of training hours by category:	
Managers	47,284
Non-Managers	2,850

Distribution of training hours by men/women:	
Men	39,472
Women	10,662

17.1.8 Business ethics and professional equality

17.1.8.1 Business ethics

Since its creation, Dassault Systèmes has developed its culture and built its reputation on different fundamental principles, particularly the creation of long-term relationships with its employees, customers, partners and shareholders, as well as high quality products with high value added. Confidence and integrity, supported by rigorous ethics and regulatory compliance, are at the heart of Dassault Systèmes' commitments for sustainable innovation and growth.

The Company's commitment to professional ethics and business citizen is formalized through procedures regarding corporate governance, in particular the "Code of Business Conduct" distributed to all the Company's employees (see paragraph 16.1 of this Annual Report) and "Principles of Social Responsibility and of the Company" on the Company's Internet site. This commitment is also evidenced by the Company's ethical and compliance awareness training for the Company's new hires (more than 40 sessions in 2010 throughout the world) and by targeted training given to employees who are the most exposed to ethical risks in connection with their daily activities.

Business Code of Conduct

The Business Code of Conduct is intended to serve as the reference for each Company employee to guide his conduct and his interactions in connection with his activities. It recalls the Dassault Systèmes culture based on mutual respect, fairness and the diversity of its employees.

In this context, it is established as a principle that hiring, training, promotion, assignments and other decisions regarding work are based on the competence, talent and results demonstrated by employees and their professional motivations, with no discrimination, harassment or intimidation. The Company is particularly attentive to the health and safety of its employees, in their work conditions and environment, and respect for their privacy, particularly as regards the protection of personal data.

The Business Code of Conduct includes a mechanism for giving a professional warning which is available for all employees except in France, where other means for giving an alert with the same purpose are provided by the law. In all the other countries, this mechanism, whose use is neither required nor exclusive, enables Company employees to give an alert, in full confidentiality and in respect of the rights of defense, of concerns over dysfunctions in accounting, finance, or corruption, as well as when the vital interests of the business or the physical or moral well-being of a person are at risk (with a particular focus on cases of moral or sexual discrimination or harassment).

Principles of Enterprise Social Responsibility

The principles of Enterprise Social Responsibility, which the Company promotes to ensure that its ecosystem shares values based on the same universally recognized principles and rights, are founded on the recognition and respect of fundamental texts concerning social rights and the protection of the environment.

Dassault Systèmes requests that its suppliers and partners commit, to the extent possible under applicable local law, to the respect of the principles of eradicating labor by children required to attend school (and in any event under 15 years of age), eliminating forced labor, ensuring working conditions sufficient to provide for employee health and safety, respecting applicable minimum legal or regulatory levels of pay, and freedom to unionize and to collective negotiation of labor contracts. The Company also asks them to commit to ban all forms of discrimination, to fight against corruption and to respect applicable law on the protection of the environment.

17.1.8.2 Professional equality between men and women

The French, American, Japanese and German subsidiaries of Dassault Systèmes, which employ more than two thirds of the Company's employees, are subject to specific laws against professional discrimination between men and women.

Dassault Systèmes encourages both men and women to be present among its employees, developing access for women to different functions, and ensuring fair treatment for women's career advancement, particularly for women who do not take maternity leave.

Dassault Systèmes takes care to respect applicable regulations regarding professional equality and non-discrimination in the different jurisdiction where it has employees. For example:

France

The agreement regarding the equality and mixed professional presence between men and women signed for a three-year period by Dassault Systèmes SA with its union representatives on November 7, 2007, expired in 2010. Negotiations concerning professional equality between men and women are currently on-going at Dassault Systèmes; four negotiating meetings were held during 2010.

Dassault Systèmes Provence also has an agreement on the promotion of diversity in place.

In addition, in 2010, the company Dassault Data Services and the representative union organizations held negotiations concerning the equality between men and women.

United States

The Dassault Systèmes subsidiaries take care to comply with regulations regarding equality on the job (hiring, training, promotions, compensation, firing and any other decision related to work), in particular Title VII of the Civil Rights Act. Dassault Systèmes subsidiaries send each year to the U.S. authorities reports of compliance with these regulations (EE01, Vet 100 and Affirmative Action reports).

17.1.8.3 Employment of handicapped workers

The French, American, Japanese and German subsidiaries of Dassault Systèmes, which employ more than two thirds of the Company's employees, are subject to specific laws regarding the employment of handicapped workers.

Dassault Systèmes has carried out, particularly in France, different actions in favor of handicapped persons in 2010. For example:

France

The company Dassault Systèmes SA entered into an agreement, on December 18, 2003, for employing handicapped workers, creating conditions favorable for their integration; this agreement was renewed in 2007 for three years, and a new agreement was reached on December 11, 2009, for the period 2010-2012. The agreement provides for quantitative commitments in terms of recruitment, training and the budget.

These agreements reflect Dassault Systèmes SA's desire to make the hiring, training and continued employment of handicapped persons an important axis of its policy. The number of handicapped employees thus was multiplied by a factor of three since 2003. 21 handicapped persons were employed by Dassault Systèmes at the end of 2010, 16 of them were engineers or management, and seven had a major handicap. In addition, during 2010, six handicapped students were accepted for training or apprenticeship and 41 trainees seeking jobs were trained. Also, numerous actions for internal communication and awareness with respect to handicapped persons were performed (such as videos, articles, interviews, cartoons giving an inside look on what it means to be a handicapped worker, etc.).

Access to DS Campus HQ (where approximately 2,500 Company employees work) for handicapped persons was specifically considered during construction (such as floor quality, doors, furniture, signaling, magnetic loops, accessible meeting rooms, and parking lot entries).

United States

In the United States, the regulations regarding equality on the job (see the paragraph above "Professional Equality between Men and Women") apply in cases of discrimination against handicapped employees. It is however not permitted to ask about handicapped employees, so no data can be provided.

17.1.9 Social projects and relations with the social, regional and associative environment

17.1.9.1 Social projects

In France, Dassault Systèmes SA subsidizes its Workers' Council (*Comité d'entreprise*) in the amount of 5.2% of total salaries paid during the year, with the following distribution: 5% for social and cultural activities and 0.2% for the operating budget. In 2010, the Workers' Council thus received €6.2 million, compared to €5.5 million in 2009.

17.1.9.2 Relations with the social, regional and associative environment

Contribution to regional development

Dassault Systèmes has operations in 31 countries and seeks to recruit most of its employees locally. At December 31, 2010, three quarters of the Company's 7,507 employees were located outside France and the Company had employees from 94 different countries.

Company relations with secondary and post secondary education

In each country where Dassault Systèmes has operations, the Company has established a privileged relationship with the world of secondary and university education for several years. To facilitate innovation in teaching by the use of its technologies, Dassault Systèmes works together with schools, high schools, technical institutions, universities and major teaching centers around the world. Dassault Systèmes' academic partnership program includes a variety of actions specific to each of its brands, which are put in place via an Internet site dedicated to making available participative educational resources, granting of certificates and diverse partnerships. Each year, more than two million students become familiar with Dassault Systèmes' Mainstream 3D and PLM mechanical design technologies.

In 2010, the Company chose to pursue initiatives seeking to:

- encourage professional interest in science and technology and contribute to eliminating the lack of interest among young people for these fields in developed countries with sponsorship initiatives (for example, with (i) the American Society for Engineering Education – ASEE – and the European Society for Engineering Education – SEFI), (ii) support for high school students participating in advanced technical competitions such as the "F1 in School" or "Race in class", which were targeted to junior and senior high school students and lead them, in the context of their courses and clubs, to use CATIA or SolidWorks software to design, test and race miniature Formula 1 racecars. Begun in 2006 as a project for educational success, this initiative has reached a record of popularity in 2010-2011 with the participation of 11,000 students in France.
- improve the employability of degrees issued by different educational branches by giving them access to the Company's PLP solutions. This expertise should make it possible to respond rapidly to the needs of the 11 industrial sectors targeted by Dassault Systèmes' products and solutions. The need for engineers to combine technical knowledge acquired during a teaching course and knowledge of Dassault Systèmes' PLM tools and methods used by our industrial customers is growing rapidly in emerging countries.
- prepare students for their future employers by providing certifications which enable them to access fundamental engineering design competencies, in 10 languages. SolidWorks offers specialized programs for baja, car, airplane, and hybrid racing teams, for learning an integrated design and analysis process. The Group is a founding partner of the Association of Unmanned Vehicle Systems International (AUVSI), providing software to unmanned intelligent ground, air, and submarine vehicles and robotics systems. SolidWorks Sustainability empowers students to make the right choices in material selection and manufacturing processes for our planet's future.
- introduce new teaching methods using virtual models well adapted to the modes of interaction and learning of today's students.

In 2010, numerous innovative teaching projects led to the creation of virtual teaching environments: "virtualization" of flexible automation laboratories to multiply the use of DELMIA, interactive modeling of mechanical systems for teaching (CATIA), physics teaching experiments with mini-games (3DVIA). The SolidWorks STEM Teacher blog and Dassault Systèmes' academic community "3DS Academia" on the Internet allows sharing of Dassault Systems' teaching materials for all of its brands with teachers of all levels.

Company commitment to sustainable development

Dassault Systèmes is involved with associations to support the virtual economy and encourage sustainable innovation. To promote the development of the virtual economy in France and in Europe, Dassault Systèmes is a founding member of AFDEL (*Association Française des Editeurs de Logiciels*, or the French Association of Software Editors) in France, and the European Software Alliance in Brussels.

The goal of these associations is to promote the software industry as an industry that contributes to sustainable growth. Dassault Systèmes also supports the "Villette Foundation", a part of *Universcience en France*, whose goal is to promote and encourage scientific and technical culture to young people and to the public at large. Furthermore, to promote sustainable innovation, Dassault Systèmes sponsors the GoodPlanet Foundation, whose goal is to reduce greenhouse gases, the IMS (*Institut de mécénat social*) in France, "CSR Europe" in Brussels, and TERI (The Energy and Resource Institute) in India. Throughout the world, Dassault Systèmes brands are involved in local community efforts. Finally, the Company spearheaded an initiative to provide support for education and economic development in Rwanda. What began as a simple project to provide engineering software and courseware to students evolved into helping participants structure and operate their first businesses providing CAD modeling services to other global industries, and finally to underwriting the investment in demand generation for those services.

Finally, most of the Company's subsidiaries organize efforts to contribute to sustainable development within their community. For example, days for voluntary work with local associations organized by the employees of Simulia, collecting food by the employees of Delmia, subsidizing an orphanage by the employees of Dassault Systèmes China, participating in the PanMassachussets Challenge, a race intended to collect funds for the benefit of a health care and research institute (the Dana Farber Cancer Institute).

Dassault Systèmes makes available at the request of any shareholder a summary of Dassault Systèmes SA's social activities as provided for by Articles L. 2323-68 *et seq.* of the Labor Code.

17.1.10 Correspondence Table

Article R. 225-104 of the Code of Commerce	Social Report
Total employees	17.1.3.1
New hires under fixed term and open term contracts	17.1.3.2 and 17.1.3.3
Possible recruitment difficulties	17.1.3.3
Employee departures and reasons	17.1.3.3
Overtime	17.1.2
External workers and sub-contractors	17.1.3.4
Information concerning headcount reduction plans	Not applicable
Organization of the working time	17.1.4
Length of working time	17.1.4.2
Absenteeism and reasons	17.1.4.3
Compensation	17.1.5
Development of compensation and social charges	17.1.5.1
Employee profit-sharing, regulatory profit-sharing and employee savings plan	17.1.5.2
Professional equality between men and women	17.1.8.2
Professional relationships and summary of collective agreements	17.1.6
Health and safety	17.1.6.2
Training	17.1.7
Handicapped workers	17.1.8.3
Social work	17.1.9.1
Consideration by the company of the impact of its activities in its region and on local populations in terms of employment and regional development	17.1.9.2
Relations with employment agencies, teaching institutions, etc.	17.1.9.2
Respect by the subsidiaries of the terms of the fundamental conventions of the International Labour Organisation	17.1.8.1

17.2 Shareholdings and Stock Options of the Directors and Executive Officers

17.2.1 Options to subscribe Dassault Systèmes shares

As of December 31, 2010, there were sixteen active stock option subscription plans for the benefit of certain Company management and employees. No stock option subscription plan expired during 2010.

The exercise price of stock options granted pursuant to all the plans was fixed (i) by reference to the market value of the Dassault Systèmes shares on the date of grant of the stock options and (ii) without a discount from such market value, with the exception of the plan 2008-01, for which a slight discount of 3% was applied.

The general meeting of shareholders on May 27, 2010, authorized the Board of Directors to grant stock options to subscribe or to purchase Company shares for a period of 38 months, provided that the total of all outstanding stock options not give a right to more than 15% of the Company's share capital.

The Board of Directors used this authorization on May 27, 2010 to grant 1,240,000 stock subscription options to 542 beneficiaries. In respect of this grant, in compliance with the Code AFEP-MEDEF, the exercise of the options granted to executive directors (*dirigeants mandataires sociaux*) is subject to a performance condition.

Moreover, the Board of Directors decided on December 15, 2010, to modify the date on which new shares created by exercise of the subscription options would benefit from dividend rights, and modified each existing plan accordingly.

Going forward, new shares created by exercise of options between the 1st of January and the date of the annual General Shareholders' Meeting deciding on the allocation of profit related to the most recently completed financial year will be entitled to receive the dividend distributed with respect to that year. As a result, the new shares will be quoted on the same line as the previously existing shares.

On the other hand, the new shares created as of the day after this general meeting will not have a right to receive this dividend. Those shares will continue to be temporarily quoted on a second trading line until the date the shares trade ex-dividend (ie, without the right to receive the dividend to be distributed on Dassault Systèmes shares), in accordance with the NYSE Euronext rules.

The following table provides certain information on the Company's stock options plans in effect during 2010.

Grants of subscription or purchase options

(The table corresponds to Table 8 of the recommendation issued by the AMF on the remuneration of executive directors (mandataires sociaux) on December 22, 2008.)

Stock option plan	1998-08	1998-09	1998-10	1998-11	1998-12	2002-01	2002-02	2002-03
Meeting of Board	Mar. 29, 2001	Mar. 29, 2001	June 29, 2001	Oct. 05, 2001	Oct. 05, 2001	May 28, 2002	May 28, 2002	Jan. 20, 2003
Shareholders' Meeting	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	May 28, 2002	May 28, 2002	May 28, 2002
Number of options granted	2,909,600	553,300	138,000	1,387,400	328,650	1,363,563	355,300	3,325,000
– to *mandataires sociaux*	1,672,250	–	–	655,000	–	651,433	–	1,500,000
Charles Edelstenne	569,540	–	–	–	–	–	–	–
Bernard Charlès	882,710	–	–	525,000	–	526,433	–	1,200,000
Thibault de Tersant	220,000	–	–	130,000	–	125,000	–	300,000
– to the top 10 beneficiary employees (excluding *mandataires sociaux*)	736,000	176,600	116,403	424,100	101,000	454,000	139,000	1,060,000
Maximum number of shares	2,909,600	553,300	138,000	1,387,400	328,650	1,363,563	355,300	3,325,000
Number of beneficiaries	531	513	44	400	434	378	401	803
Exercise price in euro	52.00	52.00	49.00	35.00	35.00	45.50	45.50	23.00
First exercise date	Mar. 29, 2003	Mar. 29, 2001	June 29, 2001	Oct. 05, 2002	Oct. 05, 2002	May 28, 2003	May 28, 2003	Jan. 20, 2004
Last exercise date	Mar. 28, 2011	Mar. 28, 2011	June 28, 2011	Oct. 04, 2011	Oct. 04, 2011	May 27, 2012	May 27, 2012	Jan. 19, 2013
Number of options exercised in 2010	538,842	70,925	32,625	694,020	15,745	217,400	21,933	856,569
Number of options cancelled in 2010	5,750	100	0	800	0	3,019	50	650
Number of options outstanding as of Dec. 31, 2010	2,232,918	89,105	4,480	549,853	31,011	1,056,973	77,483	1,508,450
Number of options exercised between Jan. 1, 2011 and Feb. 28, 2011	1,182,144	25,580	3,144	55,738	480	32,338	2,138	22,438
Number of options cancelled between Jan. 1, 2011 and Feb. 28, 2011	0	40,000	0	0	5,000	0	15,000	0
Number of outstanding options as of Feb. 28, 2011(1)	1,050,774	23,525	1,336	494,115	25,531	1,024,635	60,345	1,486,012
Number of options exercised as of Feb. 28, 2011	1,720,986	372,995	128,456	853,636	240,207	250,178	230,579	1,819,963
Number of options exercisable as of Feb. 28, 2011	1,050,774	23,525	1,336	494,115	25,531	1,024,635	60,345	1,486,012

Stock option plan	2002-04	2002-05	2002-06	2006-01	2006-02	2008-01	2008-02	2010-01	Total
Meeting of Board	Jan. 20, 2003	Mar. 29, 2005	Mar. 29, 2005	Oct. 9, 2006	June 6, 2007	Sept.25, 2009	Nov.27, 2009	May 27, 2010	
Shareholders' Meeting	May 28, 2002	May 28, 2002	May 28, 2002	June 8, 2005	June 8, 2005	May 22, 2008	May 22, 2008	May 27, 2010	
Number of options granted	675,000	967,150	232,850	1,405,700	1,325,900	1,436,600	1,851,500	1,240,000	**19,495,513**
– to *mandataires sociaux*	–	80,000	–	150,000	150,000	150,000	170,000	110,000	**5,288,683**
Charles Edelstenne	–	–	–	–	–	–	–	–	**569,540**
Bernard Charlès	–	–	–	50,000	50,000	50,000	50,000	50,000	**3,384,143**
Thibault de Tersant	–	80,000	–	100,000	100,000	100,000	120,000	60,000	**1,335,000**
– to the top 10 beneficiary employees (excluding *mandataires sociaux)*	219,000	405,000	104,000	410,000	407,000	440,000	490,000	313,000	**5,995,103**
Maximum number of shares	675,000	967,150	232,850	1,405,700	1,325,900	1,436,600	1,851,500	1,240,000	**19,495,513**
Number of beneficiaries	533	264	88	447	462	502	539	542	
Exercise price in euro	23.00	39.50	39.50	47.00	47.50	38.15	39.00	47.00	
First exercise date	Dec. 31, 2004	Mar. 30, 2007	Mar. 30, 2006	Oct. 10, 2009	June 7, 2010	Sept. 25, 2009	Nov. 27, 2013	May 27, 2014	
Last exercise date	Jan. 19, 2013	Mar. 28, 2012	Mar. 28, 2012	Oct. 8, 2013	June 5, 2014	Sept. 24, 2015	Nov.26, 2017	May 26, 2018	
Number of options exercised in 2010	19,655	326,135	16,150	98,768	28,721	25,275	1,300	900	**2,964,963**
Number of options cancelled in 2010	3,000	6,100	2,350	29,200	20,879	76,933	50,300	11,500	**211,581**
Number of options outstanding as of Dec. 31, 2010	82,750	498,065	64,800	1,086,032	1,148,500	1,285,992	1,794,700	1,227,600	**12,738,712**
Number of options exercised between Jan. 1, 2011 and Feb. 28, 2011	3,500	25,340	2,800	7,766	4,700	17,412	0	0	**1,385,518**
Number of options cancelled between Jan. 1, 2011 and Feb. 28, 2011	0	0	0	0	0	0	0	0	**60,000**
Number of outstanding options as of Feb. 28, 2011(1)	79,250	472,725	62,000	1,078,266	1,143,800	1,268,580	1,794,700	1,227,600	**11,293,194**
Number of options exercised as of Feb. 28, 2011	545,350	360,925	128,100	106,534	33,421	42,687	1,300	900	**6,836,217**
Number of options exercisable as of Feb. 28, 2011	79,250	472,725	62,000	1,078,266	1,143,800	833,704	0	0	**7,836,018**

(1) For information regarding the dilution which would result from the exercise of the options, see also Section 21.1.1 "Share Capital at February 28, 2011".

The Company's internal rules provide for periods during which it is recommended not to buy or sell Dassault Systèmes SA's shares, notably during periods preceding and following the announcement of quarterly, half-year or annual results. Hedging operations to ensure gains in connection with exercising stock options are also prohibited.

At December 31, 2010, the only Company executive directors (*mandataires sociaux*) (the three of the Company's directors who are also executive officers) were Charles Edelstenne, Bernard Charlès and Thibault de Tersant.

See Section 15.1 "Compensation of the Company's Executive Directors" above regarding options granted to executive directors (*dirigeants mandataires sociaux*) in 2010.

See Section 14.1 "Board of Directors and Executive Officers" and Chapter 18 "Major Shareholders" regarding Dassault Systèmes shares held by the Company's executive directors (*mandataires sociaux*).

The following table sets forth, on a global basis, (i) the total number and weighted average exercise price of stock options granted to the ten Company employees who received the largest number of Company stock options during 2010 and who are not members of the Company's Board of Directors and (ii) the total number and weighted average exercise price of shares subscribed by the ten Company employees who have exercised the largest number of Company stock options during 2010 and who are not members of the Board.

Subscription and purchase options of the top ten employees who are not executive directors

(The table corresponds to Table 9 of the recommendation issued by the AMF on the remuneration of executive directors (mandataires sociaux) on December 22, 2008.)

	Total number of options	Weighted average exercise price	Plan n° 1998-8	Plan n° 1998-11	Plan n° 2002-01	Plan n° 2002-03	Plan n° 2002-05	Plan n° 2006-01	Plan n° 2008-01	Plan n° 2010-01
Stock options granted in 2010 to the ten employees of Dassault Systèmes SA who received the largest number of Dassault Systèmes SA stock options	313,000	€47.00	–	–	–	–	–	–	–	313,000
Stock options exercised in 2010 by the ten employees of Dassault Systèmes SA who exercised the largest number of Dassault Systèmes SA stock options	1,342,350	€37.93	259,090	388,009	189,550	292,822	196,500	13,045	3,334	–

17.2.2 Options to subscribe SolidWorks shares

The Company's subsidiary Dassault Systèmes SolidWorks Corporation created a SolidWorks stock option subscription plan in 1998 for employees of SolidWorks and its subsidiaries. In connection with this plan, 6,787,365 stock options were granted, including 2,800,000 subscription options to the senior management of Dassault Systèmes SolidWorks Corporation. No options were exercised in 2010. All unexercised options granted under this plan have expired and the plan has terminated.

17.2.3 Free shares

See paragraphs 15.1 "Compensation of the Company's executive directors (*mandataires sociaux*)" and 16.1.1 "Composition and practices of the Board of Directors".

17.3 Arrangements for Involving the Employees in the Capital of the Issuer

Not applicable.

CHAPTER 18 – MAJOR SHAREHOLDERS

18.1 Shareholder Base

The table below sets forth certain information concerning Dassault Systèmes' shareholder base over the last three fiscal years. Double voting rights are attributed to all fully paid-up shares held in nominative form registered in the name of the same shareholder for at least two years.

Shareholders	Number of shares held	Capital %	Number of voting rights	Voting %(5)
At December 31, 2010				
Groupe Industriel Marcel Dassault	51,887,334	42.76%	80,032,735	50.77%
Charles Edelstenne(1) and beneficiaries(2)	7,684,189	6.33%	15,342,311	9.73%
Bernard Charlès	817,655	0.67%	1,118,395	0.71%
SW Securities LLC(3)	251,807	0.21%	–	–
Treasury shares	150,000	0.12%	–	–
Directors and senior management(4)	12,649	0.01%	24,728	0.02%
Public	60,528,970	49.90%	61,120,521	38.77%
Total	***121,332,604***	***100.00%***	***157,638,690(5)***	***100.00%***
At December 31, 2009				
Groupe Industriel Marcel Dassault	51,887,334	43.84%	73,444,938	49.71%(4)
Charles Edelstenne(1)	7,684,189	6.49%	15,342,311	10.38%
SW Securities LLC(3)	251,807	0.21%	–	–
Treasury shares	150,000	0.13%	–	–
Directors and senior management(4)	732,367	0.62%	831,404	0.56%
Public	57,661,944	48.71%	58,134,400	39.35%
Total	***118,367,641***	***100.00%***	***147,753,053(5)***	***100.00%***
At December 31, 2008				
Groupe Industriel Marcel Dassault	51,887,334	43.65%	69,189,040	48.56%(4)
Charles Edelstenne(1)	7,682,647	6.46%	15,340,769	10.77%
SW Securities LLC(3)	251,807	0.21%	–	–
Treasury shares	1,300,000	1.09%	–	–
Directors and senior management(4)	581,816	0.49%	586,776	0.41%
Public	57,158,722	48.09%	57,355,275	40.26%
Total	***118,862,326***	***100.00%***	***142,471,860(5)***	***100.00%***

(1) Including shares held in trust for the benefit of his family and managed by Charles Edelstenne.

(2) At December 31, 2010, M. Edelstenne held 1,919,047 shares with all ownership rights and 1,542 shares through two family companies which he manages, representing in the aggregate 1.60% of the outstanding capital and 2.42% of the exercisable voting rights, as well as 5,763,600 shares with "beneficial" rights (*usufruit*). For the beneficial rights with respect to these 5,763,600 shares, M. Edelstenne can only exercise the right to vote on decisions of the General Shareholders' Meeting concerning the allocation of profit; the holders of the bare property rights (*nue-propriété*) exercise the right to vote for other resolutions in compliance with Article 11 of the by-laws.

(3) Because SW Securities L.L.C. is a subsidiary of the Company, shares held by SW Securities L.L.C. do not have voting rights.

(4) "Senior management" includes the senior officers listed in this Annual Report, other than Mr. Edelstenne and, at December 31, 2010, Mr. Charlès.

(5) See the following paragraph for an explanation.

The total number of votes published on Dassault Systèmes' web site is different from the number set forth in the table above. The number of votes published each month by Dassault Systèmes is an unadjusted number, which includes the voting rights attached to shares for which voting rights are suspended, in accordance with article 223-11 of the General regulation of the AMF. This number is used as the denominator by shareholders calculating their percentage holdings of equity interests and voting rights for purposes of required declarations of shareholdings. The total number of voting rights in the table above is the "net" number of voting rights (which does not include shares for which voting rights are suspended), or the number of votes which may be exercised in a shareholders meeting, in order for the presentation above to be consistent.

As a result, the Groupe Industriel Marcel Dassault SAS ("GIMD") declared to the AMF that it passed above the 50% threshold on November 26, 2010, holding 51.13% of the unadjusted votes on such date. It also declared to the AMF that it held 49.57% at December 31, 2009, and 48.04% at December 31, 2008.

At December 31, 2010, the total number of voting rights amounted to 158,040,497 (the number of votes which may be exercised, not including shares for which voting rights have been suspended, was 157,638,690) and, on February 28, 2011, the total number was 159,415,672 (the number of votes which may be exercised was 158,183,472). The total number of voting rights is published by Dassault Systèmes SA each month in accordance with regulations and provides information to investors for calculating changes in their percentage holdings for purposes of disclosing when they have crossed specific ownership thresholds.

M. Charles Edelstenne declared to the AMF that he passed below the 10% of voting rights threshold as a result of the increase in the number of Dassault Systèmes SA votes on November 30, 2010, holding 6.35% of the capital and 9.72% of the voting rights of Dassault Systèmes SA on that date. He further noted that on December 16, 2010, he had given bare property rights (*nue-propriété*) for 5,763,600 shares of Dassault Systèmes SA to his beneficiaries.

The investment management companies Orbis Investments Management Limited and Orbis Asset Management Limited informed Dassault Systèmes SA in 2010 that they had passed below the 2.5% threshold of the share capital of Dassault Systèmes in 2010 through the collective investment schemes which they manage.

Crédit Suisse Group AG informed Dassault Systèmes SA that it passed above the 2.5% capital threshold of Dassault Systèmes SA on June 9, 2010, and then crossed below the threshold on June 15, 2010.

To the knowledge of Dassault Systèmes SA, based on shareholder obligations to declare their equity interest or voting rights if they exceed or fall below certain levels, there are no other shareholders (except as indicated in the table above) who held 2.5% or more of the Company's share capital or voting rights (the threshold set forth in the Company's by-laws), directly or indirectly, alone or in agreement with other shareholders, at December 31, 2010.

Although Dassault Systèmes SA effected a voluntary delisting of its shares from Nasdaq in October 2008, it continues to maintain its ADR (American Depositary Receipts) program in the United States. The ADS (American Depositary Shares) are now traded on the over-the-counter market. On February 28, 2011, there were 2,911,908 ADSs outstanding and 64 record holders of ADSs, holding either for themselves or for third parties.

In January 2011, Dassault Systèmes SA commissioned a survey on the Company's shares from an external specialized services provider. The survey indicated that approximately 310 institutional investors, each holding more than 2,000 shares, held in the aggregate approximately 45.05% of the Company's share capital as of December 31, 2010.

As of the date of this Document, Dassault Systèmes SA holds 300,000 treasury shares, which were repurchased by the Company as part of the share repurchase program authorized by the General Shareholders' Meeting on May 27, 2010. These treasury shares represented approximately 0.25% of the Company's outstanding share capital as of March 25, 2011, and carry no right to vote or to dividends.

As of December 31, 2010, 60,461,011 outstanding shares (i.e., approximately 49.83% of the share capital) were held in registered form, representing 97,033,874 voting rights (i.e. approximately 61.39% of total voting rights).

In accordance with article L. 225-102 of the Commercial Code, the number of Dassault Systèmes shares held by the employees through the corporate savings plan (the "PEE") was 24,503 shares at December 31, 2010, or approximately 0.02% of the total number of shares at that date.

18.2 Voting Rights

The major shareholders do not hold voting rights which are different from voting rights of other shareholders, and may benefit from double voting rights under the same conditions as any other shareholder (i.e., fully paid-up shares held in registered form by the same shareholder for at least two years).

In the event ownership rights with respect to a share are split between different persons, Article 11 of Dassault Systèmes SA's by-laws provides that the right to vote belongs to the person holding the bare property right (*nue-propriétaire*), except for the right to vote on decisions concerning the allocation of profits, which belongs to the person holding "beneficial" rights (*usufruitier*) (see also Paragraph 21.2 "Memorandum and Article of Association").

18.3 Controlling Shareholder

Groupe Industriel Marcel Dassault SAS ("GIMD") is the principal shareholder of Dassault Systèmes SA with, as of December 31, 2010, 42.76% of the share capital and 50.77% of the exercisable voting rights. Since GIMD holds more than 50% of the voting rights of Dassault Systèmes SA, GIMD controls Dassault Systèmes. GIMD is wholly-owned by the members of the Dassault family.

In order to ensure that GIMD's ability to control the Company is not used in an abusive manner, the Company's Board of Directors includes a majority of independent directors, and the Audit Committee and the Compensation and Nomination Committee are composed entirely of independent directors. In addition, GIMD is not a member of the Company's Board of Directors. Two Directors of the Company, Laurent Dassault and Charles Edelstenne, are members of the Supervisory Board of GIMD but are not members of any Board committee of Dassault Systèmes SA.

In light of applicable regulations, because GIMD possesses more than one third but less than half of the shares and more than one half of the voting rights in the Company, GIMD may not increase its participation by more than 2% of the total number of shares of the Company in less than twelve consecutive months, unless it launches a public tender offer on all the equity securities issued by Dassault Systèmes, unless it receives an exemption from the obligation to make an offer based on Article 234-9 (6°) of the General Regulations of the AMF, which the AMF (*l'Autorité des Marchés Financiers*) can grant in its discretion.

18.4 Shareholder Agreements

Dassault Systèmes was informed on December 23, 2010, that, in compliance with Articles 787 B and 885 I bis of the General Tax Code, collective agreements not to sell shares for two years were signed on December 16 and 22, 2010, by GIMD, Charles Edelstenne for himself and his beneficiaries, and Bernard Charlès and certain persons connected to him. The agreements concerned 39,672,603 shares of Dassault Systèmes SA in total, representing 32.76% of the share capital and 42.82% of the voting rights on December 23, 2010.

Other than the agreements cited above, to the Company's knowledge, there is no shareholders' agreement or other convention between the shareholders of Dassault Systèmes SA.

The Company is not party to an agreement which could result in a change of control, and has no knowledge of the existence of such an agreement. Dassault Systèmes SA is not party to any shareholders' agreement with respect to any company, listed or unlisted, the terms of which could have a material effect on the market price of the shares of Dassault Systèmes.

CHAPTER 19 – RELATED PARTY TRANSACTIONS

The Company's related parties include its principal shareholder GIMD (as well as companies under its control, such as Dassault Aviation, or related to GIMD), related companies and its principal executive officers and their close family members.

Dassault Systèmes SA's related parties also include its subsidiaries. Transactions between the parent company and its subsidiaries as well as those between subsidiaries are eliminated in the consolidated financial statements.

Dassault Systèmes thus licenses its products to Dassault Aviation and certain of its subsidiaries, Dassault Aviation's President and Chief Executive Officer, Mr. Charles Edelstenne, also being the Company's Chairman, using commercial terms consistent with those used by the Company's other customers of similar size. The Company recorded software revenue from Dassault Aviation of €7.3 million for the year ended December 31, 2010 (€8.2 million for 2009 and €11.4 million for 2008).

Dassault Systèmes also provides services and technical support under market conditions to Dassault Aviation and certain of its subsidiaries. This activity generated revenues of €12.8 million for the year ended December 31, 2010 (€15.1 million for 2009 and €14.3 million for 2008).

Most of Dassault Systèmes' development centers subcontract software development work to 3D PLM Software Solutions Limited ("3D PLM"), a business venture created in 2002 between Dassault Systèmes (30% interest) and Geometric Software Solutions Co. Ltd. (70% interest), located in India. On November 9, 2010, Dassault Systèmes announced that, as part of its plans to strengthen R&D activities in India, its Indian subsidiary Delmia Solutions Private Limited will merge into 3D PLM via the parent of Delmia Solutions Private Limited. Following this merger, which is scheduled to occur on July 1, 2011 and is conditional to Indian regulatory approvals, Dassault Systèmes' share in 3D PLM will increase from 30% to 42% and Geometric Software Solutions Co. Ltd.'s share will decrease from 70% to 58%. The Company accounts for 3D PLM as an equity investment and shows the Company's share of its results under "Income from equity investees". This joint venture provides services to the Group, which retains the resulting intellectual property. Services purchased from 3D PLM by Dassault Systèmes amounted to €24.7 million in 2010 (€20.9 million for 2009 and €19.9 million for 2008).

See Note 25 to the Company's consolidated financial statements for further information on related party transactions.

See also Section 26.1 of this annual report regarding "regulated agreements", the Special Report of the Statutory Auditors regarding "regulated agreements" under Section 20.4.3, and Chapter 7 "Organizational Structure".

CHAPTER 20 – FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

The consolidated and parent company financial statements below will be submitted for the approval at the annual shareholders' meeting of Dassault Systèmes scheduled for May 26, 2011.

20.1 Historical Financial Information

In compliance with article 28 of the European Regulation no. 809/2004 of the European Commission, the consolidated financial statements for 2008 and 2009 are incorporated by reference in this Annual Report as stated on page 2 hereof.

Consolidated Financial Statements

Consolidated Statements of Income

		Year ended December 31,	
(in thousands, except per share data)	**Notes**	**2010**	**2009**
New licenses revenue		€393,873	€289,767
Periodic licenses, maintenance and product development revenue		1,017,130	810,062
Software revenue	**4**	**1,411,003**	**1,099,829**
Services and other revenue		152,836	151,515
Total revenue		**1,563,839**	**1,251,344**
Cost of software revenue		(76,212)	(56,583)
Cost of services and other revenue		(144,855)	(139,372)
Research and development		(322,119)	(302,504)
Marketing and sales		(480,165)	(356,702)
General and administrative		(125,865)	(108,401)
Amortization of acquired intangibles		(71,835)	(41,586)
Other operating income and expense, net	8	(20,801)	(15,165)
Operating income		**321,987**	**231,031**
Financial expense and other, net	9	(3,827)	(5,627)
Income from equity investees		1,838	1,462
Income before income taxes		**319,998**	**226,866**
Income tax expense	10	(99,301)	(56,852)
Net income		**€220,697**	**€170,014**
Attributable to:			
Equity holders of the Company		€220,544	€169,741
Non-controlling interest		€153	€273
Earnings per share			
Basic net income per share	11	€1.85	€1.44
Diluted net income per share	11	€1.82	€1.43

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(in thousands)	Year ended December 31, 2010	2009
Net income	**€220,697**	**€170,014**
Available for sale securities	(11)	(20)
Derivative (losses) gains on cash flow hedges	(33,777)	21,281
Foreign currency translation adjustment	80,188	(28,443)
Tax on items taken directly to or transferred from equity	11,678	(7,328)
Other comprehensive income, net of tax	**58,078**	**(14,510)**
Total comprehensive income, net of tax	**€278,775**	**€155,504**
Attributable to:		
Equity holders of the Company	€278,622	€155,231
Non-controlling interest	€153	€273

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

(in thousands)	Notes	Year ended December 31, 2010	2009
Assets			
Cash and cash equivalents	12	€976,482	€939,057
Short-term investments	12	162,646	118,902
Trade accounts receivable, net	13	413,447	322,313
Income tax receivable		36,348	38,934
Other current assets	13	84,273	82,536
Total current assets		**1,673,196**	**1,501,742**
Property and equipment, net	14	66,395	59,559
Investments and other non-current assets	15	26,161	26,630
Deferred tax assets	10	72,766	50,997
Intangible assets, net	17	616,697	229,392
Goodwill	18	616,619	431,388
Total non-current assets		**1,398,638**	**797,966**
Total assets		**€3,071,834**	**€2,299,708**
Liabilities			
Trade accounts payable		€93,169	€67,682
Accrued compensation and other personnel costs		170,873	117,658
Unearned revenue		386,996	243,694
Income tax payable		21,819	11,096
Other current liabilities	19	102,252	45,592
Total current liabilities		**775,109**	**485,722**
Deferred tax liabilities	10	57,222	47,103
Borrowings	22	293,419	200,000
Other non-current liabilities	19	154,277	118,120
Total non-current liabilities		**504,918**	**365,223**
Common stock		121,332	118,368
Share premium		229,866	125,439
Treasury stock		(7,172)	(5,629)
Retained earnings and other reserves		1,529,721	1,350,506
Other items		(82,956)	(141,034)
Parent shareholders' equity		**1,790,791**	**1,447,650**
Non-controlling interest		1,016	1,113
Total equity	21	**1,791,807**	**1,448,763**
Total equity and liabilities		**€3,071,834**	**€2,299,708**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Notes	Year ended December 31, 2010	2009
Net income attributable to equity holders of the Company		**€220,544**	**€169,741**
Non-controlling interest		153	273
Net income		220,697	170,014
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	14	24,160	23,066
Amortization of intangible assets	17	75,850	46,330
Deferred income taxes	10	(3,128)	(773)
Tax benefits from employee stock-option plans		722	1,478
Non-cash share-based payment expense	6	19,092	22,442
Other		15,608	6,994
Net cash from operations before changes in working capital		**353,001**	**269,551**
Changes in operating assets and liabilities:			
(Increase) decrease in trade accounts receivable		(64,532)	2,930
(Increase) decrease in other current assets		(1,358)	8,615
Increase (decrease) in accounts payable and accrued expenses		61,331	(10,364)
Increase in income tax payable		13,878	20,102
Increase (decrease) in unearned revenue		17,247	(2,932)
Increase in other liabilities		28,791	10,030
Net cash provided by operating activities		**408,358**	**297,932**
Proceeds from sale of property and equipment		1,270	407
Additions to property, equipment and intangibles		(37,290)	(16,254)
Purchases of short-term investments		(147,077)	(198,400)
Proceeds from sales and maturities of short-term investments		105,235	124,471
Payment for acquisition of businesses, net of cash acquired	16	(461,404)	–
Purchases of financial assets		(1,111)	(6,370)
Other		(1,072)	479
Net cash used in investing activities		**(541,449)**	**(95,667)**
Proceeds from exercise of stock-options		97,363	15,479
Cash dividends paid	21	(54,496)	(54,782)
Repurchase of common stock	21	(7,172)	–
Borrowings	22	115,042	–
Repayment of borrowings	22	(12,733)	–
Other		–	(168)
Net cash provided by (used in) financing activities		**138,004**	**(39,471)**
Effect of exchange rate changes on cash		32,512	(17,882)
Increase in cash and cash equivalents		**37,425**	**144,912**
Cash and cash equivalents at beginning of period		**939,057**	**794,145**
Cash and cash equivalents at end of period		**€976,482**	**€939,057**
Supplemental disclosure			
Income taxes paid		€47,624	€36,237
Cash paid for interest, net		€7,592	€7,600

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Shareholders' Equity

(in thousands)	Common stock	Share premium	Treasury stock	Retained earnings and other reserves	Other items	Equity holders	Non-controlling interest	Total Equity
January 1, 2009	**€118,862**	**€141,980**	**€(43,933)**	**€1,218,530**	**€(126,524)**	**€1,308,915**	**€1,638**	**€1,310,553**
Net income	–	–	–	169,741	–	169,741	273	170,014
Other comprehensive income, net of tax	–	–	–	–	(14,510)	(14,510)	–	(14,510)
Cash dividends paid	–	–	–	(54,032)	–	(54,032)	(750)	(54,782)
Exercise of stock-options	506	15,014	–	–	–	15,520	–	15,520
Treasury stock transactions	(1,000)	(31,555)	38,304	(5,749)	–	–	–	–
Share-based payments	–	–	–	22,442	–	22,442	–	22,442
Other changes	–	–	–	(426)	–	(426)	(48)	(474)
December 31, 2009	**€118,368**	**€125,439**	**€(5,629)**	**€1,350,506**	**€(141,034)**	**€1,447,650**	**€1,113**	**€1,448,763**
Net income	–	–	–	220,544	–	220,544	153	220,697
Other comprehensive income, net of tax	–	–	–	–	58,078	58,078	–	58,078
Cash dividends paid	–	–	–	(54,246)	–	(54,246)	(250)	(54,496)
Exercise of stock-options	2,964	104,427	–	–	–	107,391	–	107,391
Treasury stock transactions	–	–	(1,543)	(5,629)	–	(7,172)	–	(7,172)
Share-based payments	–	–	–	19,092	–	19,092	–	19,092
Other changes	–	–	–	(546)	–	(546)	–	(546)
December 31, 2010	**€121,332**	**€229,866**	**€(7,172)**	**€1,529,721**	**€(82,956)**	**€1,790,791**	**€1,016**	**€1,791,807**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for Years Ended December 31, 2010 and 2009

Note 1. Description of Business

Dassault Systèmes refers to Dassault Systèmes SA and its subsidiaries (the "Company"). The Company provides software solutions and consulting services which enable its customers to: innovate in the design and quality of products and services; reduce design-cycle time to accelerate time-to-market; collaborate with partners and suppliers in product development; create, manufacture and maintain products more cost effectively; and simulate their end-customers' experiences.

The Company's global customer base includes companies primarily in 11 industrial sectors: automotive; industrial equipment; aerospace; consumer goods; consumer packaged goods; energy; high-tech; shipbuilding; life sciences; construction; and business services. To serve these industries, the Company has developed a broad software applications portfolio, organized in brands, in order to provide comprehensive solutions responding to the extensive requirements of product development: Design, Realistic Simulation, Digital Manufacturing and Production, Collaborative Innovation, and Lifelike Experiences.

The Company principally organizes its business and markets its products and services according to two types of applications: the Product Lifecycle Management ("PLM") market, to support product development, production, maintenance and lifecycle management, and the Mainstream 3D market, which is primarily focused on product design.

Dassault Systèmes SA is a *société anonyme*, a form of limited liability company, incorporated under the laws of France. The Company's registered office is located at 10, rue Marcel Dassault, in Vélizy-Villacoublay, France. The Dassault Systèmes SA shares are listed in France on NYSE Euronext Paris. These consolidated financial statements were established under the responsibility of the Board of Directors on March 25, 2011.

Note 2. Summary of Significant Accounting Policies

Basis of Preparation and Consolidation

The accompanying consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand except where otherwise indicated.

The consolidated financial statements include the accounts of Dassault Systèmes SA and its subsidiaries. Companies over which the Company has control over operating and financial policies are fully consolidated. Companies over which the Company exercises significant influence over operating and financial policies are accounted for under the equity method. Intercompany transactions and balances are eliminated.

Impact of Recently Issued Accounting Standards

The following standards and interpretations which became mandatory from January 1, 2010 and were published in the Official Journal of the European Union at December 31, 2010, were applied for the first time in 2010:

- IFRS 3 (Revised), "Business combinations", mandatory for financial years beginning on or after July 1, 2009.

- IAS 27 (Revised), "Consolidated and separate financial statements" on accounting for changes in the ownership interest of a subsidiary, mandatory for financial years beginning on or after July 1, 2009.
- Amendment to IFRS 2, "Share-based Payment: Company cash-settled share-based payment transactions", mandatory for financial years beginning on or after January 1, 2010.
- Amendment to IAS 39 "Financial Instruments: Recognition and measurement – Eligible hedged items", mandatory for financial years beginning on or after July 1, 2009.
- IFRIC 16 "Hedges of a net investment in a foreign operation", mandatory for financial years beginning on or after July 1, 2009.
- Amendment to IAS 36 "Impairment of assets", mandatory for financial years beginning on or after January 1, 2010.
- Amendment to IFRS 8 "Operating segments", mandatory for financial years beginning on or after January 1, 2010.

The Company undertakes no early application of any standard or interpretation or associated amendments, including the following which were already published in the Official Journal of the European Union at December 31, 2010:

- IAS 24 (Revised) "Related Party Disclosure", mandatory for financial years beginning on or after January 1, 2011.
- Amendment to IAS 32 "Financial Instruments: Presentation – Classification of rights issues", mandatory for financial years beginning on or after February 1, 2010.
- IFRIC 19 "Extinguishing financial liabilities with equity instruments", mandatory for financial years beginning on or after July 1, 2010.

The Company does not currently expect adoption of these new standards, interpretations and amendments to have a material impact on the financial statements.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with current year presentation.

Summary of Significant Accounting Policies

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Examples include: estimating loss contingencies; assessing product life cycles; identifying the different elements comprising a software arrangement, including the distinction between upgrades/enhancements and new products; determining when technological feasibility is achieved for our products; estimating the fair value and/or goodwill impairment; determining when a decline in value of our investments is other-than-temporary; determining the nature, fair value and useful life of acquired intangible assets in a business combination; determining assumptions for share-based payments; and assessing the realizability of deferred tax assets. Actual results and outcomes could differ from management's estimates and assumptions.

FOREIGN CURRENCY ADJUSTMENTS

The functional currency of the Company's foreign subsidiaries is generally the applicable local currency. Assets and liabilities with functional currencies other than the euro are translated into euro equivalents at the rate of exchange in effect on the balance sheet date. Revenues, expenses and cash flows are translated at the average exchange rates for the year unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which case revenues, expenses and cash flows are translated at the rate on the dates of the transactions. Translation gains or losses are recorded in the "Other items" caption of shareholders' equity.

Exchange differences on the settlement or retranslation of monetary items in a currency other than the Company's and its subsidiaries' functional currency are recorded in the current year statement of income.

REVENUE RECOGNITION

The Company derives revenue from three primary sources: (1) new software licenses, periodic licenses, maintenance and product development, which includes software license updates, technical support and the development of additional functionalities of standard products requested by clients; (2) consulting and training services and other revenue, including commissions received for sales support; and, until the Company's acquisition of the IBM business unit dedicated exclusively to the marketing, sale and support of the Company's PLM software ("IBM PLM", see Note 16. Business Combinations), and (3) its marketing and distribution agreement with IBM.

Revenues are disclosed net of taxes collected from customers and remitted to governmental authorities.

Software License, Maintenance and Product Development Revenue – Software license revenue represents fees earned from granting customers licenses to use the Company's software. The Company's software license revenue consists of perpetual and periodic license sales of software products. Software license revenue is recognized (to the extent the Company has no remaining obligations to perform) when: persuasive evidence of an arrangement exists, delivery and acceptance of the software has occurred, the software license fee is fixed or determinable, and collectibility is probable. In instances when any of the four criteria are not met, the Company defers recognition of software license revenue until all criteria are met. Revenue related to the licensing of software through value-added resellers (VAR) is generally recognized when evidence of a sale to an end-user customer is provided to the Company, assuming all other revenue recognition criteria have been met. Periodic licenses generally have a one-year term and the corresponding fee is recognized ratably over the term of the license.

Maintenance revenue represents periodic fees associated with the sale of unspecified product updates on a when-and-if-available basis and technical support. Maintenance agreements are entered into in connection with the initial software license purchase. Maintenance support may be renewed by the customer at the conclusion of each term. Revenue from maintenance is recognized on a straight-line basis over the term of the maintenance agreement.

Product development revenue relates to the development of additional functionalities of standard products requested by clients and is recognized as the development work is performed.

Recurring fees for periodic license and maintenance and product development revenue are reported within software revenue.

Revenue under multiple-element arrangements, which typically include new software licenses and maintenance agreements sold together, is allocated to each element in the arrangement primarily using the residual method based upon the fair value of the undelivered elements. Discounts, if any, are applied to the delivered elements, usually software licenses, under the residual method. For maintenance, fair value is generally determined based upon either the renewal rate specified in each contract or the price charged when sold separately.

Services and Other Revenue – Services and other revenue consists primarily of fees from consulting services and training and commissions received in connection with the Company's sales support activities. Services generally do not require significant modification or customization of software products and are accounted for separately to the extent they are not essential to the functionality of software products. Service revenues derived from time and material contracts are recognized as time is incurred.

Service revenues derived from fixed price contracts are generally recognized using a percentage of completion basis. For customer support contracts, when no performance pattern is discernible, revenue is recognized ratably over the term of the contract, generally one year, on a straight-line basis. Commissions are recognized when earned.

Marketing and Distribution Agreement with IBM – Under the Company's agreement with IBM, which was in effect until the Company's acquisition of IBM PLM, the Company licensed its products to IBM who then sublicensed the products to end-users. The Company provided maintenance to IBM but did not contract directly with IBM customers. In addition, the Company provided training to IBM employees for new product releases, participated with IBM in a worldwide marketing arrangement and was involved in other product development initiatives for both the Company's and IBM's products.

Royalties under this arrangement were earned as revenue was recognized by IBM from its sublicensing of products and services. Royalties were recognized in software revenue when earned from IBM and reported to us. In general, this resulted in recognition of license royalties when IBM sublicensed software to end-users and maintenance royalties over the period during which IBM was required to provide support to end-users. Royalty payments were generally made within 30 days after the end of the month in which the royalties were earned.

SHARE-BASED PAYMENT

The Company recognizes compensation expense for share-based payment awards expected to vest on a straight-line basis over the requisite service period of the entire award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

The Company estimates the fair value of share-based payment awards on the date of the grant using an option-pricing model based on assumptions made by management on expected volatility, expected life and distributed dividends.

COST OF SOFTWARE REVENUE / RESEARCH AND DEVELOPMENT

Costs incurred to develop computer software products include mainly payroll and other headcount-related costs associated with development of the Company's products. They also include amortization expense, lease and maintenance costs of computer equipment used for product development, software expenditures and costs of information technology and communication.

Research costs are expensed as incurred. Development expenditure on an individual project is recognized as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset;
- its intention to complete the intangible asset;
- its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete and sell the asset; and
- the ability to measure reliably the expenditure during development.

Due to specificities in the software industry, the Company has determined that technological feasibility was the key criteria to capitalize development expenditure. Currently the risks and uncertainties inherent in the software development process make it difficult to demonstrate technological feasibility before a working prototype has been completed, which generally occurs shortly before the commercial release of its software products. As a consequence, costs incurred after technological feasibility is established that could potentially be capitalized are not material.

Costs of computer software revenue primarily include software license expense for software products included in the Company's software, maintenance costs, CD duplication costs and delivery expense.

GOVERNMENT GRANTS AND OTHER GOVERNMENT ASSISTANCE

The Company receives grants from various governmental authorities to finance certain research and development activities, including research and development tax credits in France that are treated as government grants because they are realizable in cash in the event the Company has insufficient income tax payable. Government grants are recognized as a reduction of research and development costs or costs of services and other revenue when the qualifying research and development activities have been performed and there is reasonable assurance that the grants will be received.

OTHER OPERATING INCOME AND EXPENSE, NET

The Company distinguishes income and expense that is unusual, infrequent or generally non-recurring in nature in the consolidated statement of income. Such income and expense includes the impact of restructuring activity and other generally non-recurring events, such as certain real estate transactions, costs directly related to acquisitions and costs related to site closings or moving from one site to another.

INCOME TAXES

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

ALLOWANCE FOR DOUBTFUL ACCOUNTS AND LOANS RECEIVABLE

The allowance for doubtful accounts and loans receivable reflects the Company's best estimate of probable losses inherent in the receivable balance. The Company determines the allowance based on known troubled accounts, historical experience and other currently available evidence.

FINANCIAL INSTRUMENTS

Fair Value – The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses approximate fair value, due to the short-term maturities of such instruments. Foreign exchange options, futures, and forward contracts, which are designated and serve as hedges, are recorded at their fair market value. Based on the three hierarchy levels defined by IFRS 7 (Revised) (level 1: quoted price in active markets; level 2: inputs observable directly or indirectly (other than quoted price included in level 1); level 3: inputs not based on observable market data), cash, cash equivalents and short-term investments are measured using the level 1 fair value. Derivative instruments are measured using the level 2 fair value. Other investments that are not equity method investments are measured using the level 3 fair value.

Cash and Cash Equivalents and Short-Term Investments – The Company considers marketable debt securities with short-term maturities, deposits with banks, and investments in money market mutual funds to be cash equivalents since they are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Other marketable debt securities and mutual funds that do not qualify as cash equivalents are considered to be short-term investments and are generally classified as trading securities with changes in fair value recorded through financial income.

Investments – Investments include, principally, available-for-sale equity securities at fair value, loans at amortized cost and equity method investments. For available-for-sale equity securities, any unrealized holding gains and losses are excluded from operating results and are recognized in consolidated statements of comprehensive income until realized. The Company assesses declines in the value of individual investments to determine whether such decline is other-than-temporary and thus the investment is impaired. This assessment is made by considering available evidence including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the individual company, and the Company's intent and ability to hold the investment.

Derivative Instruments – The Company uses derivative instruments to manage exposures to foreign currency and interest rates. Each derivative instrument is measured at its fair value and changes in the derivative's fair value affect the consolidated statements of income unless specific hedge accounting criteria are met. Changes in the fair value of derivatives designated as cash-flow hedges are reported as a component of shareholders' equity until the hedged item is recognized in earnings.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to credit risk consist primarily of cash equivalents, short-term investments, accounts receivable and derivatives. The Company invests its cash equivalents and short-term investments with high credit-quality financial institutions. The Company invests its excess cash primarily in money market funds and bank certificates of deposit.

The Company has established guidelines relative to credit ratings and diversification of maturities that seek to maintain safety and liquidity. Management monitors the credit-worthiness of the aforementioned counter-parties and considers the credit risk exposure due to counter-party failure to be minimal.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives: computer equipment, 18 months to 5 years; office furniture and equipment, 5 to 10 years; leasehold improvements are amortized over the shorter of the life of the assets or the remaining lease term. Repair and maintenance costs are expensed as incurred.

INTANGIBLE ASSETS

Intangible assets primarily include acquired technology, contractual customer relationships, computer software and trademarks. Costs related to intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives, which range from two to 13 years. No intangible assets have been identified with an indefinite useful life.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of the impairment test, the Company relies upon projections of future cash flows and takes into account assumptions regarding the evolution of the market and its ability to successfully develop and commercialize its products. Changes in market conditions could have a major impact on the valuation of these assets and could result in additional impairment losses.

PROVISIONS

Provisions are recognized to cover probable outflows of resources that can be estimated and that result from present obligations (legal, contractual or constructive) relating to past events. In cases where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Company's commitments.

The amount of the provision provided is the best estimate of the outflow of resources required to extinguish this present obligation.

TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Any difference between the recorded amount and the redemption value is amortized into income over the period of the borrowing using the effective interest rate method.

POST-EMPLOYMENT BENEFITS

The Company's payments for defined contribution plans are recorded as expenses for the relevant period.

For defined benefit plans concerning post-employment benefits, the Company uses the Projected Unit Credit Method to determine the present value of its obligations. Under this method, benefits are attributed to periods of service according to the plan's benefit formula. However, if an employee's service in later years will earn a materially higher level of benefit than in earlier years, benefits are attributed to periods of service on a straight-line basis.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date (this is referred to as the corridor approach). These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The future payments for employee benefits are measured on the basis of future salary increases, retirement age, mortality and length of employment with the company, and are discounted at a rate determined by reference to yields on long-term high quality corporate bonds of a duration corresponding to the estimated duration of the benefit plan concerned.

The net expense for the year, corresponding to the sum of the current period service costs, the discount cost less the expected return on fund assets and a portion of deferred past service costs, is charged in full to operating income.

Note 3. Segment and Geographic Information

Operating segments are components of the Company for which discrete financial information is available and whose operating results are regularly reviewed by management to assess performance and allocate resources. The Company operates in two reportable business segments: the PLM segment and the Mainstream 3D segment. The PLM market serves customers seeking to optimize their industrial processes from the design stage through to manufacturing and maintenance. The Mainstream 3D market serves companies seeking to support product design. The accounting policies of the reportable segments are the same as those described in Note 2. Summary of Significant Accounting Policies.

Data by reportable segment is as follows:

	Year ended December 31, 2010			
(in thousands)	**PLM**	**Mainstream 3D**	**Elim.**	**Total**
Software revenue	€1,099,633	€311,525	€(155)	€1,411,003
Services and other revenue	152,789	47	–	152,836
Total revenue	**1,252,422**	**311,572**	**(155)**	**1,563,839**
Operating income	**€201,344**	**€120,643**	**€ –**	**€321,987**

	Year ended December 31, 2009			
(in thousands)	**PLM**	**Mainstream 3D**	**Elim.**	**Total**
Software revenue	€839,112	€260,829	€(112)	€1,099,829
Services and other revenue	152,129	253	(867)	151,515
Total revenue	**991,241**	**261,082**	**(979)**	**1,251,344**
Operating income	**€132,295**	**€98,736**	**€ –**	**€231,031**

Information about certain non-cash and balance sheet items is as follows:

	Year ended December 31, 2010			
(in thousands)	**PLM**	**Mainstream 3D**	**Elim.**	**Total**
Depreciation of property and equipment and amortization of intangible assets	€94,220	€5,790	€–	€100,010
Non-cash share-based payment expense	19,092	–	–	19,092
Additions to property, equipment and intangibles	33,294	3,996	–	37,290
Goodwill	590,491	26,128	–	616,619

	Year ended December 31, 2009			
(in thousands)	**PLM**	**Mainstream 3D**	**Elim.**	**Total**
Depreciation of property and equipment and amortization of intangible assets	€62,231	€7,165	€–	€69,396
Non-cash share-based payment expense	22,442	–	–	22,442
Additions to property, equipment and intangibles	13,924	2,330	–	16,254
Goodwill	407,154	24,234	–	431,388

The data by geographic operations of the Company is established according to the geographical location of the consolidated companies.

(in thousands)	France	Europe – other than France	Americas	Asia Pacific	Total
2010					
Revenue	€380,394	€244,658	€614,277	€324,510	€1,563,839
Total assets	1,077,882	402,094	1,266,207	325,651	3,071,834
Additions to property, equipment and intangibles	16,420	4,507	8,498	7,865	37,290
2009					
Revenue	€454,096	€127,112	€496,922	€173,214	€1,251,344
Total assets	747,038	208,855	1,229,388	114,427	2,299,708
Additions to property, equipment and intangibles	9,234	–	6,365	655	16,254

The Company also receives data that identifies the location of the Company's end-user customers. Using such information, revenue by geographic area would be as follows:

	Year ended December 31,	
(in thousands)	2010	2009
France	€173,429	€150,600
Europe – other than France	529,539	426,932
Americas	456,500	386,322
Asia Pacific	404,371	287,490
Total revenue	**€1,563,839**	**€1,251,344**

Note 4. Software Revenue

Software revenue is comprised of the following:

	Year ended December 31,	
(in thousands)	2010	2009
New licenses revenue	€393,873	€289,767
Periodic licenses and maintenance revenue	1,014,575	805,190
Product development revenue	2,555	4,872
Software revenue	**€1,411,003**	**€1,099,829**

Historically, the Company generated a significant amount of its licensing revenue through its agreement with IBM (23% of its total revenue in 2009). As expected, the amount of revenue generated through the Company's agreement with IBM decreased significantly in 2010 (8% of total revenue) as a result of the IBM PLM acquisition which was completed on March 31, 2010.

Note 5. Personnel Costs

PERSONNEL COSTS

Personnel costs excluding share-based payments (see Note 6. Share-based Payments) are presented in the following table:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Personnel costs	€580,563	€470,916
Social security costs	148,654	126,906
Total personnel costs	**€729,217**	**€597,822**

INDIVIDUAL RIGHT TO TRAINING FOR EMPLOYEES IN FRANCE

French law provides employees employed under indefinite-term employment contracts by French entities within the Company with the right to receive individual training of at least 20 hours per year ("Individual Training Rights"). Individual Training Rights can be accumulated over six years and the related costs are expensed as incurred.

As of December 31, 2010, accumulated Individual Training Rights were approximately 219,000 hours.

Note 6. Share-based Payments

As of December 31, 2010, compensation expense related to share-based payment awards of €24.3 million is recorded respectively in cost of services and other revenue for €1.1 million, in research and development for €12.1 million, in marketing and sales for €5.6 million, and in general and administrative for €5.5 million.

As of December 31, 2009, compensation expense related to share-based payment awards of €24.1 million is recorded respectively in cost of services and other revenue for €0.6 million, in research and development for €13.3 million, in marketing and sales for €4.9 million, and in general and administrative for €5.3 million.

A reconciliation of changes during 2009 and 2010 of unvested options and restricted and service awards to which IFRS 2, "Share-based Payment" is applicable is as follows:

	Number of awards
Unvested at January 1, 2009	**5,019,637**
Granted	2,001,500
Vested	(2,147,482)
Forfeited	(153,338)
Unvested at December 31, 2009	**4,720,317**
Granted	1,390,000
Vested	(2,229,471)
Forfeited	(129,882)
Unvested at December 31, 2010	**3,750,964**

As of December 31, 2010, total compensation cost related to unvested awards expected to vest but not yet recognized was €32.5 million, and the Company expects to recognize this expense over a weighted average period of 2.68 years.

STOCK-OPTION PLANS

Since 1996, the shareholders' meeting has authorized the Board of Directors to implement several stock-option plans for eligible employees and executives. Options generally vest over various periods ranging from one to four years, subject to continued employment. Options generally expire seven to ten years from grant date or shortly after termination of employment, whichever is earlier. To date options have been granted at an exercise price equal to or greater than the grant-date market value of the Company's share.

A summary of the Company's stock option activity is as follows:

	2010		2009	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at beginning of year	**14,672,506**	**€40.05**	**16,336,371**	**€39.38**
Granted	1,240,000	47.00	1,851,500	39.00
Exercised	(2,964,963)	36.23	(505,315)	30.73
Forfeited	(208,831)	41.31	(3,010,050)	37.28
Outstanding at end of year	***12,738,712***	***€41.66***	***14,672,506***	***€40.05***
Exercisable	9,287,748	€41.63	10,698,012	€39.56

A summary of the weighted average remaining contractual life and the weighted average exercise price of options outstanding as of December 31, 2010 is presented below:

	Outstanding options			Exercisable options	
Range of exercise price	Number of shares	Weighted average remaining life (years)	Weighted average exercise price	Number of shares	Weighted average exercise price
€17 to €30	1,622,211	2.03	€22.79	1,622,211	€22.79
€30 to €35	720,921	0.76	34.63	720,921	34.63
€35 to €40	3,643,557	5.27	38.76	1,420,193	38.64
€40 to €46	1,056,973	1.41	45.50	1,056,973	45.50
€46 to €52	5,695,050	2.91	49.06	4,467,450	49.63
€17 to €52	***12,738,712***	***3.23***	***€41.66***	***9,287,748***	***€41.63***

The weighted average grant-date fair value of options granted in 2010 and 2009 was €11.77 and €10.56, respectively.

The fair value of stock-options granted in 2010 was estimated on the date of grant using a Black-Scholes option pricing model. Assumptions used in 2010 are as follows: weighted-average expected life of six years, expected volatility rate of 27.6%, expected dividend yield of 1.4% and risk-free interest rate of 2.36%.

The expected volatility was determined using a combination of the historical volatility of the Company's stock and the implied volatility of the Company's exchange-traded options adjusted for other factors, such as a comparison to the Company's peer group.

LONG TERM INCENTIVE PLANS ("LTIP")

The Company implemented a series of three-year long term incentive plans where participants are granted individual awards based on the Company's stock price and on achieving annual operating profit and revenue targets.

The portion of the LTIP attributable to the Company's stock is remeasured at each reporting period at fair value using a Black-Scholes model. Deferred compensation liability attributable to the Company's stock was €7.4 million and €2.9 million for the years ended December 31, 2010 and 2009 respectively.

EXECUTIVE STOCK GRANTS

Pursuant to an authorization granted by the shareholders at the shareholders' meetings held on May 27, 2010 and June 6, 2007, the Board of Directors decided to grant to the Company's Chief Executive Officer ("CEO") 150,000 shares and 150,000 shares, in 2010 and 2009 respectively. Such shares shall be vested at the end of an acquisition period of 2 years, subject to the condition that the CEO be a director of the Company at the acquisition date. In addition, the CEO is required to hold the vested shares until the end of a 2-year lock-up period and may not sell or transfer them during that period.

Stock grants are measured at fair value on the date of grant based on the quoted price of the Company's common stock.

As provided for in the Code AFEP-MEDEF and on the basis of the recommendations of the Compensation and Nomination Committee, the Board of Directors made the vesting of the free shares granted to the Company's CEO subject to a performance condition related to variable compensation actually paid to the CEO over two financial years. The level of such variable compensation is itself dependent on achieving performance criteria previously established by the Board. In no case, however, may the number of free shares received exceed the number of free shares initially granted by the Board.

Note 7. Government Grants

Government grants and other government assistance amounting to €28.9 million and €26.5 million were recorded as a reduction to research and development expenses in 2010 and 2009, respectively. Government grants and other government assistance amounting to €1.6 million and €1.3 million were recorded as a reduction to cost of services and other revenue expenses in 2010 and 2009, respectively.

Note 8. Other Operating Income and Expense, Net

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Acquisition costs(1)	€(7,858)	€(2,649)
Costs incurred in connection with relocation activities(2)	(6,696)	(2,322)
Restructuring costs(3)	(505)	(10,194)
Other(4)	(5,742)	–
Other operating income and expense, net	***€(20,801)***	***€(15,165)***

(1) Transaction costs primarily relating to the acquisition of IBM PLM (see Note 16. Business Combinations).

(2) Costs related to the relocation of certain of the Company's activities in connection with the decision to rationalize the organization of certain operational locations. In 2010, primarily comprised of rent and operating expenses for vacant premises in relation with the relocation of the Company's premises to a single Campus in the Boston area, United States (see Note 23. Commitments and Contingencies). In 2009, primarily comprised of rent and operating expenses for vacated premises following relocation of the Company's headquarters in 2008.

(3) In 2009, primarily composed of severance costs relating to the termination of employees following the Company's decision to rationalize its R&D organization principally in the United States of America and Israel.

(4) In 2010, one-time integration costs relating to the acquisition of IBM PLM.

Note 9. Financial Expense and Other, Net

Financial revenue and expenses and other, net for the years ended December 31, 2010 and 2009 are as follows:

(in thousands)	Year ended December 31, 2010	2009
Interest income[(1)]	€6,895	€10,668
Interest expense[(2)]	(8,109)	(8,009)
Foreign exchange losses, net[(3)]	(2,712)	(7,767)
Other, net	99	(519)
Financial expense and other, net	***€(3,827)***	***€(5,627)***

(1) The decrease in interest income is due primarily to the decrease in interest rates on investments.

(2) In 2006, the Company borrowed €200 million under the loan facility entered into in December 2005 (see Note 22. Borrowings), which bears interest at Euribor plus 0.18% per annum, and entered into interest rate swap agreements to fix interest payable (see Note 20. Derivatives). The Company recorded interest expense of €6.5 million and €6.7 million for the years ended December 31, 2010 and 2009, respectively.

(3) Foreign exchange losses, net are primarily composed of realized and unrealized exchange gains and losses on receivables and loans denominated in U.S. dollars, Japanese yen and Korean won.

Note 10. Income Taxes

Deferred tax assets and liabilities are as follows:

(in thousands)	Year ended December 31, 2010	2009
Deferred tax assets:		
Accelerated depreciation and amortization for financial statement purposes	€56,457	€23,160
Profit sharing and pension accruals	6,030	5,139
Provisions and other expenses	55,078	42,024
Net tax loss and tax credit carryforward assets	56,079	37,943
Valuation reserves	(12,835)	(11,735)
Total deferred tax assets	**160,809**	**96,531**
Deferred tax liabilities:		
Accelerated depreciation and amortization for tax purposes	(35,102)	(26,489)
Amortization of acquired intangibles	(105,225)	(48,288)
Other	(4,938)	(17,860)
Total deferred tax liabilities	**(145,265)**	**(92,637)**
Net deferred tax asset	***€15,544***	***€3,894***

The increase in deferred tax assets is primarily attributable to an increase in accelerated depreciation and amortization for financial statement purposes following the IBM PLM acquisition and tax loss carryforwards recognized as part of the Exalead purchase price allocation.

The increase in deferred tax liabilities results from deferred tax liabilities recognized on acquired intangibles.

The schedule of deferred tax assets and liabilities is as follows:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Current deferred tax assets	€42,526	€29,468
Non-current deferred tax assets	30,240	21,529
Total deferred tax assets	**72,766**	**50,997**
Current deferred tax liabilities	(4,445)	(6,993)
Non-current deferred tax liabilities	(52,777)	(40,110)
Total deferred tax liabilities	**(57,222)**	**(47,103)**
Net deferred tax asset	***€15,544***	***€3,894***

Current deferred tax assets relate primarily to provisions and other expenses not currently deductible.

Non-current deferred tax liabilities mainly include the tax effect of intangible assets created through business combinations (primarily IBM PLM and Exalead).

The components of income before income taxes are as follows:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
France	€168,061	€109,692
Foreign	151,937	117,174
Income before income taxes	***€319,998***	***€226,866***

The significant components of income tax expense are as follows:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
France	€72,358	€37,441
Foreign	30,071	20,184
Current taxes	**102,429**	**57,625**
Change in deferred taxes	(3,128)	(773)
Income tax expense	***€99,301***	***€56,852***

Differences between the income tax provision and the provision computed using the statutory French income tax rate are as follows:

(in thousands)	Year ended December 31, 2010	2009
Taxes computed at the statutory rate of 34.43% for 2010 and for 2009	€110,175	€78,110
Foreign tax rate differentials	5,496	2,765
R&D tax credit and other tax credits(1)	(11,035)	(11,619)
Tax exempt income(2)	(10,959)	(10,432)
Change in valuation allowance(3)	(4,626)	(7,928)
Share-based payments(4)	2,248	6,086
Other, net(5)	8,002	(130)
Income tax expense	**€99,301**	**€56,852**
Effective tax rate	***31.0%***	***25.1%***

(1) R&D tax credit and other tax credits derived mainly from tax research credits in France in 2010 and in 2009;

(2) Income received by the Company in connection with certain intercompany financing arrangements is taxed at a reduced rate;

(3) In 2010, the Company merged entities in the United States of America and utilized tax losses carried forward that were reserved for as of December 31, 2009. In 2009, the Company merged entities in Germany and restructured certain activities in Israel. As a result, the Company was able to utilize tax losses carried forward that were reserved for as of December 31, 2008;

(4) In certain tax jurisdictions, the Company will not receive tax deductions relating to share-based payments. Therefore, no deferred tax asset is recognized on the related compensation expense;

(5) Following the French Business Tax Reform effective January 1, 2010, the Company determined that the CVAE (“*Cotisation sur la Valeur Ajoutée des Entreprises*”), one component of the CET (“*Contribution Economique Territoriale*”), is a tax expense that is computed by applying the applicable tax rate to income less expenses.

At December 31, 2010, there were net tax operating losses and tax credit carryforwards of €155.2 and €3.5 million respectively, which are scheduled to expire after 2016.

The Company has provided deferred income taxes of €2.1 million on the undistributed profits of its foreign subsidiaries based upon its determination that such profits will be distributed in the foreseeable future.

Note 11. Earnings Per Share

Basic net income per share is determined by dividing net income attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined by dividing net income attributable to the equity holders of the Company by the combination of the weighted average number of common shares outstanding during the period and the dilutive effect of stock options.

The following table presents the calculation for both basic and diluted net income per share:

(in thousands, except shares and per share data)	Year ended December 31, 2010	2009
Net income attributable to Equity holders of the Company	€220,544	€169,741
Weighted average number of shares outstanding	119,070,703	117,571,433
Dilutive effect of stock-options	2,164,509	956,212
Diluted weighted average number of shares outstanding	121,235,212	118,527,645
Basic net income per share	**€1.85**	**€1.44**
Diluted net income per share	**€1.82**	**€1.43**

Note 12. Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents are maintained on deposit with large financial institutions, for which management monitors the credit-worthiness, principally in France and in the United States of America, and are comprised of the following:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Bank accounts	€115,229	€124,944
Cash equivalents	861,253	814,113
Cash and cash equivalents	***€976,482***	***€939,057***

At December 31, 2010 and 2009, cash and cash equivalents included approximately 58% and 54% of deposits denominated in U.S. dollars, respectively.

Short-term investments of €162.6 and €118.9 million in 2010 and 2009, respectively, were primarily comprised of mutual funds and bank certificates of deposit held with large financial institutions. At December 31, 2010 and 2009, short-term investments included approximately 20% and 23% of investments denominated in U.S. dollars, respectively.

Note 13. Trade Accounts Receivable, Net and Other Current Assets

Trade accounts receivable and other current assets are receivables measured at amortized cost.

TRADE ACCOUNTS RECEIVABLE

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Trade accounts receivable	€421,830	€328,601
Allowance for trade accounts receivable	(8,383)	(6,288)
Trade accounts receivable, net	***€413,447***	***€322,313***

The maturities of trade accounts receivable, net, were as follows as of December 31, 2010 and 2009:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Less than 3 months past due	€60,972	€49,129
3 to 6 months past due	17,384	14,979
More than 6 months past due	5,528	6,553
Trade accounts receivable past due	**83,884**	**70,661**
Trade accounts receivable not yet due	329,563	251,652
Total trade accounts receivable, net	***€413,447***	***€322,313***

OTHER CURRENT ASSETS

Other current assets consist of the following:

(in thousands)	Year ended December 31, 2010	2009
Value added tax	€37,142	€29,409
Prepaid expenses	20,086	17,849
Derivatives[1]	478	19,062
Other current assets	26,567	16,216
Total other current assets	***€84,273***	***€82,536***

(1) See Note 20. Derivatives

Note 14. Property and Equipment

Property and equipment consist of the following:

	Year ended December 31, 2010			Year ended December 31, 2009		
(in thousands)	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net
Computer equipment	€98,642	€(73,982)	€24,660	€88,956	€(69,780)	€19,176
Office furniture and equipment	41,117	(27,204)	13,913	42,511	(26,262)	16,249
Leasehold improvements	48,250	(20,428)	27,822	41,554	(17,420)	24,134
Total	***€188,009***	***€(121,614)***	***€66,395***	***€173,021***	***€(113,462)***	***€59,559***

The change in the carrying amount of property and equipment as of December 31, 2010 is as follows:

(in thousands)	Computer equipment	Office furniture and equipment	Leasehold improvements	Total
Net property and equipment as of January 1, 2010	**€19,176**	**€16,249**	**€24,134**	**€59,559**
Additions	17,508	3,429	8,194	29,131
Other changes	909	(1,513)	(90)	(694)
Depreciation for the period	(13,710)	(4,958)	(5,492)	(24,160)
Exchange differences	777	706	1,076	2,559
Net property and equipment as of December 31, 2010	***€24,660***	***€13,913***	***€27,822***	***€66,395***

The change in the carrying amount of property and equipment as of December 31, 2009 is as follows:

(in thousands)	Computer equipment	Office furniture and equipment	Leasehold improvements	Total
Net property and equipment as of January 1, 2009	**€22,798**	**€20,594**	**€25,870**	**€69,262**
Additions	9,567	1,901	3,426	14,894
Disposals	(348)	(180)	(313)	(841)
Depreciation for the period	(12,817)	(5,426)	(4,823)	(23,066)
Exchange differences	(24)	(640)	(26)	(690)
Net property and equipment as of December 31, 2009	***€19,176***	***€16,249***	***€24,134***	***€59,559***

Note 15. Investments and Other Non-Current Assets

Investments and other non-current assets consist of the following:

(in thousands)	Year ended December 31, 2010	2009
Investments	€13,786	€10,969
Derivatives, non-current(1)	–	6,836
Loans receivable, deposits and other non-current assets	12,375	8,825
Investments and other non-current assets	***€26,161***	***€26,630***

(1) See Note 20. Derivatives

Investments include investments in associates and available-for-sale equity securities.

The available-for-sale investments are measured at fair value. Gains and losses resulting from changes in fair value are recognized in shareholders' equity. Investments in associates are measured under the equity method.

Loans receivable, deposits and other non-current assets represented receivables measured at amortized cost.

Note 16. Business Combinations

IBM PLM

On March 31, 2010, the Company acquired the IBM business unit dedicated exclusively to the marketing, sale and support of the Company's PLM software ("IBM PLM") for a purchase price of €361.1 million. This transaction enabled the Company to complete the transformation of its PLM go-to-market model and to integrate and strengthen its global sales force.

The acquisition of IBM PLM is accounted for by applying the acquisition method as prescribed by IFRS 3 (Revised) "Business Combinations". The allocation of the purchase price resulted in €100.9 million of goodwill, which has been assigned to the PLM segment. The primary items that generated goodwill include, but are not limited to, the value of the synergies between IBM PLM and the Company's activities and the acquired assembled workforce, neither of which qualifies as an amortizable intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

The purchase price was determined as follows:

(in thousands)	
Cash	€325,600
Receivable from IBM	(23,100)
Prepayment of royalties	58,600
Total purchase price	***€361,100***

The purchase price of the acquisition has been allocated to identifiable acquired assets and liabilities on the basis of estimated fair values, as follows:

(in thousands)	
Customer relationships	€304,176
Deferred tax assets	20,105
Other assets	2,225
Unearned revenue[(1)]	(36,280)
Liabilities	(29,991)
Goodwill	100,865
Total purchase price	***€361,100***

(1) The carrying value of IBM PLM unearned revenue was reduced to reflect the fair value of customer support obligations assumed. As a result, approximately €18 million of revenues that would have otherwise been recorded by IBM PLM had this organization not been acquired by the Company will not be recognized in the Company's consolidated results of operations.

The unaudited pro forma financial information presented in the table below summarizes the combined results of operations for the period ended December 31, 2010 as if the acquisition of IBM PLM had occurred at the beginning of the period. The pro forma information is presented for informational purposes and does not purport to be indicative of the results that will be achieved in the future. The impact of adjustments to reduce IBM PLM's unearned revenue to the fair value of the associated support obligations has not been reflected in the following pro forma financial information as the reduction in revenue represents a material non-recurring element directly attributable to the transaction.

(in thousands)	**Year ended December 31, 2010**
Revenue	€1,634,817
Net income	€243,666

In addition, the Company has determined that, due to the integration of IBM PLM into the Company's operations, it is impractical to present the portion of IBM PLM's revenue and profit generated since the acquisition date and included in the Company's financial statements as of December 31, 2010.

EXALEAD

In June 2010, the Company completed its acquisition of 100% of the outstanding share capital of Exalead for cash consideration of €127.0 million and committed to acquire Exalead shares to be issued to Exalead employees under Exalead's employee benefit plans and arrangements for minimum cash consideration of €5.0 million (including €3.3 million paid into an escrow account). Exalead is a French global software provider dedicated to search engines. Its information access software programs are dedicated to application for both the enterprise and the Web. The allocation of the purchase price resulted in €53.0 million of goodwill, which has been assigned to the PLM segment. In addition, intangible assets subject to amortization and included in fair value of the net assets acquired are as follows:

(in thousands)	**Fair value**
Technology	€109,200
Non-compete agreements	2,400
Total amortizable intangible assets acquired	***€111,600***

Pro forma results of operations reflecting this acquisition have not been presented because the results of operations of the acquired company are not material to the Company's results of operations.

OTHER ACQUISITIONS

Geensoft

In June 2010, the Company acquired Geensoft for cash consideration of approximately €6.1 million. Geensoft is a French company which provides embedded systems development tools. This acquisition will expand the Company's V6 portfolio by adding the capacity to model and generate an entire vehicle control software system, allowing a validation loop by connecting the physical equipment with the digital mock-up. As a result of this transaction, an amount of €1.7 million was recorded in goodwill which has been assigned to the PLM segment.

Rand North America's non-controlling interest

In April 2010, the Company increased its ownership in Rand North America from 70 to 100%, for cash consideration of approximately €1.2 million. This transaction was accounted for as an equity transaction. As a result, an amount of €1.2 million was recorded as a reduction to equity.

Note 17. Intangible assets

Intangible assets consist of the following:

	Year ended December 31, 2010			Year ended December 31, 2009		
(in thousands)	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Software	€390,776	€(209,559)	€181,217	€254,173	€(172,645)	€81,528
Customer relationships	551,330	(123,432)	427,898	215,113	(73,752)	141,361
Other intangible assets	20,642	(13,060)	7,582	15,644	(9,141)	6,503
Total intangible assets	***€962,748***	***€(346,051)***	***€616,697***	***€484,930***	***€(255,538)***	***€229,392***

The change in the carrying amount of intangible assets as of December 31, 2010 is as follows:

(in thousands)	Software	Customer relationships	Other intangible assets	Total intangible assets
Net intangible assets as of January 1, 2010	**€81,528**	**€141,361**	**€6,503**	**€229,392**
IBM PLM acquisition	–	304,176	1,335	305,511
Exalead acquisition	109,200	–	2,400	111,600
Geensoft acquisition	6,217	–	–	6,217
Other additions	8,014	–	145	8,159
Amortization for the period	(28,312)	(44,349)	(3,189)	(75,850)
Exchange differences	4,570	26,710	388	31,668
Net intangible assets as of December 31, 2010	***€181,217***	***€427,898***	***€7,582***	***€616,697***

The change in the carrying amount of intangible assets as of December 31, 2009 is as follows:

(in thousands)	**Software**	**Customer relationships**	**Other intangible assets**	**Total intangible assets**
Net intangible assets as of January 1, 2009	**€105,126**	**€166,408**	**€9,072**	**€280,606**
Additions	1,360	–	–	1,360
Disposals	(74)	–	–	(74)
Amortization for the period	(23,246)	(20,661)	(2,423)	(46,330)
Exchange differences	(1,638)	(4,386)	(146)	(6,170)
Net intangible assets as of December 31, 2009	***€81,528***	***€141,361***	***€6,503***	***€229,392***

Total intangible amortization expense was €75.8 and €46.3 million for the years ended December 31, 2010, and 2009, respectively. The future amortization expense relating to all intangible assets that are currently recorded on the consolidated balance sheet at December 31, 2010 is estimated to be the following:

(in thousands)	**Estimated amortization expense**
2011	€86,679
2012	81,397
2013	78,024
2014	76,054
2015 and thereafter	294,543

Note 18. Goodwill

The change in the carrying amount of goodwill as of December 31, 2010 and 2009 is as follows:

(in thousands)	**Year ended December 31,**	
	2010	**2009**
Goodwill as of January 1,	**€431,388**	**€441,353**
IBM PLM acquisition	100,865	–
Exalead acquisition	52,951	–
Other changes to goodwill	1,747	(281)
Exchange differences	29,668	(9,684)
Goodwill as of December 31,	***€616,619***	***€431,388***

The Company performed an annual impairment test in the fourth quarter of 2010 and 2009; no impairment of goodwill was identified as a result of these tests.

For the purpose of the impairment test, the Company identified 8 cash-generating units ("CGUs") or groups of CGUs generally corresponding to the Company's main software products. Each CGU represents the lowest level within the Company at which goodwill is monitored for internal management purposes. Goodwill tested for impairment purposes was allocated to each of the acquirer's CGUs, or groups of CGUs, that were expected to benefit from the synergies of the combination. The CGUs are allocated to the Company's two operating segments, the PLM segment and the Mainstream 3D segment.

Goodwill allocated to each CGU or groups of CGUs is as follows:

	2009	IBM PLM acquisition	Exalead acquisition	Other changes	Exchange differences	2010
PLM						
CATIA	€80,459	€100,865	€–	€1,747	€6,703	€189,774
DELMIA	24,935	–	–	–	65	25,000
ENOVIA	119,808	–	–	–	8,113	127,921
SIMULIA	155,619	–	–	–	12,159	167,778
3DVIA	20,917	–	–	–	–	20,917
Search-Based Applications	–	–	52,951	–	–	52,951
Services	5,416	–	–	–	734	6,150
Mainstream 3D						
Mainstream 3D	24,234	–	–	–	1,894	26,128
Total Goodwill	***€431,388***	***€100,865***	***€52,951***	***€1,747***	***€29,668***	***€616,619***

The recoverable amount of each CGU or groups of CGUs has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets covering a five- to ten-year period. The ten-year period projections are used for activities that have longer development cycles. Key assumptions used to determine the value in use of assets are derived from management objectives for revenue growth and operating margin of each CGU or groups of CGUs. The discount rates before taxes are between 10.5% and 12.7%. Cash flows beyond that five- to ten-year period have been extrapolated using a steady growth rate comprised between 2% and 3%, reflecting long-term growth rates in the software industry.

At December 31, 2010, based on management estimates, the Company concluded that the value in use of each CGU or groups of CGUs significantly exceeded its carrying value. Management believes that any reasonable possible change in key assumptions listed above on which recoverable amount is based would not cause each CGU or groups of CGUs' carrying amount to exceed significantly its recoverable amount.

Note 19. Other Liabilities

Other liabilities are comprised of the following:

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Value added tax and other taxes	€58,523	€30,957
Borrowings, current(1)	26,691	–
Provisions, current(2)	516	3,847
Accrued expenses	4,969	3,890
Derivatives, current(3)	4,448	3,551
Other current liabilities	7,105	3,347
Total other current liabilities	**€102,252**	**€45,592**
Provisions, non-current(2)	€44,646	€36,945
Post-employment benefits(4)	34,378	26,112
Employee profit sharing, non-current	29,225	25,566
Derivatives, non-current(3)	12,436	2,035
Other non-current liabilities	33,592	27,462
Total other non-current liabilities	**€154,277**	**€118,120**

(1) See Note 22. Borrowings
(2) See reconciliation of provisions below
(3) See Note 20. Derivatives
(4) See Note 24. Pension benefits

The change in the carrying value of provisions as of December 31, 2010 is as follows:

(in thousands)	Restructuring	Tax risks	Claims and litigation	Total Provisions
Provisions as of January 1, 2010	**€5,243**	**€33,167**	**€2,382**	**€40,792**
Additions	5,879	8,600	239	14,718
Utilization	(5,814)	(60)	(259)	(6,133)
Reversal of unused amounts	(422)	(5,947)	(138)	(6,507)
Exchange differences and other changes	392	1,625	275	2,292
Provisions as of December 31, 2010	***€5,278***	***€37,385***	***€2,499***	***€45,162***

Note 20. Derivatives

FAIR VALUES

The fair market values of derivative instruments were determined by financial institutions using option pricing models.

All financial instruments that relate to the foreign currency hedging strategy of the Company usually have maturity dates of less than 26 months when the maturity of interest rate swap instruments is less than five years. Management believes counter-party risk on financial instruments is minimal since the Company deals with major banks and financial institutions.

The Company's policy with respect to market risks is described in Chapter 4, "Risk Factors".

FOREIGN CURRENCY RISK

The Company transacts in various foreign currencies, primarily U.S. dollars and Japanese yen. To manage currency exposure, the Company generally uses foreign exchange forward contracts, currency options and collars. Except as indicated in the below table, the derivative instruments held by the Company are designated as accounting hedges, have high correlation with the underlying exposure and are highly effective in offsetting underlying price movements.

The effectiveness of forward contracts and currency options is measured using forward rates and the forward value of the underlying hedged transaction. During 2010, the portion of hedging instruments' gains or losses excluded from the assessment of effectiveness and the ineffective portions of hedges amounted to €(2.0) million (2009: €(1.5) million) and was recorded in financial expense and other, net in the statement of income.

No cash flow hedges were discontinued for the periods ended December 31, 2010 and December 31, 2009.

At December 31, 2010 and 2009, the fair value of instruments used to manage the currency exposure was as follows:

	Year ended December 31,			
	2010		2009	
(in thousands)	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale(1)	€79,681	€(5,851)	€–	€–
Collars Japanese yen/euros(1)	78,650	(3,264)	125,591	14,899
Forward exchange contract Japanese yen/ U.S. dollars – sale(1)	30,124	(1,087)	–	–
Forward exchange contract British pounds/euros – sale(1)	2,323	(102)	574	24
Forward exchange contract British pounds/euros – sale(2)	22,969	467	–	–
Forward exchange contract Japanese yen/euros – purchase(2)	1,987	11	–	–
Forward exchange contract British pounds/euros – purchase(2)	554	(6)	–	–
Forward exchange contract Japanese yen/euros – sale(2)	–	–	5,632	36
Forward swap Japanese yen/euros(2)	–	–	105,136	(136)
Forward swap British pounds/euros(2)	–	–	22,263	16
Forward exchange contract U.S. dollars/Japanese yen – purchase(3)	–	–	133,972	6,600
Forward exchange contract U.S. dollars/euros – purchase(3)	–	–	104,817	3,740
Forward exchange contract U.S. dollars/British pounds – purchase(3)	–	–	22,907	583

(1) Instruments entered into by the Company to hedge the foreign currency exchange risk of forecasted sales.
(2) Derivatives not designated as hedging instruments. Changes in the derivatives' fair value were recorded in financial expense in the statement of income. These instruments mainly relate to the IBM PLM acquisition.
(3) Instruments entered into by the Company to hedge the foreign currency exchange risk of the firm commitment to acquire IBM PLM.

INTEREST RATE RISK

The Company entered into a €200 million multicurrency revolving loan facility which bears interest at variable rates and which was extended for two additional years (see Note 22. Borrowings). In December 2005, the Company entered into interest rate swap agreements for a nominal amount of €200 million that have the economic effect of modifying a portion of forecasted interest obligations relating to this facility so that the interest payable effectively becomes fixed at 3.36% until September 15, 2010. In June 2009 and in July 2009, the Company entered into additional interest rate swap agreements for a nominal amount of €100 and €100 million, respectively that will fix the underlying interest payable at 3.18% and 2.98% starting September 15, 2010 and continuing through December 3, 2012. In April 2010, the Company entered into interest rate basis swap agreements for a nominal amount of €200 million converting variable rates at Euribor 3 months into Euribor 1 month.

Cash flow hedges related to the period from June 15, 2010 to September 15, 2010 were discontinued. Losses were recorded in financial expense in the statement of income for an amount of €1.3 million. No cash flow hedge were discontinued for the year ended December 31, 2009.

In June 2010, the Company entered into interest rate swap agreements for a total amount of JPY14,500 million that have the economic effect of modifying forecasted interest obligations relating to the term loan facility in Japan (see Note 22. Borrowings) so that the interest payable effectively becomes fixed at 0.41% until June 9, 2015.

At December 31, 2010 and 2009, the fair value of instruments used to manage the interest rate risk was as follows:

	Year ended December 31,			
	2010		2009	
(in thousands)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps in euros (from 2006 to 2010)	€–	€–	€200,000	€(3,416)
Interest rate swaps in euros (from 2010 to 2012)	200,000	(6,152)	200,000	(2,034)
Interest rate basis swaps in euros (from 2010 to 2012)	200,000	54	–	–
Interest rate swaps in Japanese yen (from 2010 to 2015)	120,110	(476)	–	–

Note 21. Shareholders' Equity

SHAREHOLDERS' EQUITY ACTIVITY

As of December 31, 2010, Dassault Systèmes had 121,332,604 common shares issued with a nominal value of €1 per share.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and for the purpose of increasing the profitability of shareholders' equity and earnings per share. The Company manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2010 and 2009.

Shareholders' equity includes foreign currency translation adjustment of €(96.0) and €(176.2) million as of December 31, 2010 and 2009, respectively.

DIVIDEND RIGHTS

The Company is required to maintain a legal reserve equal to 10% of the aggregate nominal value of its issued share capital. The legal reserve balance was €11.9 and €11.9 million as of December 31, 2010 and 2009, respectively, and represents a component of retained earnings in the balance sheet. The legal reserve is distributable only upon the liquidation of the Company.

Profit of the year, consisting of net income of the year increased by retained earnings from prior years and after deduction for legal reserve when required, is available for distribution to shareholders of the Company as dividends. Allocation of this profit is subject to approval by the General Meeting of shareholders following recommendations by the Board of Directors.

A dividend on ordinary shares relating to the periods ended December 31, 2009 and December 31, 2008 was paid in the immediately subsequent year, amounting to €54.2 and €54.0 million, respectively.

Dividends per share were €0.46 and €0.46 as of December 31, 2009 and December 31, 2008, respectively.

A dividend of €0.3 million and €0.8 million was paid to non-controlling interest in 2010 and 2009 respectively.

STOCK REPURCHASE PROGRAMS

The general meeting of shareholders authorized the Board to implement a share repurchase program limited to 10% of the Company's share capital. Under this authorization, the Company may not buy shares at a price exceeding €60 per share or above a maximum aggregate amount of €500 million. Under the Company's share repurchase program, the Company repurchased 150,000 shares in 2010 for an aggregate amount of €7.2 million. No shares were repurchased in the year ended December 31, 2009.

COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
(in thousands)	**2010**	**2009**
Cash flow hedges:		
(Losses) gains arising during the year	€(43,007)	€17,482
Less: reclassification adjustments for losses included in the income statement	(9,230)	(3,799)
	€(33,777)	**€21,281**
Available-for-sale financial assets:		
Losses arising during the year	€(11)	€(20)
Less: reclassification adjustments for gains (losses) included in the income statement	–	–
	€(11)	**€(20)**

Note 22. Borrowings

In December 2005, the Company entered into a €200 million multicurrency revolving loan facility (the "Loan Facility"). This agreement provides for revolving credit for a period of five years, which could be extended twice by one additional year at the Company's option. Borrowings under the Loan Facility bear interest at Euribor plus 0.18% per annum.

In March 2006, the Company drew down €200 million under the Loan Facility. In 2006 and in 2007, the Company exercised its options to extend the revolving loan facility for the two additional years.

In April 2010, the Company used its option under the Loan Facility agreement to pay interest at Euribor 1 month instead of Euribor 3 months.

In April 2010, the Company entered into a term loan facility in Japan for JPY14,500 million (the equivalent of €115.0 million as of the draw date) in order to finance a portion of the IBM PLM acquisition. The facility bears interest at Japanese Yen Libor plus 0.60% per annum, and is scheduled to be repaid by the Company in ten equal semi-annual installments, with the last payment being due in June of 2015. The first installment was paid in December 2010 for JPY 1,450 million (the equivalent of €12.7 million).

The table below provides a breakdown of total borrowings by contractual maturity date as of December 31, 2010:

		Payments due by period			
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Revolving loan facility in euro	€200,000	–	200,000	–	–
Term loan facility in Japanese yen	120,110	26,691	53,382	40,037	–
Total	**€320,110**	**€26,691**	**€253,382**	**€40,037**	**€ –**

Note 23. Commitments and Contingencies

LEASES

The Company leases computer equipment, premises and office equipment under operating leases. Rent expense under operating leases was €45.5 million and €38.7 million, for the years ended December 31, 2010, and 2009, respectively.

At December 31, 2010, future minimum annual rental commitments under non-cancelable lease obligations were as follows:

(in thousands)	**Operating leases**
2011	€46,117
2012	44,134
2013	37,475
2014	34,322
2015	33,646
2016 and thereafter	171,510
Total minimum lease payments	***€367,204***

Headquarters facilities in Vélizy

In 2006, the Company entered into a build-to-suit lease agreement for its new headquarters facilities located in Vélizy, outside Paris, France. Under this agreement, the Company committed to lease approximately 60,000 square meters of office space for a non-cancelable initial term of 12 years, with options to renew for additional periods. Future minimum rental payments over the initial term, which began on June 30, 2008, amount to approximately €181.3 million in the aggregate and have been included in the table presented above.

DS America Campus

In 2010, the Company entered into a long term lease for office, technology lab and data center space in Waltham, outside Boston, United States, forming the DS America Campus and regrouping the primary operating facilities of the Company's main American activities. Under this agreement, the Company committed to lease approximately 20,000 square meters of office space for a non-cancelable initial term of 12 years, with options to renew for additional periods. The total rented space will progressively increase, reaching 30,000 square meters after six years. Future minimum rental payments over the initial term, which will begin on June 1, 2011, amount to approximately €108.5 million in the aggregate and have been included in the table presented above.

3D PLM SOFTWARE SOLUTIONS LIMITED ("3D PLM") INCREASE IN SHARE

In November 2010, the Company announced its intention to increase its share in 3D PLM from 30% to 42% and to combine under 3D PLM all DELMIA, ENOVIA, CATIA, SIMULIA and SolidWorks Research & Development activities, currently based in India. The completion of the transaction is conditional to regulatory approvals of the merger of the Company's Indian subsidiary Delmia Solution Private Limited into 3D PLM. The merger is expected to occur in 2011.

LITIGATION AND OTHER PROCEEDINGS

The Company is involved in litigation and other proceedings, such as civil, commercial and tax proceedings, incidental to normal operations. It is not possible to determine the ultimate liability, if any, in these matters. In the opinion of management, after consultation with legal counsel, the resolution of such litigation and proceedings will not have a material effect on the consolidated financial statements of the Company.

Note 24. Post-employment Benefits

Contributions made to defined contribution plans were €9.1 million and €6.6 million in 2010 and 2009 respectively.

The Company provides defined benefit retirement indemnities to the employees of its French operations, and sponsors defined benefit pension plans for certain employees in the United States of America. The Company has also certain defined benefit plans in other countries, mainly in Germany and in Japan.

In France, defined employee benefits include certain gratifications paid upon anniversary of employment and retirement indemnities that are based upon an individual's years of credited service and annualized salary at retirement. Retirement indemnity benefits vest and are settled as a lump sum paid to the employee upon the employee's retirement.

In the United States, pension benefits are based upon years of credited service and the employee's average final earnings. Retirement benefits are funded by the Company's contributions to segregated pension plan assets, in an amount that is sufficient to meet or exceed the minimum annual funding requirements of the Employee Retirement Income Security Act.

The projected benefit obligation was determined using the prospective method.

ASSUMPTIONS

Assumptions used to determine the benefit obligation:

	Year ended December 31, 2010			Year ended December 31, 2009		
	Europe	U.S.	Asia	Europe	U.S.	Asia
Discount rate	5.25%	5.50%	1.60%	5.50%	6.00%	2.00%
Expected return on plan assets	4.00% – 5.25%	8.00%	–	5.00%	8.00%	–
Rate of compensation increase	2.00% – 3.00%	3.00%	2.50%	3.00%	3.00%	2.50%

Assumptions used to determine the net periodic benefit cost:

	Year ended December 31, 2010			Year ended December 31, 2009		
	Europe	U.S.	Asia	Europe	U.S.	Asia
Discount rate	5.50%	6.00%	2.00%	5.75%	6.00%	2.25%
Expected return on plan assets	5.00%	8.00%	–	5.00%	8.00%	–
Rate of compensation increase	3.00%	3.00%	2.50%	3.00%	3.00%	3.00%

To develop the expected long-term rate of return on pension plan assets assumption, the Company considers the current and expected asset allocations, as well as historical and expected returns on each category of plan assets.

COMPONENTS OF NET PERIODIC COSTS

The components of net periodic benefit cost were as follows:

	Year ended December 31,	
(in thousands)	2010	2009
Service cost	€4,736	€3,781
Interest cost	3,839	2,721
Expected return on plan assets	(2,711)	(1,715)
Net amortization and deferral	241	300
Curtailment / settlement	–	(465)
Net periodic benefit cost	***€6,105***	***€4,622***

OBLIGATIONS AND FUNDED STATUS

(in thousands)	Year ended December 31, 2010	2009
Change in benefit obligations		
Benefit obligations at beginning of year	€53,909	€49,701
Service cost	4,736	3,781
Interest cost	3,839	2,721
Change in scope[(1)]	21,242	603
Plan amendment	2,440	(206)
Employee contributions	105	107
Curtailment	–	(735)
Actuarial loss	5,705	126
Benefits paid	(1,457)	(1,262)
Exchange rate differences	2,930	(927)
Benefit obligations at end of year	**€93,449**	**€53,909**
Change in plan assets		
Fair value of plan assets at beginning of year	28,127	25,087
Change in scope[(1)]	18,467	–
Employer contribution	670	1,495
Employee contributions	105	107
Actual return on plan assets	2,922	3,289
Benefits paid	(1,235)	(1,262)
Exchange rate differences	1,315	(589)
Fair value of plan assets at end of year	**€50,371**	**€28,127**
Funded status	(43,078)	(25,782)
Unrecognized actuarial loss	6,114	378
Unrecognized prior service cost	2,586	200
Accrued benefit cost[(2)]	***€(34,378)***	***€(25,204)***

(1) In 2010 primarily comprised of German pension plans transferred to the Company as part of the IBM PLM acquisition. A separate trust arrangement has been created for the purpose of financing these retirement benefits.

(2) In 2009, composed of an accrued benefit cost in the amount of €(26,112) thousand and a prepaid benefit cost of €908 thousand.

The benefit obligation by geographical location is as follows:

	Year ended December 31, 2010	2009
Europe	59%	48%
United States	32%	43%
Asia	9%	9%
Total benefit obligations	***100%***	***100%***

The fair value of plan assets by geographical location is as follows:

	Year ended December 31, 2010	2009
Europe	61%	40%
United States	39%	60%
Total fair value of plan assets	***100%***	***100%***

PLAN ASSETS

The weighted average asset allocations are as follows:

	Year ended December 31,	
	2010	2009
Debt securities	31%	61%
Equity securities	29%	37%
Other (1)	40%	2%
Total	***100%***	***100%***

(1) In 2010 primarily comprised of amounts to be transferred from IBM into a contractual trust arrangement set up specifically for the purpose of financing retirement benefits in Germany.

CASH FLOWS

The Company does not expect to make any additional contributions to its pension plans in 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands)	Total
2011	€(2,905)
2012	(1,605)
2013	(1,862)
2014	(2,282)
2015	(2,567)
2016-2020	(22,591)

Note 25. Related-party Transactions

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The table below summarizes compensation granted to key management personnel composed of 12 executive officers in 2010 and 2009:

	Year ended December 31,	
(in thousands)	2010	2009
Short-term benefits(1)	€7,122	€7,210
Share-based compensation(2)	11,285	11,831
Compensation of key management personnel	***€18,407***	***€19,041***

(1) Including gross salaries, bonus, incentives, profit-sharing, directors' fees and fringe benefits.

(2) Expense recorded in the income statement for share-based payments (stock-options and stock grants).

The Group Chief Executive Officer is entitled to an indemnity payment in the event he is dismissed from his present functions as President and Chief Executive Officer. The amount of the indemnity due will be equivalent to a maximum of two years of compensation as Chief Executive Officer and will depend on satisfying the performance conditions established for calculating his variable compensation.

OTHER TRANSACTIONS WITH RELATED PARTIES

The Company licenses its products for internal use to Dassault Aviation, a sister company of the Company whose Chief Executive Officer is the Chairman of the Company. Dassault Aviation licenses the Company's products on commercial terms consistent with those granted to the Company's other customers of similar size. Software revenue amounted to €7.3 million and €8.2 million for the years ended December 31, 2010 and 2009, respectively.

The Company also provides service and support to Dassault Aviation. Such activity generated service revenues of €12.8 million and €15.1 million in the years ended December 31, 2010 and 2009, respectively.

The balances of trade accounts receivable with Dassault Aviation were €6.9 million, and €7.7 million at December 31, 2010 and 2009, respectively.

Most of the Company's development organizations subcontract software development work to 3D PLM Software Solutions Limited ("3D PLM"), a company located in India in which the Company owns 30% interest and which is accounted for under the equity method. Services purchased from 3D PLM amounted to €24.7 million and €20.9 million for the years ended December 31, 2010 and 2009, respectively.

Note 26. Principal Dassault Systemes Companies

The principal Dassault Systèmes' companies included in the scope of consolidation as at December 31, 2010 are as follows:

Country	Consolidated companies	% of Interest
France	Dassault Data Services SAS	95%
France	Dassault Systèmes SAS	100%
France	Dassault Systèmes Provence SAS	100%
France	Exalead SA	100%
France	Geensoft SAS	100%
Germany	Dassault Systèmes Deutschland GmbH	100%
Germany	Dassault Systèmes Simulia GmbH	100%
Germany	TransCAT PLM GmbH	100%
Israel	Dassault Systèmes Israel Ltd	100%
Italy	Dassault Systèmes Italia Srl	100%
Netherlands	Dassault Systèmes Europe B.V.	100%
Sweden	Dassault Systèmes AB	100%
United Kingdom	Dassault Systèmes UK Ltd	100%
United Kingdom	SolidWorks R&D Ltd	100%
Canada	Dassault Systèmes Canada Innovation Technologies Inc.	100%
United States	Dassault Systèmes Americas Corp.	100%
United States	Dassault Systèmes Corp.	100%
United States	Dassault Systèmes Delmia Corp.	100%
United States	Dassault Systèmes Enovia Corp.	100%
United States	Dassault Systèmes Simulia Corp.	100%
United States	Dassault Systèmes Services, LLC	100%
United States	Inceptra LLC (formerly "Rand North America Corp.")	100%
United States	Dassault Systèmes SolidWorks Corp.	100%
United States	Spatial Corp.	100%
China	Dassault Sytèmes (Shanghai) Information Technology Co., Ltd	100%
India	Dassault Systèmes India Private Ltd	100%
India	Delmia Solutions Private Ltd	100%
India	3D PLM Software Solutions Ltd	30%(1)
Korea	Dassault Systèmes Korea Corp.	100%
Japan	Dassault Systèmes K.K.	100%
Japan	SolidWorks Japan K.K.	100%

(1) Accounted for under the equity method. All other entities are consolidated.

Note 27. Events After the Reporting Period

During the first quarter of 2011 the Company repurchased 2,000,000 shares for approximately €111.2 million.

20.2 Pro forma Financial Information

Not applicable.

20.3 Parent Company Financial Statements

Presentation of the parent company financial statements and the valuation methods used

The parent company financial statements for the year ended December 31, 2010 have been prepared in accordance with the French General Chart of Accounts (*Plan Comptable Général*), the French Commercial Code and French regulatory requirements, according the same manner and valuation methods as during the preceding year.

Results of operations of the parent company

Revenue in 2010 increased 35.8% to €744.9 million from €548.7 million in 2009. Software revenue amounted to €617.3 million in 2010, compared to €468.7 million in 2009, an increase of 31.7%, primarily due to the integration of the IBM PLM activities. Capitalized production was €0.2 million in 2010, compared to €0.5 million in 2009, reflecting the lack of significant capitalized projects during 2010.

The portion of revenue earned from export sales increased to €505.7 million, or 68.12% of total revenue.

Operating expenses increased 32.0% to €573 million in 2010 from €434 million in 2009, primarily due to the integration of the IBM PLM activities and employees:

- personnel expense increased 16.3%, primarily due to the integration of IBM PLM employees in France as well as to the hiring of additional personnel throughout 2010 following the transfer of the IBM PLM activities to Dassault Systèmes SA,
- subcontracting expenses increased 59% to €20 million due to the deployment of operating systems and fees in conjunction with business combinations increased by 117% to €17 million in 2010,
- distribution costs increased 120% to €54 million and intercompany licensing fees increased 88% to €111 million following the update of the business model generated by the IBM PLM transaction. Licensing fees are offset by licensing revenue recorded as revenue.

Operating income increased 50.4% to €171.9 million. Financial revenue for 2010 amounted to €107.0 million, compared to €22.6 million for the preceding year, an increase of €84.4 million. This change was principally caused by the increase in dividends received from €74.4 million in 2009 to €142.0 million in 2010 and the net increase in provisions for a decline in value of long term investments amounting to €43.6 million for 2010 compared to €49.7 million in 2009.

Net income after tax, corporate profit-sharing and non-recurring events amounted to €219.1 million for 2010, compared to €108.9 million for 2009.

At December 31, 2010, cash and short-term investments amounted to €612.1 million, compared to €461.6 million at December 31, 2009.

20.3.1 Parent Company Financial Statements

Balance Sheet

		Year ended 31 december,			
				2010	2009
(in thousands)	Notes	Gross	Amortization or provision for depreciation	Net	Net
ASSETS					
FIXED ASSETS	3, 4	**€2,045,478**	**€(219,625)**	**€1,825,853**	**€1,491,196**
Intangible assets		**162,127**	**(43,286)**	**118,841**	**67,262**
Goodwill		97,881	–	97,881	52,915
Concessions, patents, licenses, trademarks		63,235	(43,286)	19,949	11,227
Assets in progress, advances and on-account payments		1,011	–	1,011	3,120
Property, plant & equipment		**76,379**	**(43,125)**	**33,254**	**33,504**
Machinery & equipment		61,138	(36,522)	24,616	24,690
Other property, plant & equipment		13,426	(6,603)	6,823	8,514
Property, plant & equipment in progress		1,815	–	1,815	300
Financial assets		**1,806,972**	**(133,214)**	**1,673,758**	**1,390,430**
Investments in subsidiaries		1,548,573	(77,437)	1,471,136	1,323,011
Loans and advances to subsidiaries		256,460	(55,777)	200,683	65,089
Loans		976	–	976	1,300
Deposits and guarantees		963	–	963	1,030
CURRENT ASSETS		**€899,816**	**€(2,712)**	**€897,104**	**€678,898**
Inventories		**227**		**227**	**227**
Advances and on-account payments		**16**	–	**16**	**447**
Receivables		**287,493**	**(2,712)**	**284,781**	**216,602**
Trade receivables	5	228,980	(2,712)	226,268	155,450
Other operating receivables	6	58,513	–	58,513	61,152
Marketable securities	7.1	**600,517**	**–**	**600,517**	**445,903**
Treasury shares	7.2	**7,172**	**–**	**7,172**	**5,628**
Cash and cash equivalents		**4,391**	**–**	**4,391**	**10,091**
Prepaid expenses	8	**€6,309**	**–**	**€6,309**	**€5,712**
Unrealized exchange losses		**€2,476**	**–**	**€2,476**	**€2,572**
TOTAL ASSETS		**€2,954,079**	**€(222,337)**	**€2,731,742**	**€2,178,378**

(in thousands)	Notes	Years ended December 31, 2010 Before AGM's resolutions	2009 Before AGM's resolutions
LIABILITIES			
SHAREHOLDERS' EQUITY	9	**€1,932,912**	**€1,657,908**
Common stock		121,333	118,368
Share premium		229,866	125,439
Contribution premiums		269,978	269,978
Legal reserve		11,886	11,886
Retained earnings		1,063,985	1,009,358
Earnings for the financial year		219,127	108,874
Regulated provisions		16,279	13,896
Accelerated depreciation		458	109
Provisions for contingencies and losses	10	**€25,160**	**€19,156**
LIABILITIES		**€764,654**	**€498,575**
Financial liabilities	11	**225,942**	**223,472**
Bank loans and borrowings		206,281	206,441
Miscellaneous loans and borrowings		19,661	17,031
Payables	13	**538,712**	**275,103**
Trade payables		132,639	93,396
Tax and social security payables		89,841	71,842
Other payables		316,232	109,865
Unearned revenue	14	**€6,669**	**€558**
Unrealized exchange gains		**€2,347**	**€2,181**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**€2,731,742**	**€2,178,378**

Income Statement

(in thousands)	Notes	Years ended December 31, 2010	2009
Operating revenue (I)		**€744,933**	**€548,660**
Sales of equipment		17	1,354
Royalties and services		742,242	545,706
Net sales	16	**742,259**	**547,060**
Of which exports		*505,661*	*375,170*
Capitalized production		213	486
Reversals of provisions, amortization and transfers of expenses		2,350	183
Other revenue		111	931
Operating expenses (II)		**€573,051**	**€434,390**
Purchases of materials		–	1,232
Other purchases and external expenses		226,776	174,831
Taxes, duties and similar payments		12,367	9,340
Salaries and wages		125,260	109,074
Social security contributions		69,681	58,556
Depreciation and amortization of fixed assets		15,731	13,715
Appropriations to provisions for depreciation of current assets		2,701	1,007
Appropriations to provisions for contingencies and liabilities		1,236	576
Other expenses		119,299	66,059
OPERATING INCOME (III = I – II)		**€171,882**	**€114,270**
Financial income (IV)		**€214,124**	**€119,495**
Other interest and similar revenue		145,050	76,684
Reversals of provisions and transfers of expenses		15,881	21,149
Exchange gains		49,404	16,501
Net revenue from disposals of investment securities		3,789	5,161
Financial expenses (V)		**€107,139**	**€96,876**
Appropriations to provisions		59,513	70,896
Interest and similar expenses		8,203	8,484
Exchange losses		39,423	17,496
FINANCIAL INCOME/LOSS (VI = IV – V)	18	**€106,985**	**€22,619**
CURRENT INCOME (III + VI)		**€278,867**	**€136,889**
Extraordinary revenue (VII)		**€13,328**	**€12,827**
From management transactions		13,317	9,397
From capital transactions		11	3,430
Extraordinary expenses (VIII)		**€18,501**	**€16,457**
On management transactions		–	3
On capital transactions		5,426	7,693
Appropriations to amortization and provisions		13,075	8,761
EXTRAORDINARY INCOME (IX = VII – VIII)		**€(5,173)**	**€(3,630)**
Obligatory and optional employee profit-sharing (X)		**€21,560**	**€17,892**
Optional employee profit-sharing		10,502	7,209
Obligatory employee profit-sharing		11,058	10,683
Corporate income tax (XI)	19	**€33,007**	**€6,493**
NET INCOME (III + VI + IX – X –XI)		**€219,127**	**€108,874**

Notes to the Parent Company Financial Statements

Note 1 – Description of Business and Key Events of the Year

Description of business

Dassault Systèmes SA ("the Company") is the parent company of the Dassault Systèmes Group, world leader of Product Lifecycle Management ("PLM") software solutions powered by three-dimensional (3D) representation.

The main activity of Dassault Systèmes SA is the research and development of PLM software solutions as well as the commercialisation of its products and other Dassault Systèmes products. Dassault Systèmes SA software applications allow businesses to digitally define and simulate their products, as well as the processes and resources required to manufacture, maintain, and recycle them while minimizing the impact on the environment.

On March 31, 2010, the Company acquired the IBM business unit dedicated exclusively to the marketing, sale and support of the Company's PLM software ("IBM PLM") for a cash purchase price of $62.1 million, or €45.0 million, recorded as goodwill. This transaction has enabled the Company to obtain complete control of the direct sales of its PLM products and has strengthened its sales force.

Significant operations on long term financial investment

On June 8, 2010, the Company acquired Exalead, a French company providing Search Platforms and Search-Based Applications for consumer and business users, for a total of €132.0 million.

On June 21, 2010, the Company entered a new stage in its systems strategy with the acquisition, for a total of €6.1 million, of Geensoft SAS, a French company providing embedded systems development tools.

In 2010, analysis of the net realizable value of investments in subsidiaries resulted in the recognition of an additional impairment charge in the amount of €3.5 million and a reversal of a portion of a previous impairment charge in the amount of €13.3 million.

On January 1, 2010, the assets and liabilities of MatrixOne SAS, a company acquired in 2009, were transferred to the sole shareholder, Dassault Systèmes SA.

Dividend payment

The Combined General Meeting of Shareholders held on May 27, 2010, approved a dividend of €54.4 million, with €54.2 million distributed to the shareholders; €0.2 million represents the dividend on treasury shares.

Stock option plan

The General Meeting of Shareholders of May 27, 2010, authorized the Board of Directors to grant options to subscribe to shares of Dassault Systèmes SA to certain employees of Dassault Systèmes SA or its French or foreign subsidiaries. The maximum number of options that may be granted by the Board and not yet exercised may not provide the right to subscribe for a number of shares exceeding 15% of the share capital of Dassault Systèmes SA.

Pursuant to this authorization, during the year ended December 31, 2010, the Board of Directors allocated 1,240,000 stock options (see Note 9.2).

Executive stock grants

Pursuant to an authorization granted by the shareholders at the shareholders' meeting held on May 27, 2010, the Board of Directors decided to grant to the Company's Chief Executive Officer ("CEO") 150,000 shares. Such shares shall be vested at the end of an acquisition period of 2 years, subject to the condition that the CEO be a director of the Company at the acquisition date, and subject to the fulfillment of performance conditions established by the Board of Directors. In addition, the CEO is required to hold the vested shares until the end of a 2-year lock-up period and may not sell or transfer them during that period.

Stock repurchase program

The General Shareholders Meetings of June 9, 2009 and May 27, 2010, authorized the Board of Directors to implement a share repurchase program not to exceed 10% of Dassault Systèmes SA's share capital. In addition, this program specifies that the Company may not purchase shares at a price exceeding €50 and €60 per share and that the aggregate amount may not exceed €500 million.

During 2010, 150,000 shares were repurchased for a total amount of €7.2 million.

Shareholder base

On December 31, the share capital of Dassault Systèmes SA was held by:

(In %)	2010	2009
Public	49.9	48.7
Groupe Industriel Marcel Dassault	42.8	43.9
Charles Edelstenne and assignees(1)	6.3	6.5
Bernard Charlès	0.7	0.6
SW Securities LLC	0.2	0.2
Treasury shares	0.1	0.1
Other directors and executive officers	–	
Total	**100.0**	**100.0**

On December 31, the voting rights in Dassault Systèmes SA were held by:

(In % of exercisable voting rights)	2010	2009
Groupe Industriel Marcel Dassault	50.8	49.7
Public	38.8	39.3
Charles Edelstenne and assignees(1)	9.7	10.4
Bernard Charlès	0.7	0.6
Other directors and executive officers	–	–
Total	**100.0**	**100.0**

(1) At December 31, 2010, M. Edelstenne held 1,919,047 shares with all ownership rights and 1,542 shares through two family companies which he manages, representing in the aggregate 1.60% of the outstanding capital and 2.42% of the exercisable voting rights, as well as 5,763,600 shares with "usage" rights (*usufruit*). For the usage rights with respect to these 5,763,600 shares, M. Edelstenne can only exercise the right to vote on decisions of the General Shareholders' Meeting concerning the allocation of profit; the holders of the bare property rights (*nue-propriété*) exercise the right to vote for other resolutions in compliance with Article 11 of the by-laws.

Post balance sheet events

Dassault Systèmes SAS, sales agent for the Company's products, will be subject to a transfer of assets on April 1, 2011.

During the first quarter of 2011, the Company repurchased 2,000,000 of its own shares for an aggregate amount of approximately €111.2 million. 150,000 shares (repurchased at an average price of €55.91) have been allocated to cover the Company's obligations resulting from free share grants decided in 2010, and 1,850,000 shares (repurchased at an average rate of €55.56) have been allocated for cancellation.

Note 2 – Summary of Significant Accounting Policies

The financial year lasts for 12 months from January 1 through December 31.

The annual financial statements for the year ending December 31, 2010, have been prepared and are presented in accordance with CRC Regulation 99-03. General accounting conventions have been applied in keeping with the principle of prudence, the principle of continuity of accounting methods from one year to the next, the independence of financial years, and the assumption that the business is a going concern. Assets and liabilities are initially recorded at historical cost.

Dassault Systèmes SA applies accounting rules on the definition, valuation, amortization and depreciation of assets defined, in particular, in Regulation 2002-10 of December 12, 2002 and 2004-6 of November 23, 2004, by the *Comité de la Réglementation Comptable* (French Accounting Regulation Committee).

Significant accounting polices used are as follows:

2.1 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are recognized at their acquisition cost when they are purchased, at their production cost when they are produced internally, and at their integration value when they are transferred.

Technical deficits are recorded as goodwill in connection with merger operations. The Company reviews the net realizable value of such assets periodically to ensure that net realizable value is not less than carrying value.

Acquisition cost includes the purchase price and any additional expenses directly relating to the acquisition. The amortizable amount depends on the acquisition costs less any market value net of disposal costs at the end of their term of use.

Intangible assets are amortized using the straight-line method over their expected useful life, with the exception of certain software which is amortized using the declining balance method over one year.

The useful life and amortization methods applied to property, plant and equipment are presented below:

1) Declining balance method:

New IT equipment	3 to 7 years
New office equipment	3 to 5 years

2) Straight-line method:

Secondhand IT equipment	3 years
Laptop computers	2 years
Transportation equipment	4 years
Fixtures and fittings	over the term of the lease
Office furniture	over the term of the lease

2.2 Financial assets

Investments in subsidiaries are initially valued at their historical acquisition cost. Since 2007, expenses directly related to the acquisition of equity securities have been included in the acquisition cost of these securities and depreciated, for tax and accounting purposes, over 5 years. Loans and advances to subsidiaries are valued at their net realizable value.

Periodically and at least at the annual closing period, Dassault Systèmes SA reviews the net realizable value of its investments and loans and advances to subsidiaries. An impairment is recognized if the net realizable value is less than acquired book value. In particular, the net realizable value of securities takes into account the amount of shareholders' equity, long-term profitability and strategic factors.

2.3 Marketable securities

Marketable securities are recorded at their acquisition price and are depreciated, when applicable, by referring to their stock market value at the end of the year. Marketable securities acquired in foreign currencies are converted at the closing exchange rate.

2.4 Receivables and payables

Trade receivables and payables are carried at their nominal value. A provision for depreciation is recorded when the net realizable value is lower than the historical value taking into account, in particular, their age.

2.5 Foreign currency transactions

Transactions in foreign currencies are recorded in Euros in the income statement at the monthly average exchange rate. Receivables, debts and cash in foreign currencies are converted in Euros in the balance sheet at the closing exchange rate or at the hedged rate when they are subject to exchange rate hedging. The conversion differences are recorded on the balance sheet in "Unrealized Exchange Losses/ Gains". In the event of unrealized losses, a provision for contingencies (exchange loss) is recorded.

2.6 Net sales

Dassault Systèmes SA derives revenue from two primary sources: (1) new software licenses, periodic licenses, maintenance and product development, which includes software license updates, technical support and the development of additional functionalities of standard products requested by clients; (2) through March 31, 2010, its marketing and distribution agreement with IBM and other entities in the Dassault Systèmes Group.

Software license revenue represents fees earned from granting customers licenses to use the Company's software. Software license revenue consists of perpetual and periodic license sales of software products and is recognized when: (i) Dassault Systèmes SA can demonstrate that an arrangement exists, (ii) delivery and acceptance of the software has occurred, (iii) the software license fee is fixed or determinable, and (iv) collection is probable. In instances when any of the four criteria are not met, the revenue recognition of software license is deferred until all criteria are met. Revenue related to the licensing of software through value-added resellers (VAR) is generally recognized when evidence of a sale to an end-user customer is provided to Dassault Systèmes SA, assuming all other revenue recognition criteria have been met.

Maintenance revenue represents periodic fees associated with the sale of unspecified product updates on a when-and-if-available basis and technical support. Maintenance agreements are entered into in connection with the initial software license purchase. Maintenance support may be renewed at the conclusion of each term. Revenue from maintenance is deferred and recognized as revenue on a straight-line basis over the term of the maintenance agreement.

Product development revenue relates to the development of additional functionalities of standard products requested by clients and is recognized when the development work is performed.

Revenue under multiple-element arrangements, which typically include new software licenses and maintenance agreements sold together, is allocated to each element in the arrangement primarily using the residual method based upon the fair value of the undelivered elements. Discounts, if any, are applied to the delivered elements, usually software licenses, under the residual method. For maintenance, fair value is determined based upon either the renewal rate specified in each contract or the price charged when sold separately.

Marketing and Distribution Agreement with IBM

Under Dassault Systèmes SA's agreement with IBM, in effect through March 31, 2010, Dassault Systèmes SA licensed its products to IBM who then sublicensed the products to end-users. Dassault Systèmes SA provided maintenance to IBM but did not contract directly with IBM customers. In addition, Dassault Systèmes SA provided training to IBM employees for new product releases, participated in a worldwide marketing arrangement with IBM and was involved in other product development initiatives for both Dassault Systèmes SA's and IBM's products.

Royalties under this arrangement were earned as revenue was recognized by IBM from its sublicensing of products and services. In general, this resulted in recognition of license royalties when IBM sublicensed software to end-users and maintenance royalties over the period during which IBM was required to provide support to end-users. Royalties were recognized in software revenue when earned from IBM and reported to us.

2.7 Research & Development ("R&D") expenses

Research costs are expensed as incurred. Since it is difficult to demonstrate technological feasibility before a working prototype has been completed, such costs are expensed. Technological feasibility is generally demonstrated shortly before the commercial release of software products. As a consequence, costs incurred after technological feasibility is established that could potentially be capitalized are not material.

2.8 Derivatives

Dassault Systèmes SA uses derivative instruments to manage exposures to foreign currency and interest rates. Dassault Systèmes SA's policy is to use specific financial instruments on certain material transactions.

Interest rate derivatives:

The financial profits and losses resulting from the use of derivatives are recorded in the income statement in the same manner as the profits and losses from the covered transactions when the derivatives are considered as hedging transactions from an accounting perspective. Otherwise, if the instruments do not qualify as hedging, they are evaluated as follows:

- unrealized losses on negotiated financial instruments are fully reserved;
- unrealized gains on negotiated financial instruments are recognized in the income statement upon settlement;

Exchange rate derivatives:

Exchange rate derivatives are included in Dassault Systèmes SA's currency position. Unrealized gains and losses on these derivatives are taken into account in determining the provision for unrealized exchange rate losses.

Notes to the Balance Sheet

Note 3 – Changes in Fixed Assets

(in thousands)	Gross 12/31/2009	Contributions merged companies	Additions 2010	Disposals 2010	Gross 12/31/2010
Intangible assets	**€106,626**	**€ –**	**€58,621**	**€(3,120)**	**€162,127**
Goodwill	52,915	–	44,966	–	97,881
Patents, licenses and trademarks	50,591	–	12,644		63,235
Intangible assets in progress	3,120	–	1,011	(3,120)	1,011
Tangible assets	**€65,150**	**€11**	**€11,878**	**€(660)**	**€76,379**
Fixtures and fittings	19,013	–	1,571	–	20,584
Machinery and equipment	32,850	–	8,038	(334)	40,554
Other property, plant & equipment	12,987	11	454	(26)	13,426
Vehicles	295	–	–	(26)	269
Office furniture	6,180	–	326	–	6,506
Office equipment	6,512	11	128	–	6,651
PP&E in progress	300	–	1,815	(300)	1,815
Financial assets	**€1,479,915**	**€ –**	**€493,637**	**€(166,580)**	**€1,806,972**
Total gross fixed assets	**€1,651,691**	**€11**	**€564,136**	**€(170,360)**	**€2,045,478**

Fixed assets in progress and advances and on-account payments on fixed assets are recorded under the fixed asset item to which they relate.

The increase in intangible assets in 2010 was due to the inclusion of goodwill relative to the acquisition of IBM PLM for €45.0 million and to the acquisition of intellectual property for €10.0 million.

Financial assets are mainly composed of investments in subsidiaries and loans and advances to subsidiaries, details of which are presented in the information concerning subsidiaries and shareholdings, loans and advances granted to employee and deposits and guarantees.

The increase in financial assets in 2010 was principally due to the following changes:

– acquisition of shares of Exalead SA for €132.0 million and shares of Geensoft SAS for €6.1 million,

– new loans granted subsidiaries with respect to the purchase of IBM PLM for €344.1 million and €9.1 million in loans granted to Dassault Systèmes International.

The reduction in financial assets in 2010 was principally due to the following changes:

– cancellation of shares of MatrixOne SAS for €0.5 million following the transfer of all assets and liabilities to the sole shareholder, Dassault Systèmes SA, in January 2010,

– reimbursement of loans by Dassault Systèmes K.K. for €147 million, and Dassault Systèmes Deutschland GmbH for €18 million.

Note 4 – Changes in Amortization, Depreciation and Impairment

(in thousands)	Amortization and impairment at 12/31/2009	Contributions merged companies	Additions in 2010	Reversals and transfers 2010	Amortization and impairment at 12/31/2010
Intangible assets	**€39,364**	**€ –**	**€3,922**	**€ –**	**€43,286**
Patents, licenses and trademarks	39,364	–	3,922	–	43,286
Tangible assets	**€31,646**	**€9**	**€11,809**	**€(339)**	**€43,125**
Fixtures and fittings	3,621	–	1,807	–	5,428
Machinery and equipment	23,552	9	7,846	(313)	31,094
Other property, plant & equipment	4,473	–	2,156	(26)	6,603
Vehicles	210	–	43	(26)	227
Office furniture	704	–	550	–	1,254
Office equipment	3,559	–	1,563	–	5,122
Financial assets	**€89,485**	**€ –**	**€57,038**	**€(13,309)**	**€133,214**
Total Amortization and impairment	**€160,495**	**€9**	**€72,769**	**€(13,648)**	**€219,625**

The increase in the impairment of financial assets in 2010 relates primarily to the depreciation of the receivable from Dassault Systems International for €53.5 million to reflect the net realizable value.

In 2010 the reversals of the impairment of long-term investments relates principally to the depreciation of equity securities of Dassault Systèmes AB for €6.8 million and of Dassault Systèmes Deutschland GmbH for €6.5 million so as to reflect their net realizable value.

Note 5 – Trade Receivables

Trade receivables are broken down as follows:

(In thousands)	12/31/10	12/31/09
Trade accounts receivable	€117,788	€92,887
Bills receivable	–	–
Accrued revenue	111,192	64,665
Allowance for trade accounts receivable	(2,712)	(2,102)
Total trade receivables	**€226,268**	**€155,450**

The due date of all trade receivables and related items is less than one year.

The increase in trade accounts receivable of €24.9 million was principally due to the increase in activity and the acquisition of IBM PLM.

The increase in accrued revenue is principally due to a timing difference on scheduled intercompany invoicing.

Note 6 – Other Receivables

Other receivables consist of the following elements:

(In thousands)	12/31/10	12/31/09
Income tax receivable	€6,254	€25,775
Value added tax	12,265	9,907
Current accounts receivable	19,314	12,950
Accrued credit notes	8,776	10,495
Derivatives	–	1,283
Receivable related to the exercise of stock-options	10,286	–
Other	1,618	742
Total other receivables	**€58,513**	**€61,152**

The due date of other receivables is less than one year.

The change in income tax receivable between December 31, 2009, and December 31, 2010, was due to:

- the increase in income tax expense from €6.5 million to €33 million due primarily to a strong growth and the positive impact of the acquisition of IBM PLM beginning April 1, 2010,
- the increase in advance tax payments from €32 million in 2009 to €37 million in 2010,
- the research tax credit remained relatively stable at €27.7 million in 2010 versus €27.9 million in 2009,

The change in current accounts receivable is due to an increase in receivables from certain of the Company's European subsidiaries.

Note 7 – Cash and Cash Equivalents

7.1 Marketable Securities

(In thousands)	12/31/10	12/31/09
Marketable securities	**€600,517**	**€445,903**

On December 31, 2010, 99.19% of marketable securities were denominated in euro compared to 98.82% on December 31, 2009 and 0.81% in USD compared to 1.18% on December 31, 2009.

€470.5 of marketable securities are held in monetary investments, and €130.0 million are held in diversified investment structures.

7.2 Treasury Shares

	Number of shares	Average price *(in Euros)*	Total shares *(in thousands)*
Treasury shares as of January 1, 2010	**150,000**	**€37.52**	**€5,628**
Transfer of shares to executive director	(150,000)	37.52	(5,628)
Acquisition of treasury shares	150,000	47.81	7,172
Treasury shares as of December 31, 2010	**150,000**	**€47.81**	**€7,172**

Note 8 – Prepaid Expenses

Prepaid expenses are comprised of the following:

(In thousands)	12/31/10	12/31/09
Equipment rental	€–	€51
Insurance	214	–
License and patent fees	431	–
IT maintenance	4,799	5,541
Other	865	120
Total prepaid expenses	**€6,309**	**€5,712**

Note 9 – Shareholders' Equity

9.1 Share Capital

Movements on share capital during the year ended December 31, 2010 were as follows:

	Number of shares	Par value *(in Euros)*	Capital *(in Euros)*
Shares as of January 1, 2010	**118,367,641**	**€1**	**€118,367,641**
Shares issued pursuant to stock option plans (refer to Note 9.2)	2,964,963	1	2,964,963
Capital reduction by canceling shares	–	–	–
Shares as of December 31, 2010	**121,332,604**	**€1**	**€121,332,604**

9.2 Stock Option Plans

The table below summarizes the options exercised since each plan was introduced:

	Plan March 29, 2001		Plan June 29, 2001	Plan October 5, 2001		Plan May 28, 2002		Plan January 20, 2003		Plan March 29, 2005		SUB TOTAL
	1998-08	1998-09	1998-10	1998-11	1998-12	2002-01	2002-02	2002-03	2002-04	2002-05	2002-06	CARRY-FORWARD
Number of options allocated	2,909,600	553,300	138,000	1,387,400	328,650	1,363,563	355,300	3,325,000	675,000	967,150	232,850	12,235,813
Option exercise price	52	52	49	35	35	45.5	45.5	23	23	39.5	39.5	
Exercise dates	From 03/29/03 to 03/28/11	From 03/29/01 to 03/28/11	From 06/29/01 to 06/28/11	From 10/5/02 to 10/4/11	From 10/5/02 to 10/4/11	From 05/28/03 to 05/27/12	From 05/28/03 to 05/27/12	From 01/20/04 to 01/19/13	From 12/31/04 to 01/19/13	From 03/30/07 to 03/28/12	From 03/30/06 to 03/28/12	
Number of options exercised through 2006	–	110,825	46,177	58,324	131,837	–	66,305	71,725	385,120	5,700	4,300	880,313
Number of options exercised in 2007	–	104,565	24,985	16,297	55,786	440	96,481	504,841	107,245	–	61,600	972,240
Number of options exercised in 2008	–	53,650	15,915	23,718	25,809	–	37,609	205,592	17,900	2,800	28,550	411,543
Number of options exercised in 2009	–	7,450	5,610	5,539	10,550	–	6,113	158,798	11,930	950	14,700	221,640
Number of options exercised in 2010	538,842	70,925	32,625	694,020	15,745	217,400	21,933	856,569	19,655	326,135	16,150	2,809,999
Number of options canceled	137,840	116,780	8,208	39,649	57,912	88,750	49,376	19,025	50,400	133,500	42,750	744,190
Number of options in circulation on December 31, 2010	2,232,918	89,105	4,480	549,853	31,011	1,056,973	77,483	1,508,450	82,750	498,065	64,800	6,195,888
Comments										exercisable beginning March 30, 2007	exercisable beginning 50% per annum from March 30, 2006, to 2007	

	SUB TOTAL CARRY-FORWARD	Plan October 9, 2006 2006-01	Plan June 6, 2007 2006-02	Plan Sept 25, 2008 2008-01	Plan Nov 27, 2009 2008-02	Plan May 27, 2010 2010-01	TOTAL
Number of options allocated	12,235,813	1,405,700	1,325,900	1,436,600	1,851,500	1,240,000	19,495,513
Option exercise price		47	47.5	38.15	39	47	
Exercise dates		From	From	From	From	From	
		10/10/09 to	06/07/10 to	09/25/09 to	11/27/13 to	05/27/13 to	
		10/08/13	06/05/14	09/24/15	11/26/17	05/26/18	
Number of options exercised through 2006	880,313	–	–	–	–	–	880,313
Number of options exercised in 2007	972,240	–	–	–	–	–	972,240
Number of options exercised in 2008	411,543	–	–	–	–	–	411,543
Number of options exercised in 2009	221,640	–	–	–	–	–	221,640
Number of options exercised in 2010	2,809,999	98,768	28,721	25,275	1,300,(1)	900,(1)	2,964,963
Number of options canceled	744,190	220,900	148,679	125,333	55,500	11,500	1,306,102
Number of options in circulation on December 31, 2010	6,195,888	1,086,032	1,148,500	1,285,992	1,794,700	1,227,600	12,738,712
Comments		exercisable beginning Oct 10, 2009	exercisable beginning June 7, 2010	exercisable beginning 33% per annum from September 25, 2009, to 2011	exercisable beginning Nov 27, 2013	exercisable beginning May 5, 2014	

(1) Options exercised under specific provisions.

9.3 Movements in Shareholders' Equity

The movements in shareholders' equity during the year ended December 31, 2010 were as follows:

(in thousands)	2009 Before AGM's resolutions	Appropriation of 2009 earnings by AGM	Effect of exercising options and canceling shares	Net income for 2010 fiscal year	Other	2010 Before AGM's resolutions
Common stock	**€118,368**	€–	€2,965	€–	€–	**€121,333**
Share premium	**125,439**	–	104,427	–	–	**229,866**
Contribution premium	**269,978**	–	–	–	–	**269,978**
Legal reserve	**11,886**	–	–	–	–	**11,886**
Retained earnings	**1,009,358**	54,627	–	–	–	**1,063,985**
Income (loss) for the fiscal year	**108,874**	(108,874)	–	219,127	–	**219,127**
Regulated provisions(1)	**14,005**	–	–	–	2,732	**16,737**
Shareholders' equity	**€1,657,908**	**€(54,247)**	**€107,392**	**€219,127**	**€2,732**	**€1,932,912**

(1) The regulated provisions mainly originate from the obligatory company profit sharing scheme set up for the benefit of Dassault Systèmes SA's employees.

Note 10 – Provisions for Contingencies and Losses

Movements of provisions for contingencies and losses were as follows:

(in thousands)	Opening balance on 01/01/10	Appropriation for 2010 fiscal year	Reversals for 2010 fiscal year(1)	Closing balance on 12/31/10
Provisions for retirement payments	€8,378	€970	€–	€9,348
Provisions for jubilee awards	2,120	267	–	2,387
Provisions for exchange losses	2,572	2,476	(2,572)	2,476
Other provisions for contingencies and losses	6,086	10,755	(5,892)	10,949
Total provisions	**€19,156**	**€14,468**	**€(8,464)**	**€25,160**

(1) The majority of the reversals of provisions were used during the fiscal year.

Dassault Systèmes SA's commitment in terms of retirement payments was evaluated by the future rights pro-rata method.

This method, which is based on an actuarial valuation of rights, takes into account rights acquired by employees on the date of their retirement, calculated on the basis of the seniority and annual salary of the employee at the time of retirement. These rights are acquired and paid to the employee when he/she retires as a fixed amount. Provisions are made for rights to retirement payments acquired by employees during their career on the basis of actuarial assumptions and calculations.

Retirement commitments on December 31, 2010 were calculated using the prospective method with the following assumptions: retirement between 60 and 65 years of age, 5.25% discount rate, 3% average increase in salaries and a 5% expected return on plan.

In 1998, Dassault Systèmes SA took out an insurance policy with Sogecap, a life insurance company affiliated with the Société Générale, intended to cover the retirement payment commitments. Pursuant to this policy, Dassault Systèmes SA has invested a total of €6.8 million.

The appropriation for exchange losses during the year relates to unrealized exchange losses generated owing to currency fluctuations, mainly those of the U.S. dollar and the Japanese yen.

Change in other provisions for contingencies and liabilities between December 31, 2009 and December 31, 2010 corresponded primarily to:

– increase of a provision for an obligation for €8.2 million as a result of the attribution of executive stock grants,

– recognition of a contract loss accrual for €1.3 million,

– reversal of a provision of €5.6 million for an obligation to deliver shares in September 2010.

Note 11 – Financial Liabilities

At December 31, 2010, financial liabilities were as follows:

(In thousands)	Gross	Due dates less than one year	Due dates over one year
Bank loans and borrowings	€200,037	€37	€200,000
Banks	6,244	6,244	–
Obligatory employee profit-sharing scheme	19,661	4,074	15,587
Total financial liabilities	**€225,942**	**€10,355**	**€215,587**

Financial liabilities with due dates over one year relate to the €200 million multi-currency credit facility and obligatory employee profit sharing.

Dassault Systèmes SA entered into a multi-currency credit facility in December 2005 for €200 million. This agreement provides for revolving credit for a period of five years, which was extended by two additional years at the option of Dassault Systèmes SA. In March 2006, the Company drew down €200 million under the loan facility, with the full amount being repayable in December 2012.

This credit facility is subject to interest at Euribor + 0.18% per annum (See Note 15).

Note 12 – Elements Concerning Related Companies

(In thousands)	12/31/10	12/31/09
Loans granted (balance at year end)	€255,173	€65,976
Loans contracted (balance at year end)	1,000	–
Interest received or accrued during the year on loans granted	2,087	2,225
Cash advances granted	2,000	–
Dividends received during the year	141,967	74,363
Current accounts with debit balances (at year end)	19,314	12,950
Interest received or accrued during the year on current accounts	702	146
Current accounts with credit balances (at the year-end cut-off date)	310,490	103,690
Interest paid or accrued during the year-end on current accounts obtained	562	839
Trade accounts receivable and related items	194,245	95,601
Accounts payable and related items	55,268	38,824

The increase in loans and current accounts with credit balances is due to the extension of the Dassault Systèmes Group's centralized treasury management to the worldwide level, primarily to the United States of America and to Asia. Loans granted to subsidiaries and inter-company current accounts are repaid according to market conditions.

€142 million in dividends was received during the 2010 fiscal year, composed as follows:

– €103.8 million received from Dassault Systèmes Corp.,

– €18.8 million received from Dassault Systèmes Americas Corp.,

– €13.9 million received from Dassault Systèmes Simulia Corp.,

– €4.7 million received from Dassault Data Service SAS,

– €0.8 million received from 3D PLM Software Private Ltd.

Note 13 – Payables

Trade payables were as follows:

(in thousands)	12/31/10	12/31/09
Suppliers	€51,215	€34,078
Suppliers of fixed assets	–	222
Invoices not received	81,424	59,096
Total trade payables	**€132,639**	**€93,396**

All trade payables are due in less than one year.

In accordance with L. 441-6-1 and D. 441-4 du *Code de Commerce* (Commercial Law) related to information regarding payment due dates, at December 31, 2010, the balance of Dassault Systèmes SA's trade accounts payable to its suppliers amounted to €51,214,747.62 (2009: €34,078,007.86). Due dates are as follows:

– 75.84% payable within 30 days (2009: 72.84%),

– 20.62% payable within 60 days (2009: 23.62%),

– 3.54% payable over 90 days as of December 31, 2009.

Tax and social security payables were as follows:

(in thousands)	12/31/10	12/31/09
Value added tax	€15,175	€9,621
Other taxes and duties	2,440	711
Obligatory and optional profit-sharing	17,886	13,937
Accrued vacation	26,827	23,412
Other employee expenses	27,513	24,161
Total tax and social security payables	**€89,841**	**€71,842**

Other payables were as follows:

(in thousands)	12/31/10	12/31/09
Current accounts with credit balances	€310,490	€103,690
Discounts to be granted and credit notes to be established	1,056	5,937
Other	4,686	238
Total other payables	**€316,232**	**€109,865**

The substantial increase in current accounts with credit balances is due to the implementation of centralized cash management at the worldwide level during the last quarter of 2010.

Note 14 – Unearned Revenue

Unearned revenue is comprised of the following elements:

(in thousands)	12/31/10	12/31/09
Software royalties	€6,389	€214
Other revenue	280	344
Total unearned revenue	**€6,669**	**€558**

Software royalties are mainly due to deferred revenue assumed as part of the IBM PLM acquisition.

Note 15 – Financial Commitments

15.1 Financial Instruments

At December 31, 2010 and 2009, the fair value of instruments used to manage currency exposure was as follows:

	Year ended December 31,			
	2010		2009	
(in thousands)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps in euros (from 2006 to 2010)(1)	–	–	€200,000	€(3,416)
Interest rate swaps in euros (from 2010 to 2012)(1)	200,000	(6,152)	200,000	(2,034)
Interest rate basis swaps in euros (from 2010 to 2012)(1)	200,000	54	–	–
Interest rate swaps in Japanese yen (from 2010 to 2015)(2)	120,110	(476)	–	–
Interest rate swaps in Japanese yen (from 2010 to 2015)(2)	120,110	476	–	–
Forward exchange contract Japanese yen/euros – sale(3)	79,681	(5,851)	5,632	36
Collars Japanese yen/euros(3)	78,650	(3,264)	125,591	14,899
Forward exchange contract Japanese yen/U.S. dollars – sale(2)	30,124	(1,087)	133,972	(6,600)
Forward exchange contract U.S. dollars/Japanese yen – purchase(2)	30,124	1,087	133,972	6,600
Forward exchange contract British pounds/Euros – sale(4)	25,292	365	574	24
Forward exchange contract Japanese yen/euros – purchase(3)	1,987	11	–	–
Forward exchange contract British pounds/euros – purchase(4)	554	(6)	–	–
Forward swap Japanese yen/Euros(3)	–	–	105,136	(136)
Forward swap British pounds/Euros(4)	–	–	22,263	16
Forward exchange contract Euros/U.S. dollars – sale(5)	–	–	76,350	(2,718)
Forward exchange contract U.S. dollars/Euros – purchase(5)	–	–	104,817	3,740
Forward exchange contract U.S. dollars/British pounds – purchase(5)	–	–	22,907	583
Forward exchange contract British pounds/U.S. dollars – sale(5)	–	–	22,907	(583)

(1) Dassault Systèmes SA entered into a multicurrency revolving loan facility which bears interest at variable rates (see Note 11. Borrowings). The Company entered into interest rate swap agreements that have the economic effect of modifying a portion of forecasted interest obligations relating to this facility so that the interest payable effectively becomes fixed at 3.36% until September 15, 2010. In June 2009 and in July 2009, the Company entered into additional interest rate swap agreements for a nominal amount of €100 and €100 million, respectively that will fix the underlying interest payable at 3.18% and 2.98% starting September 15, 2010 and continuing through December 3, 2012. In April 2010, the Company entered into interest rate basis swap agreements for a nominal amount of €200 million converting variable rates at Euribor 3 months into Euribor 1 month.

Cash flow hedges related to the period from June 15, 2010 to September 15, 2010 were discontinued. Losses were recorded as "Interest and similar expenses" in the statement of income for an amount of €1.3 million. No cash flow hedges were discontinued for the year ended December 31, 2009.

Under the terms of the credit facility, the Company is subject to limitations on granting liens on, or selling, Company assets or the assets of its principal subsidiaries, and on restructurings involving the Company. A change in control of the Company could trigger early reimbursement of amounts outstanding under the facility.

(2) The Company entered into interest swap agreements on behalf of some of its subsidiaries. These operations had no impact on the net profit of the Company.

(3) Instruments entered into by the Company to hedge the foreign currency exchange risk of forecasted sales.

(4) Derivatives not designated as hedging instruments.

(5) Instruments entered into by the Company to hedge the foreign currency exchange risk of the firm commitment to acquire IBM PLM.

The fair value of derivatives has been calculated by financial institutions on the basis of the market price and option valuation models.

All these instruments have been concluded within the framework of Dassault Systèmes SA's hedging strategy and mature in less than 26 months for the exchange rate hedging instruments and in approximately five years for the interest rate swaps. The Company's management believes that the counterparty risk relating to these instruments is minimal as counterparties are first-rate financial institutions.

15.2 Increases and Reductions in Future Income Tax Payable

Increases and reductions in future income tax payable have been evaluated on the basis of the standard corporate tax rate, plus extraordinary contributions for the application periods of such contributions. They originate from time lags between the tax regime and the accounting recognition of revenue and expenses.

(in thousands)	**12/31/10**	**12/31/09**
Nature of temporary differences		
Provision for obligatory profit-sharing	€11,098	€8,854
Provision for retirement payments	9,348	8,378
Unrealized exchange gains	2,347	2,181
Provision for contingencies	1,166	1,166
Depreciation of receivables	3,652	2,987
Other	1,783	902
Total temporary differences	**€29,394**	**€24,468**
Net reduction of the future corporate tax debt (34.43% tax rate)	€10,120	€8,424

15.3 Other Commitments

On December 31, 2010, commitments stood at €192 million for real estate and equipments rentals, including commitments relating to the lease for the headquarters in Vélizy-Villacoublay, effective as from June 30, 2008 for 12 years (compared to €208 million on December 31, 2009).

15.4 Individual Training Rights

French law provides employees employed under indefinite-term employment contracts by French entities with the right to receive individual training of at least twenty hours per year ("Individual Training Rights"). Individual Training Rights can be accumulated over six years and the related costs are expensed as incurred.

As of December 31, 2010, unused, accumulated Individual Training Rights amounted to approximately 172,523 hours.

Notes on the Income Statement

Note 16 – Breakdown of Net Sales

(in thousands)	12/31/10	12/31/09
Software (royalties and other product developments)	617,344	468,731
Services (including technical support)	20,702	13,908
Other revenue	104,213	64,421
Total net sales	**€742,259**	**€547,060**

The breakdown of net software sales by geographic zone is as follows:

(in thousands)	12/31/10	12/31/09
Europe	€341,149	€269,182
Asia	164,852	111,563
Americas	111,066	87,575
Other	277	411
Total net software sales	**€617,344**	**€468,731**

Note 17 – Statutory Auditors' Fees

The amount of statutory auditors' fees appearing in the income statement for the year is as follows:

(in thousands)	12/31/10	12/31/09
Certification of the individual and consolidated financial statements	€1,305	€1,073
Incidental assignments	1,036	86
Total statutory auditors' fees	**€2,341**	**€1,159**

Note 18 – Financial Income/Loss

Financial income for the year 2010 was €107.0 million compared to €22.6 million for the year 2009.

The main reasons for this increase were:

- dividend payment received from Dassault Systèmes Corp. amounting to €103.7 million bringing the total amount of dividends received in 2010 to €142.0 million as opposed to €74.4 million in 2009 (see note 12),
- net foreign exchange gains of €10.0 million as opposed to a loss of €1.0 million in 2009,
- a net reversal of €9.8 million of the impairment of investments in subsidiaries as opposed to a net increase of €59.3 million in 2009.
- A net provision for risk of €53.4 million concerning the receivable related to Dassault Systèmes International, as opposed to a net reversal of €9.5 million in 2009.

Note 19 – Breakdown of Income Tax

The breakdown of income tax between current income and extraordinary income for the year ended December 31, 2010, is as follows:

(in thousands)	**Income before tax**	**Tax (expense) profit**	**Income after tax**
Current income	€278,867	€(42,852)	€236,015
Extraordinary income[1]	(26,733)	9,845	(16,888)
Breakdown of income tax	**€252,134**	**€(33,007)**	**€219,127**

(1) Including obligatory and optional employee profit sharing.

The effective income tax rate for the year ended December 31, 2010 was 13.09% (2009: 5.63%). The increase in the effective tax rate was mainly due to the absence of tax losses in 2010 due to the transfer of assets and liabilities and less favorable foreign exchange adjustments.

The tax group consisted of 6 entities at the end of December 2010.

Under the tax integration agreement, it is agreed that the tax charge of the tax-integrated company will be the same as it would have been if such subsidiary had not been a member of the group.

Without the tax integration agreements, Dassault Systèmes SA's tax charge would have been €33.1 million in 2010.

Additional Information

Note 20 – Compensation of Managing Directors

The total gross compensation in euro paid by Dassault Systèmes SA to managing directors during 2010 was as follows:

Salaries	€3,292,932
Benefits in kind	€18,900
Directors' fees(1)	€76,500(1)
Total	€3,388,332

(1) 2009 directors' fees paid in 2010. 2010 directors' fees to be paid in 2010 will represent €81,600.

Following the authorizations granted to the Board of Directors by the General Meeting of Shareholders, the Board granted to the Chief Executive Officer ("CEO") 150,000 shares on June 8, 2005, 150,000 shares on June 14, 2006, 150,000 shares on June 6, 2007, 150,000 shares on September 25, 2008, 150,000 shares on November 27, 2009 and 150,000 shares on May 27, 2010. Such shares shall be vested at the end of an acquisition period of three years for those granted in 2005 and two years for all others, subject to the condition that the CEO be a managing director of Dassault Systèmes SA at the acquisition date. For shares granted on November 27, 2009 and May 27, 2010 a performance condition was also added.

At the end of the acquisition period, the Chief Executive Officer must hold the free shares acquired for a period of two years. Moreover, the CEO must maintain in registered form at least 15% of the total amount of shares he subscribes or acquires in connection with free share grants until he has left his current functions at the Company.

Note 21 – Average Headcount and Breakdown by Category

Employees by category	12/31/10	12/31/09
Managers	1,811	1,706
Supervisors and technicians	67	56
Employees	144	125
Total average headcount	**2,022**	**1,887**

Note 22 – Identity of the Consolidating Company

The Company's business is included in the consolidated financial statements of Groupe Industriel Marcel Dassault SAS, whose registered office is located at 9 Rond-Point des Champs-Elysées – Marcel Dassault, 75008 Paris.

Note 23 – Information Relating to Subsidiaries and Shareholdings

(in thousands of euros)	Gross book value of shares	Net book value of shares	% of interest	Share capital and share premiums	Reserves and retained earnings	Net profit or (loss) for last fiscal year	Revenue	Dividends collected	Loans and advances	Guarantees and sureties
Dassault Data Services SAS	892	892	95	3,000	13,883	2,997	54,880	4,750	–	–
Dassault Systemes K.K.	32,525	32,525	100	40,037	(8,320)	20,466	214,714	–	–	–
Dassault Systèmes Provence SAS	32,248	32,248	100	32,394	18,962	11,812	28,305	–	–	–
Dassault Systèmes Israel Ltd	64,883	–	100	26,276	(39,701)	1,718	17,986	–	8,173	–
Dassault Systèmes Deutschland GmbH	51,354	38,801	100	14,282	(6,906)	4,909	107,286	–	95,025	–
Dassault Systemes Italia Srl	381	381	100	423	(1,169)	429	17,810	–	810	–
Dassault Systemes (Switzerland) Ltd	68	68	100	80	162	(21)	2,677	–	125	–
3D PLM Software Solutions Ltd	90	90	30	–	13,482	6,212	24,675	818	–	–
Dassault Systemes Holding Canada Inc.(1)	20,892	20,892	100	21,991	(883)	11	–	–	–	–
Dassault Systèmes SAS	30,040	30,040	100	24,638	3,485	3,776	175,758	–	–	–
Dassault Systemes Corp.(2)	643,059	643,059	100	1,232,854	(59,340)	194,511	–	103,735	–	–
Dassault Systemes Americas Corp.	278,106	278,106	10	378,711	(36,128)	26,510	230,633	18,742	–	–
Dassault Systemes Simulia Corp.	242,977	242,977	10	140	93,035	48,793	144,121	13,922	–	–
Dassault Systèmes AB	9,540	9,540	100	2,432	(271)	465	21,312	–	1,977	–
Exalead SA	132,007	132,007	,100	30,240	(31,753)	(9,773)	10,867	–	–	–
Syena SAS	6,122	6,122	100	1,150	–	(77)	–	–	–	–
Dassault Systèmes International SAS	37	37	100	37	(6,486)	(47,612)	–	–	62,716	–
Dassault Systemes Espana S.L.	3	3	100	3	185	9	5,760	–	1,574	–
Dassault Systemes Belgium SA	392	392	99	392	241	303	3,055	–	213	–
Dassault Systemes India Ltd	1,334	1,334	100	1,327	871	(7)	10,493	–	,-	–
Dassault Systèmes Holdco SAS	37	37	100	37	(12)	(4)	–	–	–	–
Allegorithmic(3)	850	850	16	Information not available				–	–	–
	1,547,837	***1,470,401***						***141,967***	***170,613***	

(1) Canadian holding company owning 100% of both Safework Inc. and Dassault Systèmes Canada Innovation Technologies Inc.

(2) U.S. holding company owning 100% of Dassault Systèmes SolidWorks Corp. and Dassault Systèmes Holding LLC, the latter itself holding 90% of Dassault Systèmes Americas Corp. and Dassault Systèmes Simulia Corp. and 100% of Dassault Systèmes Delmia Corp. and Spatial Corp.

(3) Equity interests

As regards the Japanese subsidiary Dassault Systèmes K.K., the Company is the guarantor for up to 14.5 billion yen through July 31, 2015 for the benefit of the Bank of Tokyo-Mitsubishi and the Société Generale, for the credit line granted by these banks. The Company has not granted any other significant guarantees or endorsements to its subsidiaries. The loans granted to subsidiaries are detailed in Note 12.

The earnings of foreign subsidiaries have been converted using the average annual exchange rates for the relevant currencies. The shareholders' equity of foreign subsidiaries have been converted using the rates in effect at year-end.

20.3.2 Selected financial and other information for Dassault Systèmes SA over the last five years

(in euros except per share data and headcount)	2006	2007	2008	2009	2010
Share capital					
Share capital	115,770,290	117,604,553	118,862,326	118,367,641	121,332,605
Number of shares authorized and issued	115,770,290	117,604,553	118,862,326	118,367,641	121,332,605
Statement of income data					
Revenue	565,717,509	550,223,231	554,651,006	547,060,093	742,259,080
Result before income tax, profit sharing, amortization and provisions	213,511,588	221,238,407	210,541,064	228,213,442	365,948,323
Result before income tax, profit sharing, amortization and provisions and reversals of provisions	205,226,123	218,039,395	202,315,635	198,578,445	339,981,856
Income tax	52,252,284	40,856,300	12,489,386	6,492,806	33,005,838
Obligatory employee profit-sharing	10,683,531	9,720,962	9,202,886	10,683,300	11,058,164
Optional employee profit-sharing	7,801,959	8,195,662	8,140,149	7,208,561	10,501,560
Net income	120,438,429	135,676,022	115,307,017	108,874,103	219,126,831
Data per share					
Result after income tax and profit sharing and before amortization and provisions	1.16	1.35	1.45	1.47	2.35
Basic net income per share	1.04	1.15	0.97	0.92	1.81
Dividend per share	0.44	0.46	0.46	0.46	
Personnel					
Average headcount	1,612	1,719	1,794	1,887	2,022
Personnel costs paid during the year	88,365,157	94,626,307	102,594,289	106,372,002	120,640,263
Social security contributions paid during the year	43,373,183	46,070,049	53,986,160	58,556,427	69,681,295

20.4 Reports of the Statutory Auditors for 2010

20.4.1 Report of the Statutory Auditors on the parent company financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditor's Report on the annual financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meetings, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the accompanying financial statements of Dassault Systèmes;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2010 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2.6 to the financial statements summarizes the accounting principles and methods relating to the recognition of revenue from software including the royalties received under the distribution agreement with IBM until the IBM PLM acquisition by the Dassault Systèmes Group.

- Note 2.1 to the financial statements summarizes the methods of recognition and valuation of intangible assets. We verified that the values in use of the business assets ("*fonds de commerce*") were consistent with their carrying value.

- Note 2.2 to the financial statements summarizes the methods of recognition and valuation of financial fixed assets. We verified that the values in use of the long-term equity interests were consistent with their carrying values.

In our assessment of the accounting rules and principles adopted by your company, we checked the appropriateness of the above-mentioned accounting methods and the information disclosed in the notes to the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Neuilly-sur-Seine, on 28 March 2011

The statutory auditors

PRICEWATERHOUSECOOPERS AUDIT
Xavier Cauchois

ERNST & YOUNG ET AUTRES
Jean-Francois Ginies

20.4.2 Report of the Statutory Auditors on the consolidated financial statements

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General meetings, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the accompanying consolidated financial statements of Dassault Systèmes;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without calling into question the above conclusion, we would draw your attention to Note 2 « summary of significant accounting policies » and Note 16 « business combinations » to the consolidated financial statements related to the application of IFRS 3 Revised and IAS 27 Revised, applicable from January 1, 2010.

II – Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2 to the consolidated financial statements sets out the accounting principles and methods used to account for software revenue including for the sales made with direct customers or through value-added resellers and the royalties received from IBM until the IBM PLM acquisition by the Group.
- Notes 2, 16 and 17 to the consolidated financial statements set out the accounting principles and methods used to determine the value of the assets and liabilities acquired through business combinations, which are based on significant assumptions and estimates made by management.
- Notes 2 and 6 to the consolidated financial statements set out the accounting principles and methods used to determine the fair value of the share-based payment awards granted to the Directors, Senior Management and employees, which is based on significant assumptions and estimates made by management.

As part of our work, we verified the above-mentioned accounting principles and methods, examined the assumptions used and their application, and verified that the information provided in the notes above was appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Company's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, on 28 March 2011

The statutory auditors

PRICEWATERHOUSECOOPERS AUDIT
Xavier Cauchois

ERNST & YOUNG ET AUTRES
Jean-François Ginies

20.4.3 Special report of the Statutory Auditors regarding related-party transactions

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code (*Code de commerce*) concerning the implementation, during the last financial year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

With Mr Bernard Charlès

Indemnity in the event of the removal of Mr Bernard Charlès from corporate office

Nature, purpose and conditions

At its meeting on 27 May 2010, on the occasion of the renewal of Mr Bernard Charlès' term of office as *directeur général*, the Board of Directors authorized, upon the proposal of the Remuneration and Selection Committee, the renewal of the agreement granting Mr Bernard Charlès an indemnity in the event of the termination of his functions as *directeur general* according to the terms adopted by the Board of Directors at its meetings on 28 March 2008 and 27 March 2009.

At its meeting on 27 May 2010, the Board of Directors decided to make no change to the conditions, as defined by the Board of Directors at its meeting on 27 March 2009, in which this indemnity would be due in view of the recommendations of the Remuneration and Selection Committee and in accordance with the recommendations integrated into the AFEP/MEDEF Consolidated Corporate Governance Code (*Code de gouvernement d'entreprise consolidé*) of December 2008.

The amount of the indemnity due would be equivalent to a maximum of two years of remuneration of the *directeur général* and would depend on meeting performance targets established for the calculation of his variable remuneration. The amount paid would be calculated as a prorated percentage of the variable remuneration paid during the three years prior to the departure in relation to the target variable remuneration for these same years.

Thus, the amount due would be calculated according to the following formula:

- total gross remuneration (including variable remuneration but excluding benefits in kind and directors' fees) due in respect of his corporate office for the two fiscal years ended prior to the date of departure,
- multiplied by the figure resulting from the division i) of the amount of the variable remuneration paid to the *directeur général* during the three fiscal years ended prior to the date of the departure (numerator), by ii) the amount of the target variable remuneration decided for each of these same years by the Board of Directors according to the achievement of the targets fixed for the company (denominator).

The indemnity may only be paid in the event of a change of control or strategy duly established by the Board of Directors that results in a forced departure within the following twelve months. It could also be paid in a scenario of a forced departure without this departure being related to poor results of the company or to mismanagement by the *directeur général*; the Board of Directors can then decide to grant all or part of the termination indemnity.

The indemnity will not be due in a situation where the directeur général leaves the company on his own initiative to take up a new position, or changes position within the group, or if he is able to claim a pension within a short time period.

However, in the event of exceptional events that could seriously damage the company's image or income and have a significant negative impact on the stock market share price of your company, according to the assessment of the Board of Directors, or in the event of misconduct independent of his functions and incompatible with the normal performance of his office as *directeur général*, the Board of Directors may establish that the indemnity will not be due.

Agreements and commitments already approved by the General Meeting of Shareholders

Agreements and commitments approved in prior years

a) the implementation of which continued during the year

In accordance with Article R. 225-30 of the French Commercial Code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments, which were approved in prior years, continued during the year.

1. With Mr Bernard Charlès

a. Suspension of the employment contract

Nature, purpose and conditions

Mr Bernard Charlès combined the functions of *directeur général* of your company with an employment contract as innovation director. Since Mr Bernard Charlès can no longer devote sufficient time to the proper exercise of his salaried position of innovation director, at its meeting of 28 March 2008, the Board of Directors authorized the suspension of Mr Bernard Charlès' employment contract for so long as the latter performs his corporate office, retroactively from 1 January 2008. Your General Meeting of Shareholders on 28 May 2008 approved this agreement. The Board of Directors, at its meeting on 26 March 2010, took note of Mr Bernard Charlès' resignation as innovation director.

b. Amendment to the directeur général's employment contract

Nature, purpose and conditions

At its meeting on 23 September 2003, the Board of Directors authorized the conclusion of an amendment to Mr Bernard Charlès' employment contract, notably for the purpose of providing for a fixed indemnity equivalent to twenty-four months of the last gross annual remuneration he would have received in respect of his employment contract, in the event of dismissal for any reason other than serious or willful misconduct.

It is to be noted that Mr Bernard Charlès has decided to waive his termination indemnity with respect to his employment contract given the suspension of his employment contract. At its meeting on 26 March 2010, the Board of Directors took note of Mr Bernard Charlès' resignation as innovation director.

2. With Dassault Systemes Americas Corp. (formerly Enovia Corp.)

Nature and purpose

Agreement on brand license granted free of charge.

Conditions

A non-exclusive, free-of-charge license for the Enovia brand has been granted to Enovia Corp. This agreement was authorized by the Board of Directors at its meeting on 11 March 1998. It was entered into on 28 December 1998 for an indefinite period, it being specified that Enovia Corp. changed its name on 1 January 2006 to become Dassault Systemes Americas Corp.

3. With Chartis Insurance (formerly AIG Europe)

Nature and purpose

"Senior executive liability" insurance policy.

Conditions

A "senior executive liability" insurance policy was taken out with AIG Europe and authorized by the Board of Directors at its meeting on 24 July 1996.

This insurance policy allows coverage of all senior executives, past, present and future, of your company and of all of its subsidiaries, for an annual premium of €141,971.11 exclusive of taxes.

b) which were not implemented during the year

In addition, we have been advised that the implementation of the following agreements and commitments, which were approved in prior years, did not continue during the year.

4. Payment of the legal defense expenses of Board Members

Nature, purpose and conditions

In its meeting on 23 September 2003, the Board of Directors authorized the decision to have your company pay the fees and travel expenses that board members of the company and of its subsidiaries might have to meet to prepare their personal defense before a civil, criminal or administrative jurisdiction of the United States if this defense were to be exercised within the scope of an inquiry or investigations being carried out against your company.

Payment of these expenses is ensured on the three-part condition that the board members and senior executives concerned are assisted by lawyers selected by the company, that the company remains in control of its strategic choices in terms of procedure and methods of defense and that the expenses incurred be reasonable.

Neuilly-sur-Seine, 28 March 2011

The statutory auditors

PRICEWATERHOUSECOOPERS AUDIT
Xavier Cauchois

ERNST & YOUNG ET AUTRES
Jean-François Ginies

20.5 Date of the Last Financial Statements

December 31, 2010.

20.6 Interim and Other Financial Information

Dassault Systèmes has not published any quarterly or half-year financial information since the date of its last audited financial statements.

20.7 Dividend Policy

See Paragraph 26.1 below for a description of the Company's dividend distribution policy for the past four financial years.

20.8 Legal and Arbitration Proceedings

From time to time in the ordinary course of business, the Company is involved in litigation, tax audits or regulatory inquiries. To the Company's knowledge, there is no outstanding, suspended or threatened government proceedings, litigation or arbitration, which has had during the last twelve months preceding the publication of this 2010 Annual Report, or is likely to have, a significant impact on the Company's financial condition, or results of operations.

For information purposes only, the Company notes that MatrixOne, Inc., a U.S. company that the Company acquired in May 2006 (subsequently renamed Dassault Systèmes Enovia Corp.), is one of more than 300 companies named as defendants in coordinated class action litigation pending in federal court in New York. The consolidated amended complaint in the coordinated action, filed in April 2002, alleges, among other matters, that MatrixOne, Inc., and the other defendants violated U.S. securities laws by misrepresenting how their shares would be allocated to investors by banks underwriting initial public offerings of the issuer defendants' shares. A proposed settlement on behalf of the issuers in the coordinated litigation was approved by most of the issuer defendants, including MatrixOne, Inc., and was preliminarily approved by the trial court in September 2005. However, in light of a New York federal appeals court ruling in December 2006, which held that six focus cases involving allegations substantially similar to those asserted against MatrixOne, Inc., could not be certified as class actions, the proposed settlement between the plaintiffs and the issuers, including MatrixOne, Inc., was terminated on June 25, 2007. The plaintiffs have since filed amended complaints in the six focus cases, which the issuer and underwriter defendants separately moved to dismiss. On March 26, 2008, the court issued an order in which it denied in substantial part the motions to dismiss the amended complaints in the six focus cases. In February 2009, the parties reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. Ten appeals were filed objecting to the definition of the settlement class and the fairness of the settlement, five of which have been dismissed with prejudice. Two appeal briefs have been filed by the remaining objector groups. It is anticipated that the court will hear oral argument on these appeals sometime in the fall of 2011.

While we cannot guarantee the outcome of these proceedings, the Company believes that the final result of this lawsuit will have no material effect on its consolidated financial condition, results of operations, or cash flows.

20.9 Significant Change in the Issuer's Financial or Trading Position since December 31, 2010

Except for the information set forth in Section 21.1.4 "Company Shares" and Chapter 18 "Major Shareholders" regarding share repurchases, there has been no significant change in the financial or trading position of the Company since December 31, 2010.

CHAPTER 21 – ADDITIONAL INFORMATION

21.1 Share Capital

21.1.1 Share capital at February 28, 2011

At February 28, 2011, the Company's share capital was €122,718,122, divided into 122,718,122 fully paid-up shares with a nominal value of €1.00 per share. The Company's share capital was €121,332,604 on December 31, 2010.

At February 28, 2011, outstanding share options, whether or not exercisable, would, if all were exercised, result in the issuance of 11,293,194 new shares, representing approximately 9.20% of the Company's share capital at that date.

At the same date, on the basis of the closing price of the Company's shares on Monday, February 28, 2011 (€55.49 per share), the exercise of all issued options which could be exercised and whose exercise price was less than that closing price, would have resulted in the issuance of 11,293,194 new shares, representing approximately 9.20% of the Company's share capital at that date. The dilutive effect per share at December 31, 2010, is set forth in Note 11 to the consolidated financial statements.

In connection with the acquisition of SolidWorks in 1997, Dassault Systèmes SA issued shares for the purpose of distribution to the holders of stock options and warrants previously issued by SolidWorks. These Dassault Systèmes shares have historically been held by a U.S. subsidiary 100% owned by the Company, SW Securities LLC. No further stock options or warrants for Dassault Systèmes shares issued by SolidWorks remain outstanding at this time. At December 31, 2010, as at February 28, 2011, SW Securities LLC held 251,807 shares, or approximately 0.21% and 0.20%, respectively, of the Company's share capital at these dates. Similar to treasury shares, the shares held by SW Securities LLC do not have voting rights, and they are not eligible for dividends.

Other than the share subscription options granted in connection with stock option plans and share grants as described in Chapter 15 "Remuneration and Benefits" and Section 17.2 "Shareholdings and Stock Options of the Directors and Executive Officers", there are no other securities giving a right to subscribe shares of Dassault Systèmes, and there is no agreement which could result in a capital increase. Dassault Systèmes SA has not issued any securities which do not represent an interest in its share capital.

Pledges of assets

At December 31, 2010, to the Company's knowledge, there was no pledge of the assets of Dassault Systèmes except for amounts recorded by financing institutions in connection with operating lease agreements. To the Company's knowledge, 1,250 shares of Dassault Systèmes SA in registered form were pledged as of March 15, 2011. Shares held by Dassault Systèmes SA in its subsidiaries and the on-going business of its subsidiaries are not subject to any lien. To the Company's knowledge, no share of its subsidiaries which is not held by Dassault Systèmes SA is subject to any lien.

21.1.2 Changes in Dassault Systèmes share capital over the past three years

Date	Operation	Nominal value (in euros)	Amount of share capital (in euros)	Total number of shares	Change in share capital (in euros)
February 29, 2008	Exercise of share subscription options	1	117,645,813	117,645,813	41,260
August 29, 2008	Exercise of share subscription options	1	119,011,171	119,011,171	1,365,358
September 25, 2008	Share capital reduction through cancellation of treasury shares	1	118,349,185	118,349,185	(661,986)
December 31, 2008	Exercise of share subscription options	1	118,862,326	118,862,326	513,141
February 28, 2009	Exercise of share subscription options	1	118,866,151	118,866,151	3,825
March 27, 2009	Share capital reduction through cancellation of treasury shares	1	117,866,151	117,866,151	(1,000,000)
December 31, 2009	Exercise of share subscription options	1	118,367,641	118,367,641	501,490
February 28, 2010	Exercise of share subscription options	1	118,426,012	118,426,012	58,371
December 31, 2010	Exercise of share subscription options	1	121,332,604	121,332,604	2,906,592
February 28, 2011	Exercise of share subscription options	1	122,718,122	122,718,122	1,385,518
March 25, 2011	Share capital reduction through cancellation of treasury shares	1	120,868,122	120,868,122	1,850,000

The changes in share capital resulting from the operations through December 31, 2010, set forth above are included in “Changes in Shareholders’ Equity” in the consolidated financial statements.

21.1.3 Summary of pending delegations to the Board of Directors

The following summary of delegations and authorizations granted by the general meeting of shareholders to the Board of Directors and with effect during the 2010 financial year and as of the date of this Annual Report includes authorizations to increase share capital and to repurchase and cancel the Company's own shares.

Summary of delegations	General Meeting	Use
Authorization to purchase Dassault Systèmes' shares	May 27, 2010	The use of this authorization is described in paragraph 21.1.4 of this Annual Report
Authorization to cancel previously repurchased shares in the framework of the share buy-back program	May 27, 2010	The use of this authorization is described in paragraph 21.1.4 of this Annual Report
Delegations to increase share capital, with or without preemptive rights, or through the incorporation of reserves, profit or premiums, by a maximum nominal amount of €15 million, and to issue debt securities giving access to share capital up to a maximum nominal amount of €750 million	June 9, 2009	Not used
Delegations to increase the number of securities to be issued in connection with a capital increase, with or without preemptive rights, up to 15% of the initial issuance, not exceeding the maximum nominal amount of €15 million referred to in the above paragraph	June 9, 2009	Not used
Delegation to increase share capital for the purpose of compensating contributions in kind within the limit of 10% of share capital	June 9, 2009	Not used
Delegation to increase share capital for the benefit of members of a corporate savings plan (*plan d'épargne d'entreprise*) of Dassault Systèmes SA and its related companies, up to a limit of €10 million nominal amount	May 27, 2010	Not used
Authorization to grant free shares, within the limit of 1.5% of capital	May 27, 2010	The use of this authorization is described in paragraph 15.1 of this Annual Report
Authorization to grant stock subscription or purchase options, within the limit of 15% of the share capital	May 27, 2010	The use of this authorization is described in paragraphs 15.1 and 17.2 of this Annual Report

Because the following authorizations to increase the share capital will expire in 2011, the Board proposes to the General Shareholders' Meeting scheduled for May 26, 2011, to renew the authorizations for a period of 26 months and under the same conditions (see paragraph 26.2 of this Annual Report):

- Delegations to increase share capital, with or without preemptive rights, or through the incorporation of reserves, profit or premiums, by a maximum nominal amount of €15 million, and to issue debt securities giving access to share capital up to a maximum nominal amount of €750 million;
- Delegations to increase the number of securities to be issued in connection with a capital increase, with or without preemptive rights, up to 15% of the initial issuance, not exceeding the maximum nominal amount of €15 million referred to in the above paragraph;
- Delegation to increase share capital for the purpose of compensating contributions in kind within the limit of 10% of share capital.

In addition, pursuant to the AMF recommendation dated July 6, 2009, a specific resolution will be proposed to the general meeting of shareholders of May 26, 2011 in order to grant to the Board of Directors a delegation to increase the share capital, without preemptive rights, by private investment of portfolio managers or qualified investors, within the limit of €15 million nominal amount.

Finally, in accordance with the law, the general meeting of shareholders will be asked to authorize the Board of Directors to carry out capital increases reserved for the employees of the Company and/or its affiliates and members of corporate savings plans, up to a maximum nominal amount of €10 million.

21.1.4 Company shares

a) Use of the share repurchase authorizations granted by the shareholders in June 2009 and May 2010

In connection with the terms of article L. 225-209 of the French Code of Commerce, the general meeting of shareholders of June 9, 2009, authorized the Board of Directors to put in place a share repurchase program for a maximum amount of 10% of the Company's share capital on the date of the shareholders' meeting, and for a maximum purchase price per share of €50.

This authorization was replaced by a new authorization granted by the general meeting of shareholders on May 27, 2010, to the Board of Directors, to repurchase the Company's shares within the same limit of 10% of the Company's share capital and for a maximum purchase price per share of €60. This authorization will expire at the end of the shareholders meeting approving the financial statements for the year ended December 31, 2010, on May 26, 2011.

The new share repurchase program to be proposed to the general meeting of shareholders on May 26, 2011, is described in paragraph b) below.

During the financial year 2010, in connection with the above authorizations, the Company repurchased 150,000 of its own shares at an average price of €47.81 per share, for a total cost of €7,171,611.02, which were entirely allocated to cover the Company's obligations resulting from free share grants.

The transaction costs paid by the Company in connection with these share repurchases amounted to €8,577.24 (all taxes included).

The Company undertook the following action with respect to shares previously repurchased:

– in September 2010, 150,000 shares, which had been allocated to cover the Company's obligations resulting from free share grants decided in 2008, were transferred to the beneficiary (see paragraph 15.1 above).

Following these transactions, on December 31, 2010, the Company held directly 150,000 of its own shares, nominal value €1, which had been repurchased at an average price of €47.81, representing 0.12% of share capital at that date, and which were allocated to cover the Company's obligations resulting from free share grants.

In February and March 2011, the Company purchased 2,000,000 of its shares, 597,278 of which were acquired by blocks on the over-the-counter market, at an average price of €55.59 per share, representing a total cost of €111,174,388.23. The shares repurchased this way were allocated as follows:

– 150 000 shares were allocated to cover the Company's obligations resulting from free share grants;

– the remaining shares, which represented 1,850,000 shares, were allocated to be cancelled to improve the return on capital and net income per share.

The transaction costs paid by the Company in connection with this share repurchase amounted to €65,170.12 (all taxes included).

Finally, the Board of Directors of March 25, 2011 used the authorization granted by the General Meeting of Shareholders of May 27, 2010 in order to cancel 1,850,000 shares allocated to this objective. As a result, on March 25, 2011, the Company held directly 300,000 of its shares.

During the financial year 2010 and the period from January 1 to March 25, 2011, the Company has not performed any transactions on derivative securities linked to its shares and has not purchase or sold any of its shares by exercising or through the maturity of such derivative securities.

b) Description of the share repurchase program proposed to the General Meeting of Shareholders on May 26, 2011

In accordance with article 241-2 of the General Regulation of the AMF (Autorité des Marchés Financiers), this paragraph provides a description of the share repurchase program that will be proposed for the approval of the shareholders at the general meeting on May 26, 2011.

In connection with the terms of article L. 225-209 of the French Code of Commerce, the Board of Directors will propose to the general meeting of shareholders scheduled for May 26, 2011, to authorize the Board to implement a new share repurchase program. Such authorization will terminate the current share repurchase program.

On March 25, 2011, the Company held 300,000 of its own shares directly and 251,807 shares indirectly. At that same date, the 300,000 shares held following share repurchases carried out by Dassault Systèmes SA were allocated to cover the Company's obligations resulting from free share grants decided in 2009 and 2010.

The purposes of the new share repurchase program would be as follows:

1° To cancel shares in order to increase the return on equity capital and net income per share;

2° To provide for securities (representing no more than 5% of the share capital of the Company) for payment, or for exchange, particularly in connection with external growth transactions;

3° To ensure that there is a market or liquidity for the shares of Dassault Systèmes SA through the activities of an investment services provider acting under a liquidity contract, in accordance with the ethical code recognized by the AMF;

4° To meet obligations related to share option programs or other share grants to employees or executive directors (*mandataires sociaux*) of Dassault Systèmes SA or of an affiliated company;

5° To meet the Company's obligations in cash based on an increase in the market price of Dassault Systèmes shares, as made to employees and executive directors (*mandataires sociaux*) of the Company or of an affiliated company;

6° To provide for shares in connection with the exercise of rights attached to securities providing access to the capital of Dassault Systèmes SA; and

7° To carry out any market practice which may be recognized by the law or by the AMF.

The purposes 1-4 and 6 above correspond to the terms of European regulation nº 2273/2003 of December 22, 2003, in application of directive 2003/6/CE of January 28, 2003, and to market practices accepted by the AMF.

The general meeting of shareholders of May 26, 2011, will also be asked to authorize the Board of Directors to cancel, as the case may be, all or part of the shares which it may repurchase in connection with the share repurchase program and to carry out the corresponding reduction in share capital.

In connection with the proposed new authorization, the Board of Directors may repurchase Dassault Systèmes SA shares representing up to 10% of the Company's share capital at the date of the shareholders' meeting authorizing the program. At February 28, 2011, the most recent date for determining the corporate capital, this 10% limit would correspond to a limit of 12,271,812 shares.

The Board of Directors could also repurchase shares for a maximum price of €85 per share, and within the limits set by applicable regulations. The maximum amount which could be paid for the repurchase of Dassault Systèmes SA shares would be €500 million.

The authorization granted would be valid until the general meeting of shareholders approving the financial statements for the financial year ended December 31, 2011.

21.2 Memorandum and By-laws

The by-laws of Dassault Systèmes SA were amended at the General Shareholders' Meetings held on May 27 and December 15, 2010.

21.2.1 Corporate purposes of Dassault Systèmes SA

As set forth in Article 2 of the Company's by-laws, the purposes of Dassault Systèmes SA, in France and abroad, are:

- to develop, produce, market, purchase, sell, rent and provide after-sale service of computer hardware and/or software;
- to supply and provide services to users specifically in the area of training, demonstration, methodology, display and utilization;
- to supply and provide services of data centers, including to supply services dedicated to Software as a Service and to exploit and supply the corresponding infrastructures; and
- to supply and sell computer resources, together or separate from software or services;

in the areas of computer-aided manufacturing and design, management of the lifecycle of products, collaborative work, technical databases, management of manufacturing processes, and software development tools, as well as in any extension of these areas.

The purposes of Dassault Systèmes SA also include:

- the creation, acquisition, rental and management lease of any on-going business, signing leases, and the establishment and operation of any facilities;
- the acquisition, operation or sale of any intellectual or industrial property rights, as well as any knowhow in the field of computers; and
- more generally, taking an interest in any business or company created or to be created, as well as carrying out any legal, economic, financial, industrial, civil, commercial, personal or real property transaction connected directly or indirectly, in whole or in part, with the purposes above or any similar or related purposes.

21.2.2 Terms in the Company's by-laws and internal rules of the Board of Directors of Dassault Systèmes SA concerning the members of its management bodies

See Chapter 16 “Board Practices”.

21.2.3 Rights, privileges and restrictions attached to each class of issued shares

All the shares are of the same class and benefit under the Company's by-laws from the same rights, in connection with the distribution of benefits and amounts distributed in the event of liquidation (Articles 13, 36 and 39 of the Company's by-laws; see also Paragraph 21.2.9 below). However, a double voting right is attributed to any fully paid-up share held in registered form for at least two consecutive years in the name of the same holder (Article 29 of the Company's by-laws; see also Paragraph 21.2.5 below).

Moreover, the Board of Directors decided on December 15, 2010, to modify the date on which new shares created by exercise of the subscription options would benefit from dividend rights, and modified each existing plan accordingly. Going forward, new shares created by exercise of options between the 1st of January and the date of the annual General Shareholders' Meeting deciding on the allocation of profit related to the preceding financial year will be entitled to receive the dividend distributed with respect to that financial year. As a result, the new shares will be quoted on the same line as the previously existing shares.

However, the new shares created as from the day after this General Meeting will not have a right to receive this dividend. Those shares will continue to be temporarily quoted on the second trading line until the date the shares trade ex-dividend (i.e., without the right to receive the dividend to be distributed on Dassault Systèmes shares), in accordance with the NYSE Euronext rules.

The commitments by the executive directors (*dirigeants mandataires sociaux*) to hold their shares are described in Chapter 15 “Remuneration and Benefits”.

21.2.4 Actions needed to change shareholder rights

Shareholder rights can only be modified by an extraordinary meeting of shareholders, and in compliance with legal and regulatory requirements.

Except as may be otherwise provided for under applicable law, no majority may impose on shareholders an increase in their commitments, with the exception of reverse share splits carried out in accordance with the law (Articles 13 and 31 of the Company's by-laws). If new classes of shares are created, no modification may be made to the rights of shares of one of the classes without the approval of an extraordinary meeting of shareholders and of a special meeting of shareholders open only to holder of the class concerned (Article 32 of the Company's by-laws).

21.2.5 Shareholder meetings

Notice (Article 25 of the Company's by-laws)

Under Article 25 of the by-laws, shareholder meetings are convened either by the Board of Directors or, if the Board of Directors fails to convene a shareholder meeting, by the statutory auditor(s) or by a representative designated by the President of the Commercial Court acting on the demand of one or several shareholders holding together at least one-twentieth of the corporate share capital.

Notice of the meeting is made through an announcement placed in a journal of legal notices in the department of the corporate headquarters, and in the Bulletin of required legal notices (*Bulletin des annonces légales obligatoires (BALO)*). Shareholders holding registered shares for at least one month from the date of the announcement are also notified of all shareholder meetings by letter sent by ordinary mail or, at their request and expense, by registered letter. The shareholder meeting cannot be held less than 15 days after the announcement is published or the letter is sent to registered holders.

Admission to shareholder meetings (Article 27 of the Company's by-laws)

Under Article 27 of the Company's by-laws, every shareholder has the right to participate in shareholder meetings personally or by proxy, provided his shares are fully paid-up and:

- for holders of registered shares, that they are held in a registered account (directly or through a financial intermediary) at 0h00 (Paris time) on the third business day preceding the meeting;
- for holders of shares in bearer form, that they are registered at 0h00 (Paris time) on the third business day preceding the meeting.

The registration of the shares in bearer accounts by the accredited intermediary must be demonstrated by a certificate (*attestation de participation*) issued by the accredited intermediary to the holder of the shares. This certificate must be attached to the voting form (*formulaire de vote à distance*) or the proxy or the request for an admission card (*carte d'admission*) issued under the name of the shareholder. A certificate can also be issued to a shareholder who wishes to participate physically at the shareholder meeting and who has not received an admission card on the third business day preceding the meeting.

Every shareholder may vote by mail using a form available as indicated in the notice of the shareholder meeting. The form, duly completed and accompanied, as the case may be, by a certificate (*attestation de participation*), must be received by Dassault Systèmes at least three days before the date of the shareholder meeting, or it will not be taken into consideration.

A shareholder may be represented by his spouse or by any other physical or legal person justifying of a mandate, under conditions provided by the law. The shareholders who are legal persons are represented by the physical persons duly authorized to represent them towards third parties or by any person to whom the representation powers have been transferred, without being necessary for the representative to be a shareholder.

It will be proposed to the general shareholders' meeting of May 26, 2011 to amend Article 27 of the Company's by-laws in order to make it comply with the Ordonnance 2010-1511 of December 9, 2010 and the decree for its application 2010-1619 of December 23, 2010 regarding the exercise of some of the rights of shareholders of listed companies, so as to authorize the designation of any physical or legal person as representative of a shareholder, under the conditions provided by the law (see Chapter 26 "Shareholder's meeting").

A shareholder who is not domiciled on French territory, as defined in article 102 of the French Civil Code, may have himself represented at shareholder meetings by an accredited intermediary registered according to the conditions set forth in the applicable legal and regulatory provisions.

Any shareholder may also, if the Board of Directors so decides when convening the shareholder meeting, participate and vote at shareholder meetings by video-conference or by any other means of telecommunications permitting him to be identified and to participate effectively. Such participation must comply with the conditions and means set forth in the applicable legal and regulatory provisions. Such shareholder will be considered in calculating the quorum and the results of voting.

Voting (Article 29 of the Company's by-laws)

The right to vote carried by shares, or by beneficial interests therein, is proportional to the portion of capital they represent.

Voting is carried out by show of hands, by roll call or secret ballot, by optical or electronic means, as decided by the secretariat of the meeting subject to the approval of the meeting. Shareholders may also vote by mail, by video-conference or by any other means of communication, as indicated in the preceding paragraph. In case of vote by mail, the voting forms not indicating the nature of the vote or expressing an abstention are considered as "No" votes.

The extraordinary general meeting of shareholders of December 15, 2010 modified Article 11 of the Company's by-laws relating to the indivisibility of the shares so that, in case of stripping of the ownership of the shares, the voting right attached to the share belongs to the bare owner (*nu-propriétaire*), except for the decisions relating to the allocation of profits for which it belongs to the beneficial owner (*usufruitier*).

Double voting rights (Article 29 of the Company's by-laws)

Each share gives the right to one vote. Nevertheless, based on a resolution voted by the shareholders at the meeting on May 28, 2002, a double vote will be awarded to all fully paid-up shares held in registered form for at least two consecutive years in the name of the same holder. In the case of a capital increase by incorporation of reserves, profits or premiums, this double voting right will be attached on the date of their issuance to registered new shares allotted to a shareholder in consideration for the old shares giving rise to such right.

Under the law, any share converted into a bearer share or changing hands shall lose the right to the double voting right unless in case of transfer from a registered account to a registered account on succession or in case of partition of property jointly owned within a family, or in case of a gift inter vivos to a spouse or a relative entitled to succeed to the donor's estate. The double voting right may also be cancelled by a resolution of the shareholders at an extraordinary meeting approved by the special meeting of shareholders having a double voting right.

Limitations on voting rights

There are no provisions in the Company's by-laws restricting the right to vote its shares.

21.2.6 Terms in the Company's by-laws, charter or regulation which could slow, postpone or prevent a change in control

Other than the double voting right attached to certain shares (see paragraph 21.2.3 and 21.2.5 above) and the obligation to declare when holdings exceed 2.5% (see Section 21.2.7 below), Article 10 of the Company's by-laws provides that Dassault Systèmes may, at any time, in compliance with legal and regulatory provisions, request that a central depositary maintaining records of shares issued by the Company, communicate to it the name or the denomination, the nationality, the year of birth or the year of creation and the address of holders of Dassault Systèmes shares in bearer form which grant, immediately or over time, the right to vote at shareholder meetings, as well as the number of shares held by each of such shareholders and, as the case may be, any restrictions applicable to such shares.

21.2.7 Terms in the Company's by-laws requiring disclosure of shareholdings above a certain level (Article 13 of the Company's by-laws)

In addition to the legal obligation to inform Dassault Systèmes SA and the AMF in the event a shareholder's interest passes the thresholds set out in article L. 233-7 of the French Code of Commerce, any physical or legal person, acting alone or in concert with others, who acquires directly or indirectly shares representing at least 2.5% of Dassault Systèmes' share capital or voting rights must inform Dassault

Systèmes SA, by registered letter with return receipt requested, of the total number of shares or voting rights which it holds, within four trading days following the date of acquisition.

This declaration must be made, in the same conditions, each time another threshold of 2.5% of the total number of Dassault Systèmes shares or voting rights is crossed, until 50% (inclusive). The declaration mentioned above must also be made when the equity interest or voting rights fall below the thresholds mentioned above. In each declaration, the shareholder must certify that the declaration includes all shares or voting rights held or owned, in accordance with article L. 233-7 *et seq.* of the French Code of Commerce. The declaration must also indicate the date or dates on which the acquisitions or divestitures occurred.

In the event this requirement is not respected, the shares exceeding the fraction of 2.5% which should have been declared will lose their voting rights, upon the request recorded in the minutes of the shareholder meeting, of one or more shareholders holding a portion of Dassault Systèmes SA share capital or voting rights equal to at least 2.5% of the capital or voting rights. The voting rights will be lost for all shareholder meetings held until the expiration of two years following the date on which the required declaration is made.

21.2.8 Provisions in the Company's by-laws concerning modifications in share capital which are more restrictive than the law

The by-laws of Dassault Systèmes SA do not contain any provisions concerning modifications of share capital which are more restrictive than those provided under the law.

21.2.9 Other general information

Fiscal year (Article 34 of the Company's by-laws)

The 12-month fiscal year covers the period from January 1 to December 31 of each year.

Allocation of profits (Article 36 of the Company's by-laws)

The profits for each year, less, as the case may be, losses from prior periods, are first allocated to the reserves required by law. Thus, 5% of profits are allocated to the legal reserve fund. This allocation is no longer required when the legal reserve fund reaches one tenth of the share capital. The allocation becomes once again obligatory in the event the legal reserve fund falls below one-tenth of the share capital for any reason.

The distributable profit is composed of the profit from the year less losses from prior periods and the amounts allocated to reserves in accordance with the law or the Company's by-laws, and increased by retained profits.

From this distributable profit, the general meeting of shareholders then allocates the amounts judged appropriate for any reserve funds, ordinary or extraordinary, established voluntarily by the Company, or to be retained.

The balance, if any, is distributed to all shares proportionately to the amount paid-up and not amortized.

However, except in the case of a reduction in capital, no distribution may be made to shareholders if the share capital is or would be, following the capital reduction, less than the capital taken together with the reserves which the law or the Company's by-laws do not allow to be distributed.

The shareholder meeting may decide to distribute amounts taken from available reserves, either to pay or increase a dividend, or as an exceptional distribution. In this case, the decision explicitly identifies which reserves are to be distributed. Nevertheless, the dividends are distributed in order of priority starting with the distributable profit of the year.

Losses, if any, after approval of the financial statements by the shareholder meeting, are recorded in a special account to be applied against the profits of future years, until they have been eliminated.

The extraordinary general meeting of shareholders of December 15, 2010 modified Article 11 of the Company's by-laws in order to limit the voting right of the beneficial owner to the decisions relating to the allocation of profits (see paragraph 21.2.5 above).

21.3 Market Information

Shares of Dassault Systèmes have been listed on Compartiment A of NYSE Euronext Paris (ISIN Code FR0000130650) since June 28, 1996. Its shares were also listed on the Nasdaq Stock Market's Global Market in the form of American Depositary Shares ("ADSs") under the symbol DASTY until October 16, 2008 when the Company elected to voluntary delist and since then the ADS may be traded on the US Over-The-Counter (OTC) market (DASTY). One ADS represents one ordinary share (see Section 18.1 "Shareholder Base").

The Board of Directors decided on December 15, 2010, to modify the date on which new shares created by exercise of the subscription options would benefit from dividend rights, and modified each existing plan accordingly.

Going forward, new shares created by exercise of options between the 1st of January and the date of the annual General Shareholders' Meeting deciding on the allocation of profit related to the preceding year will be entitled to receive the dividend distributed with respect to that year. As a result, the new shares will be quoted on the same line as the previously existing shares.

However, the new shares created as from the day after this general meeting will not have a right to receive this dividend. Those shares will continue to be temporarily quoted on the second trading line until the date the shares trade ex-dividend (i.e., without the right to receive the dividend to be distributed on Dassault Systèmes shares), in accordance with the NYSE Euronext rules.

MARKET PRICE (IN EUROS) AND TRADING VOLUMES OF DASSAULT SYSTÈMES SHARES FROM JANUARY 1, 2010

	Number of shares traded	Last trading price of the month	Highest market price during the month	Lowest market price during the month
January 2010	3,122,267	41.69	43.33	39.82
February 2010	4,159,024	42.30	42.52	38.68
March 2010	5,200,919	43.80	44.71	42.64
April 2010	6,019,484	49.06	49.30	43.74
May 2010	6,657,060	47.45	49.40	43.67
June 2010	5,524,790	49.98	52.34	46.90
July 2010	6,753,459	49.89	53.27	48.66
August 2010	4,840,328	47.59	50.58	45.78
September 2010	5,650,776	53.96	54.50	47.48
October 2010	5,188,801	55.11	56.35	50.95
November 2010	5,513,726	52.71	57.22	51.65
December 2010	2,796,055	56.42	57.80	52.72
January 2011	4,153,281	57.36	58.88	53.46
February 2011	6,152,408	55.49	58.94	54.07
March 2011	7,062,318	54.42	56.18	51.17

(Source: NYSE Euronext)

CHAPTER 22 – MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Company's material contracts are principally the distribution agreements with its value-added resellers, as described in Paragraph 6.2.4 "Sales and marketing" of this Annual Report, and the strategic partnership contracts described in Paragraph 6.2.3 "Extended enterprise partnerships". The Company's distribution agreement with IBM was modified to take account of the acquisition IBM PLM. See Paragraph 5.1.5 "History of the Company – 2010" and Paragraph 6.2.4 "Sales and Marketing".

Dassault Systèmes has also entered into related party agreements described in Chapter 19 "Related Party Transactions" of this Annual Report.

The Company established a credit agreement in 2005, which terminates at the end of 2012, for a total amount of €200 million. In addition, in April 2010, the Company contracted a term loan facility in Japan for JPY14,500 million (the equivalent of €115.0 at the subscription date), with the last payment being due in June of 2015. See Chapter 10 "Capital Resources" and Note 22 to the Company's consolidated financial statements.

In 2008, the Company signed a long-term lease (for 12 full, consecutive years) for its corporate headquarters in Vélizy-Villacoublay, France, as described under Section 9.6 "Tabular Disclosure of Contractual Obligations" of this Annual Report.

In 2010, the Company signed a long-term lease (for 12 full, consecutive years) for installing new offices, a technology lab and data center space in Waltham, outside Boston, United States, as described under Section 9.6 "Tabular Disclosure of Contractual Obligations" of this Annual Report.

CHAPTER 23 – THIRD-PARTY INFORMATION AND STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Not applicable.

CHAPTER 24 – DOCUMENTS AVAILABLE TO THE PUBLIC

Dassault Systèmes' by-laws, minutes of the shareholders' meetings and reports to shareholders' meetings from the Board of Directors, reports of the independent statutory auditors, financial statements for the last three fiscal years and, more generally, all documents provided or made available to shareholders pursuant to the law may be consulted at the headquarters of Dassault Systèmes.

A certain number of documents relating to the Company are also available on the website of the Company (www.3ds.com).

24.1 Person Responsible for Financial Communications

François-José Bordonado, Vice President Investor Relations, is responsible for Investor Relations.

To obtain documents published by the Company, and for all financial information, please contact:

Investor Relations Service
10 rue Marcel Dassault
CS 40501
78946 Vélizy-Villacoublay
France
Telephone: +33 (0)1 61 62 69 24 – Facsimile: + 33 (0)1 70 73 43 59
e-mail: investors@3ds.com

24.2 Indicative Timetable for the Publication of Financial Information

The indicative timetable for the publication of financial information in 2011 is set forth below. The timetable is based on information known as of the date hereof.

- First quarter results: April 27, 2011
- Second quarter results: July 28, 2011
- Third quarter results: October 27, 2011
- Fourth quarter results: February 2012

Quarterly financial information for the first and third quarters of the fiscal year, as well as a half-year financial report for the first six months of the year, must be published by Dassault Systèmes and posted on its website within the legal timeframe pursuant to article L. 451-1-2 of the Monetary and Financial Code and the rules of the AMF General Regulation.

24.3 Annual Information Document 2010

The annual information document below has been prepared pursuant to article L. 451-1-1 of the Monetary and Financial Code and article 222-7 of the AMF General Regulation. It lists the information published or made public by Dassault Systèmes SA over the last 12 months, in accordance with rules and regulations in effect.

24.3.1 Financial Communications

The following information is available on the websites of the AMF (www.amf-france.org), on the official French site for the centralized archiving of regulated information (www.info-financiere.fr) and/or on the website of the Company (www.3ds.com).

01/08/2010	Declaration of the number of outstanding shares and voting rights as of December 31, 2009
01/13/2010	Disclosure of trading in own shares
02/08/2010	Declaration of the number of outstanding shares and voting rights as of January 31, 2010
02/11/2010	DS Reports 2009 Fourth Quarter Results, With Operating Margin Expansion and Earnings Growth
03/08/2010	Declaration of the number of outstanding shares and voting rights as of February 28, 2010
04/01/2010	Dassault Systèmes and IBM Announce Completed Transaction and Integration of IBM PLM Sales Operation into DS
04/02/2010	Filing of the Annual Report 2009 – Document de reference
04/09/2010	Declaration of the number of outstanding shares and voting rights as of March 31, 2010
04/29/2010	DS Reports First Quarter 2010 Financial Results with New License Revenue Up 19% in Constant Currencies
05/07/2010	Information relating to the General Shareholders' Meeting of Dassault Systèmes to be held on May 27, 2010
05/11/2010	Declaration of the number of outstanding shares and voting rights as of April 30, 2010
05/28/2010	Dassault Systèmes' General Meeting of Shareholders of May 27, 2010 *(Payment of the dividend)*
05/28/2010	Elements relating to Directors' compensation
06/09/2010	Dassault Systèmes Acquires Exalead
06/11/2010	Declaration of the number of outstanding shares and voting rights as of May 31, 2010
06/22/2010	Dassault Systèmes Expands its V6 Portfolio to Design Smart Products
07/09/2010	Declaration of the number of outstanding shares and voting rights as of June 30, 2010
07/09/2010	Disclosure of trading in own shares
07/29/2010	Dassault Systèmes Reports Second Quarter Results with Strong EPS Growth
08/02/2010	Half-Year Financial Report – June 30, 2010
08/02/2010	Availability of Dassault Systèmes' 2010 Half-Year Financial Report
08/06/2010	Declaration of the number of outstanding shares and voting rights as of July 31, 2010
09/08/2010	Declaration of the number of outstanding shares and voting rights as of August 31, 2010
10/08/2010	Declaration of the number of outstanding shares and voting rights as of September 30, 2010
10/28/2010	Dassault Systèmes Reports Strong Third Quarter Results With New Licenses Revenue up 54% in Constant Currencies
11/10/2010	Declaration of the number of outstanding shares and voting rights as of October 31, 2010
11/29/2010	Information relating to the General Extraordinary Shareholders' Meeting of Dassault Systèmes to be held on December 15, 2010
12/10/2010	Declaration of the number of outstanding shares and voting rights as of November 30, 2010
12/23/2010	Joint Lock-up Agreements on Dassault Systèmes shares
01/10/2011	Declaration of the number of outstanding shares and voting rights as of December 31, 2010
02/09/2011	Declaration of the number of outstanding shares and voting rights as of January 31, 2011
02/10/2011	Dassault Systèmes Reports Strong Growth in Revenue, Earnings and Operating Margin for 2010
02/18/2011	Disclosure of trading in own shares
02/28/2011	Disclosure of trading in own shares
03/07/2011	Disclosure of trading in own shares
03/09/2011	Declaration of the number of outstanding shares and voting rights as of February 28, 2011
03/14/2011	Disclosure of trading in own shares
03/17/2011	Dassault Systèmes Acquires Intercim
03/18/2011	Disclosure of trading in own shares

NB.: Transactions in the Company's shares by the directors and executive officers of the Company are set forth in Section 15.2 "Transactions in the Company's Shares by the Management of the Company".

24.3.2 Documents filed with the Clerk's Office

The following information is available on the web site of Infogreffe (www.infogreffe.fr).

Filing date	Documents
04/22/2010	By-laws updated further to the Board of Directors of March 26, 2010
04/22/2010	Extract from the minutes of the Board of Directors meeting on March 26, 2010, regarding a capital increase followed and to alterations in the by-laws
07/16/2010	By-laws updated further to the General Shareholders' Meeting of May 27, 2010
07/16/2010	Extract from the minutes of the General Shareholders' meeting as of May 27, 2010, regarding modifications of the by-laws
07/16/2010	Extract from the minutes of the General Shareholders' meeting as of May 27, 2010, relating to the appointment of statutory auditors
01/13/2011	By-laws updated further to the Extraordinary Shareholders' Meeting as of December 15, 2010
01/13/2011	Extract from the Minutes of the Extraordinary Shareholders' Meeting as of December 15, 2010 regarding modifications of the by-laws

24.3.3 Publications in the "Bulletin des Annonces Légales Obligatoires" (BALO) and other journals for legal announcements

The following information is available on the web site of the BALO (www.journal-officiel.gouv.fr).

04/07/2010	Notification to the shareholders' meeting as of May 27, 2010
05/07/2010	Convening notice to the shareholders' meeting as of May 27, 2010
06/16/2010	Announcement regarding the definitive annual accounts 2009 (including the statutory auditors certificate and the preliminary annual financial statements approved by the shareholders' meeting as of May 27, 2010 without any change) filed with the AMF, in the Annual Report 2009 under nº 10-0206
11/08/2010	Notification to the Extraordinary shareholders' meeting as of December 15, 2010
11/29/2010	Convening notice to the Extraordinary shareholders' meeting as of December 15, 2010

The following information was published in journals for legal announcements.

04/07/2010	Announcement of a shareholders' meeting on May 27, 2010, in La Tribune
05/04/2010	Convening notice to the shareholders' meeting as of May 27, 2010, in *Les Petites Affiches de Seine et Oise*
11/29/2010	Convening notice to the Extraordinary shareholders' meeting as of December 15, 2010, in *Les Petites Affiches de Seine et Oise*

24.3.4. Miscellaneous Announcements

The announcements below are available on the web sites of the AMF (www.amf-france.org), the Company (www.3ds.com) and/or the official French archives for regulated information (www.info-financiere.fr).

02/11/2010	Dassault Systemes Provides P&G with Technology to Simplify and Optimize the Packaging and Artwork Process
03/03/2010	MEYER WERFT Selects Dassault Systèmes V6 Solution and IBM to Implement Next Generation Shipbuilding PLM
03/09/2010	Dassault Systemes and Leading German Automaker sign Strategic Five-Year Agreement for Sustainable Innovation
03/30/2010	Leading Apparel Company VF Corporation Selects Dassault Systemes' PLM Solutions
09/29/2010	Tesla Motors Selects Dassault Systèmes' V6 PLM Solution
10/28/2010	EADS and Dassault Systèmes to Reach a New level of Cooperation to Accelerate Introduction of PLM 2.0
11/09/2010	Bell Helicopter Improves Collaboration and Time-to-Market with Dassault Systèmes V6 PLM Platform
11/09/2010	Dassault Systèmes Strengthens its R&D Activities in India
11/24/2010	Dassault Systèmes Informed of Daimler CAD Decision
01/05/2011	Dassault Systèmes Reinforces its Field Operations – Jeff Ray Promoted to Executive Vice President, Geographic Operations, Bertrand Sicot named SolidWorks CEO
02/10/2011	Premium German Automaker Implements Dassault Systèmes' V6 PLM Solutions as New Platform for Embedded Systems Architecture, Integration and Design
02/23/2011	Jaguar Land Rover and Dassault Systèmes Agree New Strategic Partnership
03/15/2011	CLAAS Boosts Innovation with V6 Solutions from Dassault Systèmes

CHAPTER 25 – INFORMATION ON HOLDINGS

See Section 7.2 “Principal Subsidiaries of the Company” for other information on the Company’s main subsidiaries and affiliates.

See also the table of subsidiaries and equity interests in Note 23 to the parent company financial statements, and Note 26 to the consolidated financial statements.

CHAPTER 26 – SHAREHOLDERS' MEETING

26.1 Presentation of the Resolutions Proposed by the Board of Directors to the General Meeting of May 26, 2011

Parent company financial statements and allocation of the results

We invite you to approve the parent company financial statements of Dassault Systèmes SA for the financial year ended December 31, 2010, prepared on the basis of French accounting principles, as they have been presented in Section 20.3 of this Annual Report.

Dassault Systèmes SA has paid dividends every year since 1986. The decision to distribute dividends and their amount depend on the profits and the financial situation of Dassault Systèmes SA as well as other factors. Dividends which have been distributed but are not collected by a shareholder escheat to the French State at the end of the 5-year period following the date of their payment.

Based on the financial statements and the management report of the Board of Directors included in this Annual Report, a profit of €219,126,830.75(1) has been realized for the financial year ended December 31, 2010, which we propose that you allocate as follows:

- to the legal reserve (to bring it to at least 10% of the capital as legally required) €247,027.81
- for distribution of an aggregate maximum dividend of €70,499,235.60
  (€0.54 × 130,554,140 potential shares at May 26, 2011) . . . .
- to retained earnings €148,380,567.34
  which, increased by the retained earnings from the prior financial years (€1,063,985,256.09) brings the amount of retained earnings to €1,212,365,823.43

(1) This profit, increased by the retained earnings from the prior financial years, results, after allocation to the legal reserve, in a distributable profit amounting to €1,282,865,059.03.

We recall to you that, since a decision of the Board of Directors of December 15, 2010, new shares created by exercise of options between January 1 and the date of the annual General Shareholders' Meeting deciding on the allocation of profit related to the preceding year will be entitled to receive the dividend distributed with respect to that year (see Paragraphs 17.2.1 "Options to subscribe Dassault Systèmes shares" and 21.3 "Market Information").

This is why we propose to the General Shareholders' Meeting of May 26, 2011, to decide to distribute for the year 2010 a dividend of fifty-four cents (€0.54) per share of corporate capital as of the date of this General Meeting, resulting – on the basis of the number of shares making up the corporate capital as of February 28, 2011, increased by the maximum number of shares which could be issued upon the exercise of subscription options up to the date of this General Meeting – in an aggregate maximum amount of €70,499,235.60.

In accordance with the provisions of Article L. 225-210 of the French Code of Commerce, the amount of dividends corresponding to the treasury shares of Dassault Systèmes SA or held by SW Securities LLC, a company which is controlled by the Company, as of the date of payment shall be allocated to "retained earnings".

In addition, prior to distribution of the dividend, the Board of Directors, or if so delegated, the Chief Executive Officer, will determine the number of additional shares issued as a result of the exercise of subscription options between March 1 and the date of this General Meeting; the amount corresponding to dividends for shares which were not issued as of such date shall be allocated to "retained earnings".

The amount distributed shall be taken into account for determining total revenue subject to the progressive rate of income tax for the year during which it was received (after application of an uncapped deduction of 40% (as provided by Article 158 3 2° of the French Tax Code).

Pursuant to Article 243 bis of the French Tax Code, it is noted that dividends per share paid over the last three financial years have been as follows:

	2009	2008	2007
Dividend	€0.46	€0.46	€0.46
Number of shares eligible to dividends	118,367,641	118,862,326	117,604,553

Sumptuary expenses and general charges set forth in Article 223 of the French Tax Code

In accordance with the provisions of Articles 223 quater and quinquies of the French Tax Code, we inform you that the total amount of non-deductible tax charges for 2010 is €294,113, which resulted in a corporate tax of €101,263.

Approval of the consolidated financial statements

In addition to the 2010 parent company annual financial statements, we invite you to approve the Company's consolidated financial statements for the financial year ended December 31, 2010 prepared in accordance with IFRS methods as set forth in Section 20.1 of this Annual Report.

Regulated agreements

The following agreements, which have been approved in accordance with Article L. 225-38 *et seq.* of the French Code of Commerce, have continued during the financial year ended December 31, 2010:

1) Insurance policy "directors and officers liability" entered into with insurance company AIG Europe, now known as Chartis Insurance (decided at the Board meeting on June 28, 1996);

2) Free and non-exclusive license of the ENOVIA trademark granted to Dassault Systèmes Americas Corp. (decided at the Board meeting on March 11, 1998);

3) Payment, under certain conditions, of legal defense expenses of directors of the Company and its subsidiaries if they are required to prepare their personal defense before a civil, criminal or administrative court in the United States in connection with an inquiry or investigation conducted against Dassault Systèmes (decided at the Board meeting on September 23, 2003);

4) Decision to pay to Mr. Bernard Charlès an indemnity in case of departure. At the time of the renewal of his appointment as Chief Executive Officer, the Board of Directors authorized on May 27, 2010, upon the proposal of the Compensation and Nomination Committee and in compliance with Article L. 225-42-1 of the French Code of Commerce, the renewal of the agreement regarding the Company's undertakings to Bernard Charlès, relating to indemnities which would be due upon the termination of his functions as Chief Excecutive Officer. The amount of the indemnity shall be equal to 24 months of the last annual gross remuneration that he will have received for his mandate as Chief Executive Officer and will depend on the satisfaction of the performance conditions for the payment of his variable compensation (see Section 16.1 "Report on Corporate Governance and Internal Control" and Table 10 of Section 15.1 "Compensation of the Company's Executive Directors"). Pursuant to article L. 225-42-1 of the French Code of Commerce, this agreement will be submitted to the approval of the General Shareholders' Meeting. It is to be noted that Mr. Charlès's employment contract, having been suspended for the period during which he has held his mandate as director (decided at the Board meeting on March 28, 2008), has ended, and that the Board of Directors, at its meeting on March 26, 2010, acknowledged this at the time of the resignation of Mr. Charlès with respect to his employment contract as Director of Innovation.

The Statutory Auditors have prepared a special report pursuant to Article L. 225-40 of the French Code of Commerce as set forth in Section 20.4.3 of this Annual Report.

Renewal of the mandate of two directors and appointment of two new directors

The terms of the Directors Laurent Dassault, Paul Brown, Jean-Pierre Chahid-Nouraï and Arnoud De Meyer expire at the General Shareholders' Meeting on May 26, 2011.

We propose that you renew the mandates of Mr. Chahid-Nouraï and Mr. De Meyer as Directors for a term of four years, as provided for under the Company's Articles of Association as amended by the General Shareholders Meeting of June 9, 2009.

We also propose you to appoint two new Directors, Mrs. Nicole Dassault and Mrs. Toshiko Mori.

If these proposals are adopted at the General Shareholders' Meeting, the Board of Directors of Dassault Systèmes SA will be composed 22% by women, in compliance with the new recommendation of the AFEP-MEDEF Code of April 19, 2010, regarding reinforcing the presence of women on the boards of directors and with the temporary provisions anticipated by Article 5 of the Law 2011-103 of January 27, 2011, regarding equal representation of men and women on boards of directors and supervisory boards, and their equal treatment as professionals.

Mrs. Dassault would not be independent but this would not undermine the balance of the composition of the Board as it currently exists. Mrs. Mori would be independent.

See below for the information required by Article R. 225-83 of the French Commercial Code regarding the proposed new directors, Mrs. Nicole Dassault and Mrs. Toshiko Mori.

Names and first names	Current position within the Group	Other occupations and directorships	Company shares owned at December 31, 2010
Nicole Dassault Age: 80	Candidate for Board member	French companies – Member of Supervisory Board of Groupe Industriel Marcel Dassault SAS – Vice-President and Member of Supervisory Board of Immobilière Dassault SA – General Director of Rond-Point Immobilier SAS – Board member of Dassault Aviation (listed company), Société du Figaro SA, Socpresse SA and Artcurial SA – Member of the Board of Les Amis du Musée du Louvre and Les Amis du Musée d'Orsay	0
Toshiko Mori Age: 59	Candidate for Board member	Foreign companies – Member of Toshiko Mori Architect PLLC – Robert P. Hubbard Professor in Harvard University Graduate School of Design – Member of the American Institute of Architects College of Fellows – Chair of World Economic Forum Global Agenda Council on Design – Member of the Board of Directors of Architecture for Humanity – Member of the Advisory Board of A + *U Magazine* and Sarasota Architectural Foundation	0

Toshiko Mori is the Robert P. Hubbard Professor in the Practice of Architecture at Harvard University Graduate School of Design and was the chair of the Department of Architecture from 2002 to 2008. She is also principal of Toshiko Mori Architect, which she established in 1981 in New York City. Mrs. Mori taught at the Cooper Union School of Architecture from 1983, until joining the Harvard GSD faculty in 1995. Mrs. Mori's strong research-based approach to design has been commended in awards and invitations to lectures and exhibitions around the world. A monograph of her work, Toshiko Mori Architect, was published by Monacelli Press. Among her several mandates she is Chair of the World Economic Forum's Global Agenda Council on Design. In 2009 she established a think tank, VisionArc, which connects local and global issues to mobilize design initiatives for a more sustainable future. Mrs. Mori earned a Bachelor of Architecture degree from the Cooper Union and an Honorary Master of Architecture degree from Harvard University.

Renewal of the appointment of a Statutory Auditor, PricewaterhouseCoopers Audit, and appointment of a new Deputy Statutory Auditor, Mr. Yves Nicolas

PricewaterhouseCoopers Audit was appointed Statutory Auditor on June 8, 2005. The appointment of PricewaterhouseCoopers Audit will terminate at the General Shareholders Meeting on May 26, 2011. We therefore propose that you renew its mandate for a period of six years, until the General Shareholders Meeting approving the financial statements for the financial year ending December 31, 2016. The appointment of the Deputy Statutory Auditor Mr. Pierre Coll, also terminates this year. We propose that you appoint Mr. Yves Nicolas for the same period as PricewaterhouseCoopers Audit.

The Audit Committee issued a positive recommendation on the proposals to renew the Statutory Auditor, PricewaterhouseCoopers Audit, and to name a new Deputy Statutory Auditor, Mr. Yves Nicolas.

The amounts of fees paid to PricewaterhouseCoopers Audit are set forth in Chapter 2 "Statutory Auditors" of this Annual Report.

Authorization to repurchase shares of the Company

The authorization to repurchase shares of the Company granted to the Board of Directors at the General Shareholders' Meeting on May 27, 2010, will expire at the General Shareholders' Meeting of May 26, 2011 approving the financial statements for the financial year ended December 31, 2010. Pursuant to this authorization, share repurchases have been made in July 2010, and in February and March 2011 as described in paragraph 21.1.4 "Company shares" of this Annual Report. Additional share repurchases may be made until the date of the

General Shareholders' Meeting, and will be described in the Annual Report including the management report of the Board of Directors for the financial year ending December 31, 2011.

We invite you to renew the authorization to the Board of Directors to repurchase shares of the Company according to the conditions set forth in Articles L. 225-209 *et seq.* of the French Code of Commerce, within the limit of 10% of the share capital of the Company at the date of the General Shareholders' Meeting.

Should you approve this proposal, the authorization will be valid until the annual General Shareholders' Meeting approving the financial statements for the financial year ended December 31, 2011, for a maximum purchase price of €85 per share and within the limits provided by the applicable rules. The maximum amount of funds dedicated to repurchase of shares of the Company may not exceed €500 million.

This authorization to repurchase shares may be used for the following purposes:

1° To cancel shares for the purpose of increasing the profitability of shareholders' equity and income per share, subject to adoption by the Extraordinary Shareholders' Meeting of the resolution permitting shares to be cancelled,

2° To provide securities representing no more than 5% of the share capital of the Company in payment or in exchange, including external growth transactions,

3° To animate the market or provide liquidity for the Company's shares through the intermediary of an investment services provider by means of a liquidity contract complying with an ethical code accepted by the Autorité des Marchés Financiers,

4° To perform all obligations related to stock options plans or other allocations of shares to employees or executive directors of the Company and its affiliates,

5° To ensure coverage of the Company's commitments resulting from rights granted to the employees and executive directors of the Company and its affiliates to payment in cash based on increases in the market price of the shares of the Company,

6° To provide shares upon exercise of rights to the Company's share capital which are attached to issued securities,

7° To implement any stock exchange market practice which may be recognized by law or by the Autorité des Marchés Financiers.

The share repurchase program is described in paragraph 21.1.4 "Company shares" of this Annual Report, where all relevant information is presented.

In light of the possible cancellation of the repurchased shares, we propose that you also authorize the Board of Directors to cancel, as the case may be, for the same period, all or a portion of the shares which it has repurchased and to reduce in a corresponding amount the share capital, within a limit of 10% of its amount.

The Board of Directors of March 25, 2011 has used the authorization to cancel repurchased shares granted by the General Shareholders' Meeting of May 27, 2010 and cancelled 1,850,000 shares repurchased within the framework of the share repurchase program (see Paragraph 21.1.4 "Company shares").

Amendment of the By-laws

The Law 2011-103 of January 27, 2011 regarding equal representation of men and women on boards of directors and supervisory boards and their equal treatment as professionals provides that boards of directors shall be composed *"by looking for a balanced representation of women and men"*. In order to avoid the need to frequently modify the terms of the Articles of Association related to the composition of the Board to keep up changes in the relevant legislation, we propose to modify article 14 of the Articles of Association in order to state that the Board of Directors is composed according to the French law.

The Ordonnance 2010-1511 of September 9, 2010, and its application decree 2010-1619 of December 23, 2010, regarding the exercise of certain rights of shareholders of listed companies allow from now on and under certain conditions, the shareholders (i) to be represented by any person of their choice (see paragraph 21.2.5 "Shareholders Meetings") and (ii) to ask for the inclusion of items in the agenda for shareholders' meetings. Thus, we propose to modify articles 26 and 27 of the By-laws in order to harmonize them with these new provisions of the French law.

Delegations to the Board of Directors to increase the share capital

The delegations to increase the share capital granted by the General Meeting of June 9, 2009, will expire in August 2011. Therefore we invite you to again authorize the Board of Directors to increase the share capital for a duration of 26 months in order to allow it to choose at any time, among a broad range of securities giving rise to the share capital, with or without preemptive rights, through a public offering or a private placement the financing the most appropriate for the development of the Dassault Systèmes Group by taking into account the characteristics of the markets at the time of the decision of the Board.

The proposed resolutions will replace the resolutions adopted by the General Meeting of June 9, 2009 which have not been used by the Board of Directors in 2010 or until the date of this Annual Report.

Should you approve these resolutions, the Board shall be authorized to:

– increase the share capital by issuance of shares or securities giving right to shares of the Company for a maximum nominal amount of €15 million and to issue securities giving right to debt securities for a maximum nominal amount of €750 million, with or without preemptive rights (using the possibility offered by French law to make a private placement of shares or securities with portfolio managers or qualified investors);

– increase the share capital by incorporation of reserves, profits or premiums within the same maximum nominal amount of €15 million;

– increase the initial number of securities to be issued in case of a capital increase with or without preemptive rights within the limit of 15% of the initial issuance, for the maximum nominal amount of €15 million referred to in the above paragraph;

– increase the capital with the purpose to compensate contributions in kind within the limit of 10% of the capital.

According to French law, we invite you to authorize to the Board of Directors to increase the share capital for the benefit of employees of Dassault Systèmes SA and/or its related companies who are members of a corporate savings plan (*plan d’épargne d’entreprise*). The maximum nominal amount of such capital increases would be €10 million by issuing new shares or securities giving access to share capital. This new delegation will cancel and replace the authorization granted by the General Meeting of May 27, 2010.

You will find hereafter all complementary information on the proposed resolutions in the draft resolutions submitted to the General Meeting.

26.2 Draft Resolutions Proposed by the Board of Directors to the General Meeting of Shareholders on May 26, 2011

ORDINARY GENERAL MEETING

FIRST RESOLUTION

Approval of the parent company annual financial statements

The General Meeting, after the reading of the management report of the Board of Directors and the report of the Statutory Auditors, in addition to complementary explanations made orally, hereby approves in all respects the report of the Board and the parent company annual financial statements for the financial year ended December 31, 2010, as they have been presented.

The General Meeting consequently approves any transactions disclosed by such financial statements or summarized in such reports and in particular, in accordance with the provisions of Articles 223 quater and quinquies of the French Tax code, the total amount of non-deductible tax charges, which amounts to €294,113 and results in a corporate income tax of €101,263.

SECOND RESOLUTION

Approval of the consolidated financial statements

The General Meeting, after the reading of the report of the Board of Directors with respect to management of the Company included in the management report and the report related to consolidated financial statements of the Statutory Auditors, in addition to complementary explanations made orally, hereby approves in all respects the report of the Board and the consolidated financial statements for the financial year ended December 31, 2010, as they have been presented.

The General Meeting consequently approves any transactions disclosed by such consolidated financial statements or summarized in such reports.

THIRD RESOLUTION

Allocation of the results

The General Meeting, upon the proposal of the Board of Directors, hereby resolves to allocate the profit of the financial year amounting to €219,126,830.75(1) as follows:

• to the legal reserve	€247,027.81
• for distribution of an aggregate maximum dividend of (€0.54 $\times$ 130,554,140 potential shares at May 26, 2011)	€70,499,235.60
• to be retained	€148,380,567.34
which, increased by the retained earnings from the prior financial years (€1,063,985,256.09) brings the amount to be retained to	€1,212,365,823.43

(1) This profit, increased by the retained earnings from the prior financial years (€1,063,985,256.09) and after allocation to the legal reserve, results in a distributable profit amounting to €1,282,865,059.03.

The General Meeting consequently decides to distribute for the year 2010 a dividend of fifty-four cents (€0.54) per share of corporate capital as of the date of this General Meeting, resulting – on the basis of the number of shares making up the corporate capital as of February 28, 2011, increased by the maximum number of shares which could be issued upon the exercise of subscription options up to the date of this General Meeting – in an aggregate maximum amount of €70,499,235.60.

In accordance with the provisions of Article L. 225-210 of the French Code of commerce, the amount of dividend corresponding to the treasury shares of Dassault Systèmes SA or held by SW Securities LLC, a company which is controlled by the Dassault Systèmes group, as of the date of payment shall be allocated to "retained earnings".

In addition, prior to distribution of the dividend, the Board of Directors, or if so delegated, the Chief Executive Officer will determine the number of additional shares issued as a result of the exercise of subscription options between March 1 and the date of this General Meeting; the amount corresponding to dividends for shares which were not issued as of such date shall be allocated to "retained earnings".

The amount distributed shall be taken into account for determining total shareholders' revenue subject to the progressive rate of income tax for the year during which it was received (after application of an uncapped deduction of 40% (as provided by Article 158-3-2° of the French Tax Code).

Pursuant to Article 243 bis of the French Tax Code, it is noted that dividends per share paid over the last three financial years have been as follows:

	2009	2008	2007
Dividend	€0.46	€0.46	€0.46
Number of shares eligible to dividends	118,367,641	118,862,326	117,604,553

FOURTH RESOLUTION

Regulated agreements (conventions réglementées)

The General Meeting, after the reading of the special report of the Statutory Auditors on the agreements governed by articles L. 225-38 *et seq.* of the French Code of Commerce, hereby acknowledges that no such non-authorized agreement was entered into during the financial year ended December 31, 2010, and approves the continuation of the agreements previously approved and which continued during the financial year ended December 31, 2010.

FIFTH RESOLUTION

Regulated agreement between the Company and Bernard Charlès

The General Meeting, after the reading of the special report of the Statutory Auditors on the agreements governed by articles L. 225-38 *et seq.* of the French Code of Commerce and in compliance with article L. 225-42-1 of the French Code of Commerce, approves the renewal of the agreement cited in the said report regarding commitments undertaken by the Company in favor of Mr. Bernard Charlès, related to indemnities which would be due upon the termination of his functions as Chief Executive Officer, according to the terms adopted by the Board of Directors at its meeting on May 27, 2010.

SIXTH RESOLUTION

Renewal of the mandate of a director

The General Meeting acknowledges the termination of the mandate of Mr. Arnaud de Meyer upon the conclusion of this General Meeting and renews his mandate as a member of the Board of Directors for a period of four years. This mandate will expire at the General Meeting of Shareholders approving the financial statements for the financial year ending December 31, 2014.

SEVENTH RESOLUTION

Renewal of the mandate of a director

The General Meeting acknowledges the resignation of Mr. Jean-Pierre Chahid-Nouraï and renews his mandate as a member of the Board of Directors for a period of four years. This mandate will expire at the General Meeting of Shareholders approving the financial statements for the financial year ending December 31, 2014.

EIGHTH RESOLUTION

Appointment of a new director

The General Meeting decides to appoint Mrs. Nicole Dassault as a member of the Board of Directors for a period of four years. This mandate will expire at the General Meeting of Shareholders approving the financial statements for the financial year ending December 31, 2014.

NINTH RESOLUTION

Appointment of a new director

The General Meeting decides to appoint Mrs. Toshiko Mori as a member of the Board of Directors for a period of four years. This mandate will expire at the General Meeting of Shareholders approving the financial statements for the financial year ending December 31, 2014.

TENTH RESOLUTION

Renewal of the appointment of a Statutory Auditor

The General Meeting, after the reading of the report of the Board of Directors, decides to renew the appointment of PricewaterhouseCoopers Audit, located at 63, rue de Villiers, 92200 Neuilly-sur-Seine, as Statutory Auditor for a period of six years until the General Meeting of Shareholders approving the financial statements for the financial year ending December 31, 2016.

PricewaterhouseCoopers Audit has already informed the Company that it accepts the renewal of its appointment.

ELEVENTH RESOLUTION

Appointment of a new Deputy Statutory Auditor

The General Meeting, after the reading of the report of the Board of Directors, decides to appoint Mr. Yves Nicolas, located at 63 rue de Villiers, 92200 Neuilly-sur-Seine, as Deputy Statutory Auditor for a period of six years until the General Meeting of Shareholders approving the financial statements for the financial year ending December 31, 2016.

Mr. Nicolas has already informed the Company that he accepts the appointment.

TWELFTH RESOLUTION

Authorization to repurchase shares of the Company

The General Meeting, after the reading of the report of the Board of Directors, authorizes the Board of Directors to repurchase a number of shares representing up to 10% of the share capital of the Company at the date of the General Meeting, in accordance with the terms and conditions provided by Articles L. 225-209 *et seq.* of the French Code of Commerce.

This authorization may be used by the Board of directors for the following purposes:

1° To cancel shares for the purpose of increasing the profitability of shareholders' equity and income per share, subject to adoption by the Extraordinary Shareholders' Meeting of the thirteenth resolution,

2° To provide securities (representing no more than 5% of the share capital of the Company) in payment or in exchange, particularly in connection with external growth transactions,

3° To animate the market and provide liquidity of the Company's shares through the intermediary of an investment services provider by means of a liquidity contract complying with an ethical code accepted by the Autorité des Marchés Financiers,

4° To perform all obligations related to stock options plans or other allocations of shares to employees or executive officers of the Company and its affiliates,

5° To ensure coverage of the Company's commitments resulting from rights granted to the employees and executive officers to payment in cash based on increases in the market price of the shares of the Company,

6° To provide shares upon exercise of rights to the Company's share capital which are attached to issued securities,

7° To implement any stock exchange market practice which may be recognized by law or by the Autorité des Marchés Financiers.

The acquisition, sale, transfer or exchange of such shares may be effected by any means allowed on the market (whether or not the market is regulated), multilateral trade facilities (MTF) or though a systematic internaliser or over the counter, in particular acquisition of blocks, and at the times deemed appropriate by the Board of Directors or any person acting pursuant to a sub-delegation and according to the law.

Such means shall include use of available cash flow, the use of any derivative financial instrument negotiated on a market (whether or not the market is regulated), multilateral trade facilities (MTF) or through a systematic internaliser or over the counter, and the implementation of optional transactions (purchase and sale of put options, provided however that the use of these means does not create a significant increase of the volatility of the stock exchange price).

The maximum amount of funds dedicated to repurchase of shares of the Company may not exceed €500 million, this condition being cumulative with the cap of 10% of the capital of the Company.

The Company may not purchase shares at a price per share which exceeds €85 (excluding acquisition costs), and in any case the price per share shall not exceed the maximum price provided by the applicable legal rules, subject to adjustments in connection with transactions on its share capital, in particular by capitalization of reserves and free allocation of shares and/or regrouping or split of shares.

This authorization can be used by the Board of Directors for all the treasury shares held by Dassault Systèmes.

This authorization shall be valid commencing on the date of this General Meeting until the Ordinary General Meeting ruling on the financial statements for the financial year ending December 31, 2011.

The General Meeting hereby grants any and all powers to the Board of Directors with option of delegation when legally authorized, to place any stock orders or orders outside the market, enter into any agreements, prepare any documents including information documents, determine terms and conditions of Company transactions on the market, as well as terms and conditions for purchase and sale of shares, file any declarations, including those required by the Autorité des Marchés Financiers, accomplish any formalities, and more generally, carry out any necessary measures to complete such transactions.

The General Meeting also grants any and all powers to the Board of Directors, in case that the law or the Autorité des Marchés Financiers appear to extend or to complete the authorized objectives concerning the share repurchase program, in order to inform the public, pursuant to applicable regulations and laws, about the potential changes of the program concerning the modified objectives.

In compliance with the provisions of articles L. 225-211 and R. 225-160 of the French Code of Commerce, the Company or the intermediary in charge of securities administration for the Company shall keep registers which record purchases and sales of shares pursuant to this program.

This authorization shall replace and supersede the previous share repurchase program authorized by the Combined General Meeting of shareholders of May 27, 2010, in its eleventh resolution.

EXTRAORDINARY GENERAL MEETING

THIRTEENTH RESOLUTION

Authorization granted to the Board of Directors to reduce the share capital by cancellation of previously repurchased shares in the framework of the share repurchase program

The General Meeting, after the reading of the report of the Board of Directors and the special report of the Statutory Auditors, hereby authorizes the Board of Directors, pursuant to the provisions of Article L. 225-209 of the French Code of Commerce to:

- reduce the share capital by cancellation, in one or several transactions, of all or part of the shares repurchased by the Company pursuant to its share repurchase program, up to a limit of 10% of the share capital over periods of twenty-four months;
- deduct the difference between the repurchase value of the cancelled shares and their nominal value from available premiums and reserves.

The General Meeting hereby gives, more generally, all powers to the Board of Directors to set the terms and conditions of such share capital reduction(s), record the completion of the share capital reduction(s) made pursuant to the cancellation transactions authorized by this resolution, amend the by-laws of the Company as may be necessary, file any declaration with the Autorité des Marchés Financiers or other institutions, accomplish any formalities and more generally take any necessary measures for the purposes of completing this transaction.

This authorization is granted to the Board of Directors for a period ending at the end of the General Meeting called to approve the financial statements for the financial year ending December 31, 2011.

FOURTEENTH RESOLUTION

Delegation to the Board of Directors to increase the share capital by issuance of shares or securities giving right to shares of the Company and to issue securities giving right to debt securities, with preferential subscription right of shareholders

The General Meeting, after review of the report of the Board of Directors and the special report of the Statutory Auditors:

1. delegates to the Board of Directors, pursuant to the provisions of Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Code of commerce, powers to decide, in one or more transactions, at the time and in the proportions which it deems

appropriate, both in France and abroad, the issuance of ordinary shares and/or of any other securities giving right to shares of the Company; it being specified that the Board of Directors may delegate to the Chief Executive Officer, or in agreement with the latter, to one or several Delegate Executive Officers, under the conditions permitted by law, all necessary powers to decide an increase of the share capital;

2. resolves that are expressly excluded any issuance of preferred shares and securities giving right to preferred shares;
3. resolves that the maximum nominal amount of increases in the share capital to be made either now or in the future pursuant to this delegation shall not exceed €15 million to which may be added the nominal amount of shares to be issued as a supplement to preserve the rights of holders of securities giving right to shares in compliance with applicable legal rules, and as the case may be, with the contractual provisions providing for other adjustment cases;
4. further delegates to the Board of Directors the authority to decide on the issuance of securities giving right to debt securities;
5. furthermore resolves that the nominal amount of debt securities giving access to the share capital of the Company or to debt securities to be issued pursuant to such delegation, shall not exceed a maximum of €750 million or the corresponding value of such amount in foreign currency or in account units set in reference to several currencies;
6. resolves that the shareholders may exercise, subject to the conditions set by law, their preferential subscription right in respect to securities to be issued pursuant to this resolution;
7. resolves that in case the subscriptions *à titre irréductible* and, as applicable, *à titre réductible,* have not exhausted the totality of an issue of securities, the Board of Directors may offer all or part of the non-subscribed securities to the public;
8. acknowledges that such delegation automatically grants in favour of holders of securities giving right to shares of the Company, the waiver by the shareholders of their preferential subscription rights to the shares to which such securities give right;
9. resolves that the sum due or to fall due to the Company for each share issued pursuant to such delegation shall be at least equal to the nominal value of the shares at the date of issuance;
10. resolves that the Board of Directors will have the authority, if it deems appropriate, [to deduct from any capital surplus specifically to cover the costs and fees arising in connection with the transactions], and to deduct from such amount the sums required to bring the legal reserve to one tenth of the level of the new share capital after each transaction;
11. resolves that this delegation shall replace and supersede the previous delegation of the same nature granted by the General Meeting of the shareholders dated June 9, 2009, in its eleventh resolution.

The delegation hereby granted to the Board of Directors shall be valid for a term of twenty-six months from the date of this Meeting.

FIFTEENTH RESOLUTION

Delegation to the Board of Directors to increase the share capital by issuance of shares or securities giving right to shares of the Company and to issue securities giving right to debt securities, without preferential subscription right of shareholders

The General Meeting, after reading of the report of the Board of Directors and the special report of the Statutory Auditors:

1. delegates to the Board of Directors, pursuant to the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 225-148 and L. 228-91 to L. 228-93 of the French Code of commerce, authority to decide, by public offering or, as the case may be, in the event of the approbation a specific resolution by the General Meeting, by an offering set forth in section II of Article L. 411-2 of the French Monetary and Financial Code, in one or more transactions, at the time and in the proportions which it deems appropriate, both in France and abroad,

    a) the issuance of shares and/or of any other securities giving right to shares of the Company;

    b) the issuance of shares or of other securities giving right to shares of the Company to be issued further to the issuance by the companies in which the Company owns directly or indirectly more than half of the share capital of any securities giving right to shares of the Company;

    c) the issuance of shares or of other securities by the Company giving right to shares of a company in which the Company owns directly or indirectly more than half of the share capital.

    The Board of Directors may delegate to the Chief Executive Officer, or in agreement with the latter, to one or several Delegate Executive Officers, under the conditions permitted by law, all necessary powers to decide an increase of the share capital.

This decision shall pertain by law, to the benefit of the holders of securities likely to be issued by the subsidiaries, waiver by the shareholders of the Company of their preferential subscription right to the shares or other securities to which these securities give right;

2. resolves that the maximum nominal amount of increases in the share capital likely to be made either now or in the future pursuant to this delegation may not exceed €15 million, to which may be added the nominal amount of shares to be issued as a supplement to preserve the rights of holders of securities giving right to shares of the Company, according to applicable legal rules or as the case may be according to contractual provisions providing for other adjustment cases;

3. resolves that the nominal amount likely to be issued pursuant to this delegation will be deducted from the aggregate nominal maximum amount of share capital increases of €15 million set forth pursuant to the fourteenth resolution of this General Meeting;

4. resolves that are expressly excluded any issuance of preferred shares and securities giving right to preferred shares;

5. resolves that this capital increase may result from the exercise of an attribution right resulting from any securities issued by any company in which the Company owns directly or indirectly more than half of the capital and in agreement with such company;

6. further delegates to the Board of Directors the authority to decide on the issuance of securities giving right to the grant of debt securities;

7. furthermore resolves that the nominal amount of debt securities giving right to shares of the Company or to debt securities likely to be issued pursuant to this delegation shall not exceed €750 million or the corresponding value of such amount in foreign currency or in account units set by reference to several currencies, and will be deducted from the maximum of €750 million set forth in the fourteenth resolution of this General Meeting of Shareholders;

8. resolves to suppress the preferential subscription right of shareholders to the securities to be issued, subject to the right of the Board of Directors to grant to the shareholders a priority time period for subscription with respect to all or part of the issuance pursuant to the terms and conditions and within such time periods as it deems appropriate, pursuant to provisions of Article L. 225-135 of the French Code of commerce, this priority time period shall not give rise to the creation of negotiable rights;

9. acknowledges that this delegation pertains by law, to the benefit of holders of securities giving right in the future to shares of the Company, the waiver by the shareholders of their preferential subscription right to the shares to which such securities give right;

10. resolves that the amount due or to fall due to the Company for each share issued or to be issued pursuant to this delegation, shall be at least equal to the minimum value determined by the applicable rules at the time this delegation is used, this minimum value being currently the weighted average of the share prices on the regulated market of Euronext Paris during the three trading days preceding the determination of the issue price, which may be discounted by a maximum of 5%, and after correction of this amount to take into account a difference in the date at which the shares give right to dividends;

11. resolves that the Board of Directors may use this delegation in whole or in part for the purpose of remunerating securities contributed through a public offer of exchange initiated by the Company, within the limits and subject to the terms and conditions set by Article L. 225-148 of the French Code of commerce;

12. resolves that the Board of Directors will have the authority, if it deems appropriate, to deduct from any capital surplus specifically to cover costs and fees arising in connection with the transactions, and to deduct from such amount the sums required to bring the legal reserve to one tenth of the level of the new share capital after each transaction;

13. resolves that this delegation shall replace and supersede the previous delegation of the same nature granted by the Combined General Meeting of the shareholders dated June 9, 2009 in its twelfth resolution.

This delegation granted to the Board of Directors shall be valid for a term of twenty-six months from the date of this Meeting.

SIXTEENTH RESOLUTION

Delegation to the Board of Directors to increase the share capital by issuance of shares or securities giving right to shares of the Company and to issue securities giving right to debt securities, without pre-emptive subscription rights of shareholders by a private placement under II of Article L. 411-2 of the French Monetary and Financial Code

The General Meeting, after reading of the report of the Board of Directors and the special report of the Statutory Auditors:

1) delegates to the Board of Directors, pursuant to the provisions of Article L. 225-136 of the French Code of Commerce, authority to decide, in accordance with and under the conditions specified in the fifteenth resolution of this General Meeting and within a maximum

global nominal amount of €15 million, to issue shares or debt securities in an offer under II of Article L. 411-2 of the French Monetary and Financial Code;

2) resolves that the maximum nominal amount of increases in capital which may be realized immediately and/or over time under this delegation will be deducted from the total nominal maximum of €15 million fixed under the fourteenth resolution of this General Assembly.

This delegation granted to the Board of Directors shall be valid for a term of twenty-six months from the date of this Meeting.

SEVENTEENTH RESOLUTION

Delegation to the Board of Directors to increase the number of securities to be issued in case of a capital increase with or without preferential subscription right of shareholders

The General Meeting, after reading of the report of the Board of Directors:

1. delegates to the Board of Directors, pursuant to the provisions of Article L. 225-135-1 of the French Code of Commerce, the authority to increase the number of securities to be issued for each of the issuances with or without preferential subscription right decided pursuant to the fourteenth, fifteenth and sixteenth resolutions of this General Meeting, within thirty days after closing of subscription and within the limit of 15% of the initial issuance and with the same price as the price of the initial issuance.
2. resolves that the maximum nominal amount likely to be issued pursuant to this delegation shall be deducted from the total nominal maximum of €15 millions determined in the fourteenth resolution of this Meeting.
3. resolves that the Board of Directors will have the authority, if it deems appropriate, to deduct from apply any capital surplus specifically to cover any costs and fees arising in connection with the transactions, and to deduct from such amount the sums required to bring the legal reserve to one tenth of the level of the new share capital after each transaction;
4. resolves that this delegation shall replace and supersede the previous delegation of the same nature granted by the General Meeting of the shareholders dated June 9, 2009, in its thirteenth resolution.

This delegation given to the Board of Directors shall be valid for a term of twenty-six months from the date of this Meeting.

EIGHTEENTH RESOLUTION

Delegation to the Board of Directors to increase the capital by incorporation of reserves, profits or premiums

The General Meeting, ruling in the conditions of quorum and majority required for ordinary general meetings pursuant to the provisions of Article L. 225-130 of the French Code of Commerce, and after review of the report of the Board of Directors:

1. delegates to the Board of Directors any and all powers necessary for the purpose of increasing the capital, in one or more transactions, at the time and in the proportions which it deems appropriate, by incorporation of reserves, profits or premiums, or any other sums the capitalization of which is allowed, or by conjunction with a capital increase in cash pursuant to the fourteenth, fifteenth or sixteenth resolution of this Meeting, by issuing and granting free shares or by increasing of the nominal value of the existing shares, or by combining the two transactions; it being specified that the Board of Directors may delegate to the Chief Executive Officer, or in agreement with the latter, to one or several Delegate Executive Officers, under the conditions permitted by law, all necessary powers to decide an increase of the share capital;
2. resolves that the maximum nominal amount of increases in the share capital likely to be made pursuant to this delegation may not exceed €15 million;
3. resolves that the nominal maximum amount will be deducted from the nominal aggregate maximum of share capital increases which may be realized pursuant to the fourteenth delegation of this General Meeting;
4. resolves that rights constituting split shares shall not be negotiable and that the corresponding shares shall be sold. The sums collected from such sale being allocated to the holders of those rights within 30 days from the date on which the full number of shares is recorded in their account;
5. resolves that the Board of Directors will have the authority, if it deems appropriate, to deduct from any capital surplus specifically to cover any costs and fees arising in connection with the transactions, and to deduct from such amount the sums required to bring the legal reserve to one tenth of the level of the new share capital after each transaction;

6. resolves that this delegation shall replace and supersede the previous delegation of the same nature granted by the Combined General Meeting of the shareholders dated June 9, 2009, in its fourteenth resolution.

This delegation granted to the Board of Directors shall be valid for a term of twenty-six months from the date of this Meeting.

NINETEENTH RESOLUTION

Delegation of powers to the Board of Directors to increase the capital within a limit of 10% with the purpose to compensate contributions in kind

The General Meeting, after reading of the report of the Board of Directors:

1. delegates to the Board of Directors, pursuant to the provisions of Article L. 225-147 of the French Code of Commerce, any and all powers necessary to increase the share capital, within a limit of 10% of the share capital, after review of the report of the auditors, with a view to compensate the contributions in kind to the Company of shares or equity-linked securities, when the provisions of Article L. 225-148 of the French Code of Commerce are not applicable;

2. decides that the Board of Directors shall have any powers to use this delegation, in particular to the effect of determining terms and conditions of authorized transactions and to evaluate contributions, as well as the granting as the case may be of specific advantages (*avantages particuliers*), the number of securities to be issued as compensation of the contributions as well as the date at which the securities to be issued shall give right to dividends, of proceeding as applicable with any deduction from contribution premiums, in particular of costs incurred by the realization of the relevant issuances, of acknowledging the realization of the increase of capital and amending the by-laws accordingly, and to take any useful measures and enter into any agreement, accomplish any formalities required for the listing of the issued shares and accomplish any publicity formality;

3. resolves that this delegation shall replace and supersede the previous delegation of the same nature granted by the General Meeting of the shareholders dated June 9, 2009, in its fifteenth resolution.

This delegation to the Board of Directors is valid for a period of twenty-six months from the date of this Meeting.

TWENTIETH RESOLUTION

Delegation to the Board of Directors to increase the share capital for the benefit of members of a plan d’épargne d’entreprise

The General Meeting, after reviewing the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Articles L. 3332-1 *et seq.* of the French Labour code, Article L. 225-138-1 and the first and second paragraphs of Article L. 225-129-6 of the French Code of commerce:

1. delegates to the Board of Directors its power to increase the share capital of the Company, in one or more transactions, upon its sole decision, in a nominal amount not exceeding €10 million, through the issue of new shares or other securities giving access to the share capital of the Company in the conditions set by French law, reserved to the employees of Dassault Systèmes and/or its affiliates as defined in Article L. 225-180 of the French Code of Commerce and in accordance with Article L. 3344-1 of the French Labour Code, who are members of a *plan d’épargne d’entreprise*;

2. resolves to waive the shareholders’ preferential subscription rights to the new shares to be issued or other securities giving access to the share capital and to the securities to which the securities issued under this resolution will give a right in favour of the members of the plans defined in the preceding paragraph, and to give up any rights to the shares or other securities which may be granted pursuant to this resolution;

3. resolves that the maximum nominal amount which may be issued under this delegation will be deducted from the aggregate nominal maximum of €15 million referred to in the fourteenth resolution of this General Meeting;

4. resolves that the subscription price of the new shares shall be equal to 80% of the average stock price during the twenty stock exchange trading sessions of the regulated market of Euronext Paris preceding the date of the decision determining the opening date of subscriptions when the time period of non-availability as provided for in the *plan d’épargne* pursuant to Article L. 3332-25 of the French Labour Code is less than ten years, and to 70% of this average when such time period of non-availability is equal to or greater than ten years. However, the General Meeting expressly authorizes the Board of Directors, if appropriate in its opinion, to reduce or eliminate the above-mentioned discounts, within the applicable legal and regulatory limits, in order to take into account, inter alia, the applicable local legal, accounting, tax and labor regimes;

5. resolves that the Board of Directors may also substitute all or part of the discount by granting free shares or other securities giving access to the share capital of the Company, existing or to be issued, the total benefit resulting from such grant and, as the case may be, from the above-mentioned discount, not exceeding the total benefit which the members of the *plan d’épargne* would have received if

the discount had been 20% or 30%, depending on whether the period of non-availability as provided by the plan is equal to or greater than ten years;

6. resolves that the Board of Directors may provide for, pursuant to Article L. 3332-21 of the French Labour Code, grants of free shares or other securities giving access to the share capital of the Company, to be issued or already issued through an employer contribution, it being understood that their total monetary value, evaluated at the subscription price, may not exceed the legal or regulatory limits;
7. resolves that the characteristics of the other securities giving access to the share capital of the Company shall be determined by the Board of Directors in accordance with regulations;
8. resolves that the Board of Directors shall have any and all powers, including the power of delegation and sub-delegation, subject to legal and regulatory terms, subject to the limits and conditions set forth above, to determine all terms and conditions of the transactions, and in particular, to decide the amount to be issued, the issue price, the modalities of each issue; to decide and set the modalities for granting free shares or other securities giving access to the share capital, pursuant to the authorization given above; to set the dates for opening and closing of the subscriptions; to set the period granted to the subscribers for the payment of their securities, which shall not exceed three years; to set the date, with or without retroactive effect, after which the securities shall carry dividend rights; to request the listing of the securities wherever it will choose; to record the capital increase up to the amount of the shares actually subscribed; and to take all measures in order to duly carry out the capital increases; to perform all formalities resulting from the capital increases and amend the by-laws accordingly; and upon its sole discretion and if it considers it appropriate, to deduct the expenses resulting from these increases of capital from the amount of the premium relating to the capital increases and deduct from this amount the sums necessary to bring the legal reserve to one-tenth of the new share capital after each increase;
9. resolves that the Board of Directors will have the authority, if it deems appropriate, to deduct from any capital surplus specifically to cover any costs and fees arising in connection with the transactions, and to deduct from such amount the sums required to bring the legal reserve to one tenth of the level of the new share capital after each transaction;
10. resolves that this delegation shall replace and supersede any previous delegation relating to the increase of share capital for the benefit members of a *plan d'épargne d'entreprise* and in particular the delegation granted by the Combined General Meeting of Shareholders on May 27, 2010 in its seventeenth resolution;
11. this delegation to the Board of Directors shall be valid for a term of twenty-six months from the date of this Meeting.

TWENTY-FIRST RESOLUTION

Modification of Article 14 of the by-laws

The General Meeting modifies Article 14.1 of the Company's by-laws "Board of Directors" as follows:

"Article 14 – BOARD OF DIRECTORS

1. Composition

The Company shall be administered by a Board of Directors established in accordance with the law."

The paragraphs which follow remain without change.

TWENTY-SECOND RESOLUTION

Modification of Article 26 of the by-laws

The General Meeting decides to modify Article 26 of the Company's by-laws "Agenda" to bring it into conformity with the terms of Ordonnance 2010-1511 of September 9, 2010, and its application decree 2010-1619 of December 23, 2010, regarding the exercise of certain rights of shareholders of listed companies to permit them to include certain items in the agenda for shareholders' meetings.

Article 26 of the by-laws shall state as follows:

"Article 26 – AGENDA

1. *The agenda for a shareholders meeting shall be drawn up by the Board of Directors, if notice of the meeting is prepared by the Board of Directors, or by the author of the notice if other than the Board of Directors.*
2. *One or more shareholders, representing at least the required percentage of the registered capital, as well as the workers' committee of the Company, shall have the authority to request, under applicable law and regulations then in effect, that draft resolutions be placed*

on the agenda. One or more shareholders, representing at least the required percentage of the registered capital, also have the possibility to require the inclusion of items on the agenda in accordance with applicable law and regulations then in effect.

3. *A shareholders’ meeting may not deliberate on a matter that is not on the agenda, which agenda may not be changed on second convocation. However, in any instance, a shareholders’ meeting may remove one or more Directors and replace them.”*

TWENTY-THIRD RESOLUTION

Modification of Article 27 of the by-laws

The General Meeting decides to modify Article 27 of the Company’s by-laws “Admission to Shareholders’ Meetings – Proxies” to bring it into conformity with the terms of Ordonnance 2010-1511 of September 9, 2010, and its application decree 2010-1619 of December 23, 2010, regarding the exercise of certain rights of shareholders of listed companies to permit any physical or legal person to be appointed as a proxy (*mandataire*), under certain conditions.

Article 27.3 of the by-laws shall state as follows:

“Article 27 – ADMISSION TO SHAREHOLDERS’ MEETINGS – PROXIES

(...)

3. *A shareholder may be represented in accordance with the terms established by law or regulation in effect.*

   Legal representatives of legally incapacitated shareholders and shareholders who are legal entities shall be represented by physical persons authorized to represent them with respect to third parties or by any person to whom said physical persons have delegated their power of representation.”

ORDINARY AND EXTRAORDINARY GENERAL MEETING

TWENTY-FOURTH RESOLUTION

Powers for formalities

The General Meeting hereby grants any and all powers to the bearer of an original, a copy or an excerpt of the minutes of these deliberations for the purpose of carrying out any legal formalities for publication.