

2008 Third Quarter Newswire Conference Call
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Final

Thibault de Tersant
Senior Executive Vice President and CFO

Introduction

Good morning. Thank you for participating in this conference call to review Dassault Systemes' third quarter and 2008 outlook.

Before beginning, let me state that some of the comments I will make on this call are forward-looking. Actual results could differ materially from those projected in forward-looking statements. Information about the principal factors that could cause actual results to differ materially from forward-looking statements can be found in our earnings press release which was released earlier this morning, and in Item 3 of our 2007 20-F.

I would remind you that most of the financial figures I am discussing with you today are given on a non-GAAP basis. We believe the presentation of supplemental non-GAAP financial information is helpful in order to better understand our performance. Reconciliations between U.S. GAAP and non-GAAP figures are included in our earnings press release, which has been posted on our website www.3ds.com.

So, let me briefly review our performance.

Overview

DS had a solid third quarter, with our results well in line with our financial objectives. Our software revenue growth was 12 percent in constant currencies and would have been 18 percent if we reported in US dollars.

Turning to our results:

- Total revenue came in at 320 million euros. Our software revenue and total revenue growth were all organic. Total revenue was at the high end of our objective.
- EPS increased 26 percent to 49 cents, coming in above our objective of 41 to 44 cents. These results reflected our inherent earnings leverage as well as the positive impact of currencies on financial revenue.
- Our operating margin was 23.7 percent, ahead of our objective of 22.5 percent. This represents a 120 basis points increase in our operating margin for the quarter and, looking at our year-to-date financial results, the improvement is the same – 120 basis points.
- We finished the quarter with a strong cash position. At September 30th, our net cash position totaled 630 million euros. This gives us significant financial flexibility.
- For your information, third quarter consensus analysts' estimates were 314 million euros for revenue, 23.2 percent for operating margin and 44 cents for EPS.

Turning to our financial objectives:

- We are targeting a 2008 software revenue growth objective of 12 percent on a constant currency basis, in spite of signs of weakening that we saw in September due to the economic crisis and which we have factored into our fourth quarter outlook. Our updated objective is within our previous range of 12 to 13 percent, thanks to our diversification strategy, sales channels and growing customer base.
- We are increasing our 2008 reported revenue range due to currency shifts, offset in part by the estimated effects of the current environment on our fourth quarter activity level. Specifically, looking to the fourth quarter, we are assuming about a 10 million euro impact from lower activity. Currency, on the other hand, has a positive impact of about 30 million in comparison to the assumptions we previously used in preparing our objectives. Netting currency and activity leads to a net increase in our reported revenue outlook to 1.34 and 1.35 billion euros from 1.32 to 1.33 billion euros, previously.
- Secondly, based upon this level of revenue growth, we are also targeting to improve our 2008 non-GAAP operating margin by 50 to 100 basis points in comparison to 2007 compared to our prior improvement target of 80 to 130 basis points.
- And third, we are increasing our 2008 non-GAAP EPS objective range to 2.15 to 2.20 euros, from 2.10 to 2.17 euros previously.
- Our full year 2008 objectives include the following currency exchange rate assumptions: a U.S. dollar to euro exchange rate of \$1.50 and a Japanese yen to euro exchange rate of JPY157.

- For the 2008 fourth quarter, we have set a non-GAAP total revenue objective of 385 to 395 million euros and a non-GAAP EPS objective of about 79 to 84 cents per share.

Third Quarter Financial Highlights

Turning to growth by region,

- Our revenue growth was strongest in the Americas, with revenue up 16 percent in constant currencies. Growth in the Americas was led by ENOVIA and SIMULIA. Year-to-date the Americas are up 14 percent in constant currencies.
- In Europe revenue increased 11 percent. Europe was driven by good performance in Germany and strong demand from Russia. Year-to-date revenue in Europe was also up 11 percent.
- Results in Asia were mixed this quarter. We had strong demand in China and a number of other countries in the region. However, this was more than offset by a lower level of new business activity in Japan. For the quarter Asia was flat, and year-to-date it is up 6 percent, both numbers in constant currencies.
- We are benefiting from the expansion of our sales channels into higher growth markets comprised primarily of China, India, Brazil, Eastern Europe and Russia. Our revenue growth in these markets was above 25 percent in constant currencies during the third quarter.
- Now, looking at the details of software growth, recurring software revenue drove the results, increasing 18 percent in constant currencies. Recurring revenue accounted for 67 percent of total software revenue in the quarter, thanks to continued growth in our installed base and increased business under the recurring revenue

licensing model. Our recurring revenue gives us good visibility on our core base of revenue generation.

Business Highlights

I believe our financial results and outlook reflect several key factors that I would like to highlight:

- First, our focus on the value proposition of our brands to our customers' product design and product innovation processes;
- Second, our industry vertical diversification,
- Third, our diversification into higher growth countries and regions;
- Finally, our focus and investments on strengthening our sales channels could not have been better timed. We have invested in developing three distinct channels for reaching our markets. Importantly, we have invested in growing these channels so that we have better coverage by industry, geo and customer size. We are seeing good results in our indirect PLM channel for the mid-market which is our channel where the most transformation has occurred.

Our brands results clearly illustrate these factors:

CATIA had a good performance this quarter with 9 percent software revenue growth in constant currencies. Our specialized applications are important components driving CATIA growth. Some examples of the applications we offer to customers include analysis, composites, machining, electrical wiring, piping and tubing and reverse engineering.

- An illustration of a customer using our specialized CATIA applications is ACT, a US composite parts supplier to leading OEMs in the United States. Using CATIA Composite has enabled ACT to reduce the time required for detail design and prototyping by 90

percent. In addition, they have been able to reduce material usage by 15 percent.

ENOVIA had a dynamic quarter with software revenue growth of 19 percent in constant currencies. This performance was driven by industry vertical diversification. Our specialized applications by industries, Industry Accelerators, have been important in securing and helping customers achieve faster deployments of our software. ENOVIA is also progressing with V6 adoptions with a recent win with Piaggio Aero, a leading aerospace company headquartered in Genoa, Italy.

- In a separate press release issued today, we were very pleased to announce that Procter & Gamble Company (P&G), the world's largest consumer goods company, has chosen to implement our ENOVIA V6 PLM solution to support realistic product definition. This was a very important win because it is enterprise-wide, and is very significant in terms of the potential numbers of users at P&G. It is also an illustration of the benefits PLM brings to new verticals.

Turning to SolidWorks, it delivered good software revenue growth – up 13 percent in constant currencies and up 19 percent if we reported in US dollars. Driving these results were strong growth in subscription revenue.

- Our SolidWorks brand is also an example of the value of specialized applications in broadening revenue sources and driving revenue growth. SolidWorks analysis and product data management specialized applications posted revenue growth above 20 percent in constant currencies during the third quarter.
- SolidWorks 2009 was launched during September. This new release really expands the gap between SolidWorks and its competitors in

the space. Driving significant, measurable increase in performance was a key component of the R&D behind this new release.

SIMULIA delivered strong software revenue growth in the third quarter, is well diversified by vertical, and has a software revenue stream that is more than 90 percent recurring.

- SIMULIA completed the acquisition of Engineous during the second quarter, and already has released an integrated product, Isight for Abaqus, which provides design exploration and optimization technology.

Summary

Last quarter I indicated that given the macro-economic backdrop, I believed the strength of our results underscored the strategic importance of our software and core consulting offerings for our customers. Given all that has happened since then on the world stage I would like to further emphasize that point. Certainly our third quarter results provide further evidence of this as well as our outlook for the full year.

And finally, at a time like this, our focus as a company is to ensure that we are a strategic partner to all our customers, in order to help them enhance their products and product innovation processes. This objective has been a key distinguishing feature of DS since our inception and has been at the core of our success and market leadership.

I would now be happy to respond to your questions.