Annual Report 2008

This document is comprised of the English language translation of Dassault Systèmes' *Document de référence* (registration document), which was filed with the AMF (French Financial Markets Authority) on April 2, 2009, 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 any listed company within four months following 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 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.

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 and the related audit report on pages 96 to 133 (inclusive), as well as the parent company financial statements and the related audit report on pages 134 to 156 (inclusive) of the registration document for the year 2007, filed with the AMF (French Financial Markets Authority) on April 4, 2008, under n° D.08-0199;
- the financial information on pages 9 and 38 to 54 (inclusive) of the registration document for the year 2007 filed with the AMF on April 4, 2008, under n° D.08-0199;
- the consolidated financial statements and the related audit report on pages 114 to 150 (inclusive), as well as the parent company financial statements and the related audit report on pages 150 to 173 (inclusive) of the registration document for the year 2006, filed with the AMF on May 28, 2007, under n° D.07-515;
- the financial information on pages 11 and 48 to 67 (inclusive) of the registration document for the year 2006 filed with the AMF on May 28, 2007, under n° D.07-515.

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.

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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.

“TRANSPARENCY DIRECTIVE” ANNUAL FINANCIAL REPORT	**REGISTRATION DOCUMENT**
1. ANNUAL FINANCIAL STATEMENTS	Paragraph 20.3
2. CONSOLIDATED FINANCIAL STATEMENTS	Paragraph 20.1
3. MANAGEMENT REPORT	See “Annual Management Report” below
4. DECLARATION OF RESPONSIBILITY	Paragraph 1.2
5. AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS	Paragraph 20.4.1
6. AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	Paragraph 20.4.2
7. FEES PAID TO INDEPENDENT AUDITORS	Chapter 2

ANNUAL MANAGEMENT REPORT – L. 225-100 *ET SEQ* OF THE FRENCH COMMERCIAL CODE	**REGISTRATION DOCUMENT**
1. GROUP BUSINESS REPORT	Chapters 6 and 9
2. BUSINESS AND RESULTS OF OPERATIONS OF THE PARENT COMPANY DASSAULT SYSTEMES SA	Chapter 7 and Paragraph 20.3
3. EQUITY HOLDINGS – CONTROLLED AND CONTROLLING COMPANIES – SUBSIDIARIES	Chapter 7
4. SOCIAL AND ENVIRONMENTAL INFORMATION	Paragraphs 8.3 and 17.1
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Principal Companies and Brands of the Group

The Company organizes its business and markets its products and services according to two market segments: a segment focused on "Product Lifecycle Management" ("PLM"), and a segment focused on design ("Mainstream 3D").

The Dassault Systèmes companies listed below develop and market principally the brands shown. These brands are described in Section 6.2.1 "Brands".

Companies	Main Brands
Product Lifecycle Management (PLM) business	
Dassault Systèmes SA	CATIA
Dassault Systèmes Simulia Corp.	SIMULIA
Dassault Systèmes Delmia Corp.	DELMIA
Dassault Systèmes Americas Corp.	ENOVIA
Dassault Systèmes Enovia Corp.	ENOVIA
Mainstream 3D business	
Dassault Systèmes SolidWorks Corp.	SolidWorks

As used herein, "Dassault Systèmes", "DS", 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.

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, 2009

“I hereby certify, after taking every reasonable step for such purpose, that the information contained in this registration document is, to my knowledge, true and does not contain any misleading information. I hereby certify that, to the best of my knowledge, the accounts have been established in accordance with applicable accounting regulations and give a true and fair view of the assets, liabilities, financial position and results of Dassault Systèmes SA and of all the companies of the consolidated Group.

The “Management Report” set forth in this annual report, as indicated in the cross-reference index above, presents a true and fair view of the development of the business, results, and financial position of Dassault Systèmes SA and of all the companies of the consolidated Group, as well as a description of the major risks to which the Company is exposed.

I have received a letter from the statutory auditors confirming that they have completed the work they undertook to audit the information related to the financial situation and the financial statements included in this Document de référence, as well as a review of this document in its entirety.”

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 – 92208 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.

Ernst & Young Audit, member of the Compagnie Régionale de Versailles, 11, allée de l'Arche, Faubourg de l'Arche – 92400 Courbevoie, represented by Jean-Marc Montserrat, whose first mandate began on 2 June 1998, was renewed at the shareholders' meeting on June 2, 2004, for a period of six fiscal years and will expire at the general shareholders' meeting approving the financial statements for the fiscal year ending on December 31, 2009.

Alternate Statutory Auditors

Pierre Coll, 63, rue de Villiers – 92208 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.

François Carrega, 13, boulevard des Invalides – 75007 Paris, whose mandate began on June 2, 1998, was renewed at the shareholders' meeting on June 2, 2004, for a period of six fiscal years.

At the general shareholders' meeting on June 9, 2009, the shareholders will be asked to approve the replacement of François Carrega, who is resigning as alternate statutory auditor, by the company AUDITEX, 11, allée de l'Arche – Faubourg de l'Arche – 92400 Courbevoie, for the period remaining in the mandate of François Carrega, that is, until the shareholders' meeting approving the financial statements for the year ending on December 31, 2009.

Principal Accountants Fees and Services

The following table presents the amount of fees of the Company's principal accountants in 2008 and 2007:

	PricewaterhouseCoopers				Ernst & Young			
	Amount		%		Amount		%	
	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Audit opinion, review of statutory and consolidated financial statements(1):								
– Issuer	€891,000	€1,125,228	37.1%	36.6%	€179,000	€154,940	31.1%	60.6%
– Other consolidated subsidiaries	1,368,821	1,786,551	57.1%	58.1%	214,158	55,805	37.2%	21.8%
Other audit-related services(2):								
– Issuer	€85,100	€80,000	3.5%	2.6%	–	€5,000	0.0%	2.0%
– Other consolidated subsidiaries	6,500	41,310	0.3%	1.3%	20,996	16,226	3.6%	6.4%
Subtotal	***€2,351,421***	***€3,033,089***	***98.0%***	***98.6%***	***€414 154***	***€231,971***	***71.9%***	***90.8%***
Other services(3)								
Legal, tax, social	€47,171	€42,308	2.0%	1.4%	€162,125	€23,473	28.1%	9.2%
Subtotal	***€47,171***	***€42,308***	***2.0%***	***1.4%***	***€162,125***	***€23,473***	***28.1%***	***9.2%***
Total	**€2,398,592**	**€3,075,397**	**100.0%**	**100.0%**	**€576,279**	**€255,444**	**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, 2008 and 2007, which are those services that only the external 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 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 external 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.

(3) Tax Fees include fees billed for tax compliance services, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.

CHAPTER 3 – SELECTED FINANCIAL INFORMATION

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

Information below for the year ended December 31, 2006, is incorporated by reference in this Annual Report as indicated on page 2 hereof.

	Year ended December 31,	
(in millions, except percentages and per share data)	**2008**	**2007**
Total revenue	€1,334.8	€1,258.8
Operating Income	273.9	264.1
As a percentage of total revenue	*20.5%*	*21.0%*
Net Income attributable to shareholders	200.5	176.7
Diluted Net Income Per Share	€1.68	€1.48
Supplemental non-IFRS Financial Information(1)		
Revenue	€1,338.2	€1,275.9
Operating Income	342.0	334.5
As a percentage of total revenue	*25.6%*	*26.2%*
Net Income attributable to shareholders	240.7	227.5
Diluted Net Income Per Share	€2.02	€1.90

(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)	**2008**	**2007**
ASSETS		
Cash, cash equivalents and short-term investments	€840.4	€626.6
Trade accounts receivable, net	329.4	320.0
Other assets	972.2	912.4
Total assets	***2,142.0***	***1,859.0***
LIABILITIES		
Long-term financial debt	200.0	200.0
Other liabilities	639.1	542.1
Parent shareholders' equity	1,302.9	1,116.9
Total Equity and Liabilities	***2,142.0***	***1,859.0***

CHAPTER 4 – RISK FACTORS

4.1 Risks Related to the Company's Business

Difficult global economic environment

The current difficulties in global economic and business conditions could cause the Company's revenue, net earnings and cash flows to decrease, or to 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. Current global economic conditions could cause some customers of the Company to reduce, defer or cancel their investments in information technology, or to reduce or terminate on-going paid maintenance for their installed base, which would negatively impact the Company's recurring revenue;

– the automotive, aerospace and industrial equipment industries, which represent a significant share of the Company's revenue, have been and will continue to be particularly impacted by the current economic context. Companies worldwide are announcing restructuring plans leading to downsizing and/or close-down of activities. Some of the Company's important customers as well as their entire supply chain may even face bankruptcy situations; and

– the sales cycle of PLM products – already relatively long due to their strategic nature for customers – could further lengthen due to the currently difficult economic context.

In the fourth quarter of 2008, the increasingly difficult macroeconomic environment led to a certain number of contract deferrals and resulted in lower revenue than the Company's objective, affecting both margin and earnings results. In constant currencies, fourth quarter revenue declined 1% in 2008 compared to the same period in 2007, principally due to a decline in new license revenue.

In addition, the current economic context and high exchange rate volatility may adversely impact the financial situation of the Company's reseller network, potential and existing customers, 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 also 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 seeks to further diversify its customer base through expanding its presence in new geographic markets and industrial sectors.

IBM relationship

Pursuant to a long-standing, mutually non-exclusive agreement, IBM markets and distributes an important portion of the Company's PLM products worldwide. According to the terms of the agreement, the Company licenses these products to IBM, who then sub-licenses them to end-users. (See Section 6.2.4 "Sales and marketing".) Revenue generated through the agreement with IBM represented approximately 27%, 35%, and 45% of the Company's total revenue in 2008, 2007, and 2006, respectively. IBM has substantial discretion and control over such marketing and distribution, including the financial resources devoted to marketing and sales and the compensation of its sales personnel. A decision by IBM to cease, freeze or reduce substantially its marketing and distribution efforts for Dassault Systèmes' PLM products would have an immediate and material adverse effect on the Company's financial condition and results of operations.

Pursuant to the current terms of its agreement with IBM, the Company began in 2005 to significantly expand its role in marketing and distributing its PLM products through the progressive transitioning from IBM to Dassault Systèmes of full responsibility for the indirect PLM sales channels. Since the end of 2008, the Company has had responsibility for the PLM indirect sales channels worldwide, and the transition of customers from IBM to Dassault Systèmes is on-going on a global basis.

At the same time, both IBM and the Company continue to market the Company's PLM products to large enterprises. In connection with this transition, potential sales channel conflicts may arise generating loss of focus within the sales organizations. If IBM and the Company do not effectively coordinate their marketing and sales efforts, the Company's revenue and ability to grow may be negatively affected.

IBM is not prohibited from competing with the Company, marketing and distributing competing PLM software applications, providing services around competing PLM software applications, or acquiring or forming a strategic alliance with one or more of the Company's competitors.

In keeping with its expanded role and responsibilities in managing its marketing and sales channels, Dassault Systèmes continues to invest in its direct and indirect marketing and sales channels in terms of resources, systems and processes.

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.

Infringement of third-party intellectual property rights

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, 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 the embedded components infringe their intellectual property rights.

The Company seeks to limit this risk by deploying programs to train some of its research and development teams regarding intellectual property issues. In addition, the Company has put in place 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.

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, industry collaboration and cross-enterprise work.

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

- to understand 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-effective 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. 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.

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.

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 generally 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 programs and long-term compensation programs 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. To implement its PLM strategy, Dassault Systèmes has developed an extended enterprise model and partners with other companies in areas such as:

- 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 customers adapting and deploying PLM solutions.

The Company believes that its partnering strategy allows costs reduction while achieving broader market coverage.

The Company's broad partnering strategy creates a degree of dependency on such partners. 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 products, business development and sales, 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.

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 rights are less protected than in the United States or Western Europe, or as a result of the prior rights of third parties.

If the Company's strategies for protecting its intellectual property fail to achieve adequate protection, third parties may develop similar technology and cause a reduction in the Company's software revenues. 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 independent third-party development of the Company's technology.

In addition, like most of its competitors, Dassault Systèmes faces an increasing level of piracy of its successful products, both by individuals and by 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 to 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.

Legal proceedings

As a result of its business activity, the Company is subject to a variety of claims and lawsuits. The Company's litigation risk increases as its activities expand and it 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.

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 laws and regulations to which the Company is subject have become increasingly complex and apply to a wide variety of areas, including *inter alia* financial reporting standards, corporate governance, internal controls and export compliance. The cost of compliance and 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 the possible distraction of management time, as well as in penalties, fines, disciplinary actions, 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 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 – particularly in difficult market situations – can affect the Company's revenue and income.

The trading price of the Company's 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.

Because the Company relies on IBM to provide information related to a significant portion of its revenue, the Company generally is not in a position to know its revenue for any particular period within the same timeframe as would otherwise be possible. As a result, the Company may not be able to confirm or adjust expectations as to sales achieved for a particular period as quickly as it otherwise could, or within the same timeframe as some other companies in the Company's industry.

Emergence of new competitors in the PLM sector

In the past few years, the Company has seen a move towards consolidation in the software industry, which may lead to the adoption by competitors of business models fundamentally different from Dassault Systèmes' model. If such new models prevail on the market, prices could decline substantially, and the Company would be required to adapt to a substantially different commercial environment. These competitive pressures could negatively impact the Company's revenue, financial performance and market position.

Organizational 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, and the changes in its organizational structure, could create tensions, since management policies and internal systems must be adapted and integrated to meet the needs of a larger, more complex structure. The Company must also continue to re-organize itself to maintain efficiency and remain focused on its strategy to address new markets and industries, while ensuring customer retention. Although the Company endeavors regularly to adjust its organizational and management model to support its growth, product development, internal processes, cost management and commercial operations may experience inefficiencies or fail to satisfy adequately market or customer demands if the Company does not address these issues effectively.

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 or other investments in unaffiliated partners 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.

In order to support Dassault Systèmes expanding marketing and sales activities, the Company continues to strengthen its global PLM marketing and sales forces and deploy the needed tools and processes. If the Company does not effectively meet these management and commercial challenges, future growth in revenues may be adversely affected, and the Company may lose market opportunities and incur substantial costs and inefficiencies.

The Company seeks to adjust on a regular basis its organization and management model to support its growth.

Security of internal systems and facilities

The Company's research and development facilities are computer-based and rely on the proper functioning of complex software and integrated hardware systems. However, it is not possible to guarantee the uninterrupted operation and 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 production 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, and the Company's research and development sites in the Boston area, India and Israel, 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 regular intrusion tests and restricted access to critical and sensitive information, and also subscribes to insurance policies covering these risks (see Paragraph 4.3 "Insurance").

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.

Technology stock volatility

The market price of the Company's shares is likely to be highly volatile, as 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, has maintained its substantial interest in Dassault Systèmes and owned 43.65% of the Company's outstanding shares, representing 48.04% of total voting rights, as of December 31, 2008. As a result, GIMD may play 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.

4.2.1 Interest Rate Risk

Except for their impact on the general economic environment, which is difficult to assess, the Company believes that changes in interest rates in 2008 did not materially affect its revenue and earnings before financial income. Similarly, interest rates are not expected to affect future earnings before financial income, but may affect 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 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, with 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 have the economic effect of modifying the Company's forecasted interest obligations relating to this facility until 2010 so that the interest payable effectively becomes fixed at a rate of 3.36% per annum during the period covered by the swap agreements. 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 triggers early reimbursement of amounts outstanding under the facility. The Company drew down the entire €200 million from the facility on March 15, 2006 to finance the acquisition of MatrixOne, Inc.

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, 2008, cash and cash equivalent and short-term investments totaled €840.4 million, including €552.1 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 of €5.1 million on financial income and a decrease in interest rates of 100 basis points would have had a negative impact of €4.7 million. As of December 31, 2007 cash and cash equivalent and short-term investments totaled €626.6 million, including €539.6 million sensitive to fluctuations in interest rates mostly in euro and U.S. dollars. With all other variables held constant, a change in interest rates of 100 basis points would have had an impact of €3.5 million on the financial income, positive if the interest rates rise, negative if they decrease. In addition, a change in interest rates of 100 basis points would not have had a significant impact on the fair value of the swap agreements.

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 directly linked to stock market variations. In addition, the Company's treasury shares have not had a material impact on results of operations.

The following table presents the notional amount and fair value of interest rate financial instruments at December 31, 2008 and 2007:

	Year ended December 31,			
	2008		2007	
(in thousands of euros)	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
Euro interest rate swap	200,000	(2,368)	200,000	6,386

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 the parent company.

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 since the Company's revenue is primarily invoiced in U.S. dollars, euro and Japanese yen.

Under the IBM marketing and sales agreement, the royalties the Company receives for the products distributed by IBM are generally set in the local currency of the end purchaser, and then remitted to the Company by IBM in U.S. dollars based on conversion rates adjusted monthly. The Company's resellers pay the Company in different currencies, primarily euro and U.S. dollars. In addition, the Company incurs expenses in several currencies through the Company's suppliers and employees 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. As a result, the Company's results of operations may be affected by changes in exchange rates, particularly between the U.S. dollar or the Japanese yen and the euro.

To a certain extent, 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 2008, revenue denominated in U.S. dollars represented approximately 39% of total revenue, compared with 38% in 2007 and 39% in 2006, 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 2008, compared with 43% in 2007 and 46% in 2006, including amortization of intangible assets related to acquisitions.

As a result, the Company's net operating exposure to U.S. dollars was limited to €96.5 million in 2008 (7.2% of the Company's total revenue). The average value of the U.S. dollar decreased by approximately 7% in 2008 against the euro, after a decrease of approximately 9% in 2007, resulting once more in a negative impact on the Company's operating income in 2008, following the negative impacts on operating income in 2007 and 2006.

The Company's net operating exposure to Asian currencies, principally to Japanese yen, amounted to €159.0 million in 2008 (11.9% of the Company's revenue), and this exposure was in part hedged through market instruments at a level of €27.5 million, as further described below. In 2008, the average value of the Japanese yen increased by approximately 6% against the euro, after a depreciation of approximately 10% and 7% in 2007 and 2006, respectively.

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 and expenses in foreign currencies and the exchange rate when the Company receives or make the payment; and
- the revaluation of assets denominated in foreign currencies.

The Company is able to hedge some of its foreign currency exchange risk, but some currency risks, such as the impact of the consolidation of subsidiaries reporting in U.S. dollars, cannot be hedged. The Company only hedges its revenues and expenses coming from usual and predictable activity arising in the normal course of operations. The Company uses exclusively forward agreements or financial instruments with a maximum predictable loss. All hedging activities are carried out or formally approved by the parent company 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, 2008, the euro value of the Company's revenue, operating expenses and net position, before and after hedging, denominated in U.S. dollars, Japanese yen together with Korean won and other currencies, principally the euro.

	Year ended December 31, 2008		
(in thousands of euros)	**U.S. dollars**	**Japanese yen, Korean won and other Asia-Pacific currencies**	**Euro and others**
Revenue	516,568	221,577	596,656
Operating expenses	420,097	62,590	578,163
Net position	**96,471**	**158,987**	**18,492**
Hedge	–	27,459	–
Net position after hedge	**96,471**	**131,528**	**18,492**

With all other variables held constant, movements in euro/USD exchange rates by +10% or −10% would have had an impact of €(8.8) and €10.7 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 €(11.4) and €14.0 million on operating income, respectively.

The following table presents the notional amount and market value of foreign currency financial instruments at December 31, 2008 and 2007:

	Year ended December 31,			
	2008		2007	
(in thousands of euros)	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
Forward exchange contract USD / euro – sale	–	–	37,703	356
Forward exchange contract JPY / euro – sale	38,748	(5,618)	8,489	496
Collars USD / euro	170,134	2,569	–	–

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 rates determined by the applicable accounting regulation. For example, 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.

4.3 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 Group'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 Group. 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 Group. The computer protection systems are maintained in two separate sites.

All of the Group companies are protected by a policy covering professional civil liability and operating liability for a total insured amount of €20 million. The Group also has 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.

Dassault Systèmes SA has subscribed to a new insurance policy covering damage to goods in connection with moving its corporate headquarters to Vélizy-Villacoublay (in the Yvelines department) and the consolidation of a certain number of facilities and subsidiaries on the new headquarters site. This insurance policy covers Dassault Systèmes SA and the Group's French subsidiaries based in Vélizy. The other French subsidiaries are also covered by another insurance policy for damage to goods.

Dassault Systèmes SA also carries insurance to cover computer risks up to a maximum amount of €33.27 million, which applies to all the French and European subsidiaries of the Group other than the subsidiaries of the American subsidiaries of the Company.

Based on the legal requirements applicable in each country, the Group'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. 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 has subscribed 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 is registered in the Versailles (78000) 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 the Company

Dassault Systèmes 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 is a 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 2007

Dassault Systèmes was established in 1981 through the spin-off of a team of engineers from Dassault Aviation which was developing software to design products in three dimensions ("3D"). The Company entered into a distribution agreement with IBM the same year and started to sell its software under the CATIA brand to automotive and aerospace customers. 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 ("DMU") which helped its customers 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.

In 1997, the Company organized its business into two segments: the "PLM" ("Product Lifecycle Management") segment (also referred to as the "process-centric" segment), which supports its customers' end-to-end product development process, and the "Mainstream 3D" segment (also referred to as the "design-centric" segment), dedicated to customers seeking to design products in a 3D design environment. In conjunction with this decision, the Company acquired SolidWorks 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. In 1999, following the acquisition of SmarTeam, the Company developed a portfolio of applications across ENOVIA and SmarTeam to manage product data configurations, product lifecycle integration and collaboration. In 1999, the Company also introduced its Version 5 (“V5”), software platform to develop integrated PLM solutions. 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, a U.S. 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, Inc., which the Company acquired in October 2005 as the core of its realistic simulation offerings (Abaqus was renamed Dassault Systèmes Simulia Corp.) and the Company’s existing simulation products. In connection with its “3D For ALL” initiative to make 3D technology more broadly available to multiple levels of users, from content creators to consumers, the Company also acquired Virtools, a company with expertise in interactive Web applications which give lifelike behavior to 3D content.

In 2006, the Company expanded its collaborative product offerings and broadened its industry focus from seven to eleven industries with the acquisition of MatrixOne, Inc., a global provider of collaborative PLM software and services to medium-to-large organizations including companies in the high-tech, consumer products and medical devices industries. Following completion of the acquisition, MatrixOne (renamed Dassault Systèmes Enovia Corp.) became part of the Company’s ENOVIA brand. As a result of this acquisition and further internal development, the Company increased its addressable market from seven to eleven industrial sectors. 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 which 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 its newest brand, 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 acquired Seemage SA, a French company, to expand its product documentation offering as part of its 3DVIA brand. Further expanding its product offering for CATIA, during 2007 the Company also acquired ICEM Ltd, a U.K. company well-known in the automotive industry for its styling and high-quality surface modeling and rendering solutions.

2008

The Company acquired Engineous Software, a U.S. company focused on solutions for process automation, integration and optimization. The acquisition is intended to extend SIMULIA’s simulation lifecycle management offering.

The Company introduced Version 6 (“V6”), its next generation PLM 2.0 application platform. This sixth generation version was conceived in close collaboration with the Company’s customers and leverages the success of its brands and V5 PLM software platform.

5.2 Investments

Acquisitions of companies, or equity interests in companies, and intangible assets offering strategic technology generally represent the Company’s main investments. In 2008, the Company’s capital expenditures totaled €53.6 million, principally in connection with the establishment of the Company’s new global corporate headquarters in Vélizy-Villacoublay, France. See Section 9.1.1 “Executive Overview for 2008 – Engineous acquisition and DSF divestiture” and Chapter10 “Capital Resources”. Investments in research and development are described in Chapter 11.

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

Company	Year	Purchase Price
Engineous Software	2008	€26 million (including transaction costs)
ICEM Ltd	2007	€54 million (including transaction costs)
MatrixOne, Inc.(1)	2006	€324 million (including transaction costs)

(1) Renamed Dassault Systèmes Enovia Corp. in November 2007.

CHAPTER 6 – BUSINESS OVERVIEW

6.1 Principal Activities

6.1.1 Summary

The Company is the world leader of the global PLM market as defined by industry analysts.

The Company's strategic mission is to provide software solutions and consulting services that enable its customers to:

- innovate in the design and quality of products and services;
- accelerate the introduction of products and services to satisfy market demand;
- collaborate with partners and suppliers in product development;
- create and manufacture products more cost effectively; and
- simulate their end-customers' experiences (to understand and respond to their customers' needs and to capture such information in order to develop, adapt or introduce new products responding to their customers' evolving requirements).

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 eleven sectors: automotive; aerospace; industrial equipment; consumer goods; consumer packaged goods; energy; high-tech; shipbuilding; life sciences; construction; and business services.

The Company has six brands, each with its own clearly defined mission, as further explained under Section 6.2.1 "Brands" below:

- SolidWorks, for mechanical design in 3D;
- CATIA, for integrated product design;
- SIMULIA, for realistic simulation;
- DELMIA, for digital manufacturing and production;
- ENOVIA, for global collaborative innovation; and
- 3DVIA, for 3D lifelike experiences.

In addition to its sales of software applications, which accounted for 86% of its total revenue in 2008, the Company also provides selected services, principally to large customers. These services comprise mainly consulting services in methodology for design, deployment and support, training services and engineering services.

The Company currently 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 a breakdown of sales by business segment and by geographic market, see Section 9.2 "Consolidated Information: 2008 compared to 2007 – Revenue".

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 develops long-term, integrated relationships with its customers in its targeted industries.** The Company works closely with its customers to involve them in all phases of product development and to identify their evolving needs. Through these close, long-term working relationships, it is able to gain a deep understanding of their product design processes and 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 also has specific industry solutions addressing the unique aspects of product development across different industries to help its customers perform business transformations.

- **The Company has a substantial commitment to technological innovation.** The Company devotes significant resources each year to research and development, with 2008 investments representing 23% of total revenue. The Company's research and development is two-fold in nature, focusing on further advancing its current portfolio of software applications and, at the same time, developing technologies and applications which it expects to bring to market over the medium to long term.

- **The Company believes a core component of its success is due to its brand strategy, with each brand having a clear identity and value to customers.** The Company's brand strategy focuses on developing software for specific domains (such as design, simulation, manufacturing, collaboration), with the objective of making each brand the 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 an extended enterprise model for product development and go-to-market.** 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, in addition to its direct sales force for some of its products, the Company has important relationships with IBM, value-added resellers and other marketing and distribution partners. In PLM, for product development, it has a program to enable independent software companies to develop and build complementary applications onto its PLM platform. Similarly, in the Mainstream 3D design market, SolidWorks has developed a large network of partners offering complementary products.

- **The Company has a high level of recurring revenue.** For 2008, recurring revenue represented 64% of the Company's total software revenue, with total software revenue accounting for 86% of its total revenue. This high level of recurring revenue has enabled the Company to maintain investments in critical resources even during changing macroeconomic conditions.

6.1.3 Growth strategy

The Company's overall growth strategy has focused on expanding its addressable market towards new software markets, new industries, and new types of users. Both the Company's product development and acquisition strategies have been key drivers of the expansion of its addressable market. Within this overall strategy for growth, the Company is focused on advancing the following key priorities:

- **Win new accounts through focus on brand leadership:** Leverage each brand's excellence to win new accounts. Each of the Company's brands can win new customers and each brand can be an entry point for its other brands.

- **Provide integrated PLM solutions:** Provide customers integrated PLM solutions for a broad number of users within an enterprise and throughout the supply chain and spanning design, simulation, collaboration and digital manufacturing. Solution selling thus enables customers to increase their productivity benefits beyond what they would have achieved through a stand-alone purchase.

- **Extend the use of 3D technology to new users:** Expand 3D penetration among the 2D users' community, with the Company's SolidWorks brand as a key driver of 2D to 3D migration, and more broadly extend the value of 3D to new users, businesses and consumers, including with the Company's most recent brand, 3DVIA.

- **Expand indirect sales channels:** Enhance its indirect sales channels to increase the Company's penetration of small- and mid-size business enterprises and expand its presence in new geographic markets. In the Mainstream 3D market the Company continues to invest in its Professional Channel and these efforts have enhanced sales results. Similarly, in the PLM market, the Company has been strengthening and growing its indirect PLM Value Selling Channel to enhance the Company's market coverage of small- and mid-size companies. See Section 6.2.4 "Sales and marketing".

- **Expand the Company's geographic reach:** Enhance the Company's coverage within existing markets and expand its coverage of newer geographic markets. Through the Company's work in strengthening its three major sales channels, the Company is focused on improving its sales coverage in major geographic markets and in expanding its sales coverage of newer markets (including, among others, Brazil, Russia, India, China and Eastern Europe).

- **Expand penetration into eleven target industries:** Expand its penetration into its eleven target industries by offering software applications to address the design, digital manufacturing, collaboration and simulation needs of these industries, including industry-specific applications.

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

6.2 Principal Markets

6.2.1 Brands

The Company has a diversified portfolio comprised of software applications addressing different 3D market opportunities. Each of the Company's principal brands (SolidWorks, CATIA, SIMULIA, DELMIA and ENOVIA) is one of the leading participants in its domain, with the exception of its most recent brand, 3DVIA, which was introduced during 2007.

SolidWorks

The Company's SolidWorks solutions focus principally on product design and are developed to capitalize on the significant migration opportunity of 2D users to 3D design.

SolidWorks products are used by companies in the machinery, medical, consumer, mold, tool and die, electrical and power sectors and by suppliers to the aerospace and automotive industries. Since the introduction of the first SolidWorks mechanical design software solution in 1995, SolidWorks software products have been shipped to more than 966,000 product designers, engineers and engineering students worldwide.

SolidWorks products span 3D mechanical design solutions, simulation, product data management and design communication and collaboration. SolidWorks products are generally offered as a suite of products, scaled to the customer's needs, and customers can choose to add other SolidWorks products providing additional simulation and PDM capabilities. 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.

The Company believes that the 2D to 3D migration trend presents opportunities for growth in the market for the Company's 3D mechanical design software. In addition, the Company continues to expand its market presence in Mainstream 3D by acquiring new clients who choose to replace competing 3D products with Dassault Systèmes solutions.

CATIA

CATIA is the Company's original brand and its PLM solution for 3D collaborative creation. CATIA addresses the complete product development process, from early product concept specification through product in service. From large manufacturers through their supply chains to small- and mid-size businesses, CATIA is used by thousands of companies of all sizes in the Company's eleven target industries. Spanning style and shape design, mechanical design, systems engineering and equipment design, CATIA's extensive portfolio facilitates collaborative design and engineering across disciplines. CATIA is a fully integrated solution that allows users to tailor their product development functionalities to their individual and industry needs. The Company believes that CATIA is among the most powerful virtual product design systems.

The Company believes that it can continue to expand the market penetration of CATIA through acquiring new users and expanding the use of specialized applications at existing customers, increasing penetration among small- and mid-size companies, increasing penetration in new industries and displacing competitors, as well as through the introduction of new versions of its products.

SIMULIA

SIMULIA provides realistic simulation designed to enable manufacturing companies to improve product performance, reduce the number of physical prototypes and drive innovation. SIMULIA allows engineering organizations to create and test virtual prototypes of complex products and processes and provides open, multi-physics solutions and framework for complex simulation applications. 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. SIMULIA has also introduced simulation lifecycle management, based upon the Company's ENOVIA architecture offering an open collaborative platform for management of simulation processes, data and know-how.

SIMULIA is designed to meet companies' growing need for realistic product and process simulation software, and to make realistic simulation more readily accessible through integrated and collaborative simulation applications.

SIMULIA's growth reflects expanding relationships with its largest customers and demand across a diversified set of targeted industries. The Company believes there is a sustained need for simulation and the management of simulation processes and data as well as the opportunity to transform how companies use simulation in PLM. Virtual testing offers companies the opportunity to perform product simulation at lower cost and earlier in the product design process compared to real world testing. In addition, many companies have their own applications in the field of simulating product behavior which are expensive to develop and maintain. The Company therefore believes there is a large opportunity for customers to realize performance improvement and substantial savings in this domain.

DELMIA

DELMIA covers the Company's PLM digital manufacturing solutions. DELMIA allows manufacturers to define, plan, create, monitor and control production processes in a virtual environment before actual production takes place. From process planning (production layout planning, time measurement of processes and sequences, cost analysis and factory line balancing), process detailing (assembly sequences, factory/cell layouts and machining operations), and validation and resource modeling and simulation (simulating robots and analyzing ergonomic issues for factory workers) to a complete definition of the production facility and equipment, DELMIA assists companies achieve maximum production efficiency, lower cost, improved quality and reduced time-to-market.

The Company has implemented DELMIA digital manufacturing at some of its largest customers in the automotive and aerospace industries. The Company believes that the adoption of its digital manufacturing solutions by its largest customers demonstrates the potential of its solutions to contribute to improving manufacturing processes.

ENOVIA

ENOVIA provides the collaborative framework for the Company's PLM solutions. ENOVIA's PDM (product data management) suite provides a full range of collaboration solutions: from 3D collaboration for complex engineering environments to business process solutions for enterprise users in a variety of critical functions such as sourcing, marketing, procurement and more globally, all aspects of project management.

During 2008, ENOVIA V6 was introduced, unifying the Company's ENOVIA products, VPLM, MatrixOne and SmarTeam, on a single service-oriented architecture ("SOA"). ENOVIA V6 enables PLM 2.0, the online collaborative environment that involves creators, collaborators and consumers in the product lifecycle. ENOVIA V6 provides global collaborative innovation, online creation and collaboration, a single PLM platform for intellectual property management, a life-like experience and ready-to-use PLM business processes, and helps lower the total cost of ownership of a product data management system. The ENOVIA V6 products are organized into four business process-based domains: Governance, Global Sourcing, IP Lifecycle Management and Unified Live Collaboration.

The ENOVIA product portfolio includes:

- *ENOVIA VPLM* provides 3D Collaborative Virtual Product Lifecycle Management of highly complex products, resources and manufacturing processes to medium and large enterprises and their supply chain. ENOVIA VPLM enables configured digital mock-ups and design-in-context to accelerate innovation and improve productivity when developing complex products.
- *ENOVIA MatrixOne* provides Collaborative Business Process for enterprises across a wide range of industries. ENOVIA MatrixOne enables access to all business processes undertaken by an enterprise, as well as interactions among a large number of an enterprise's collaborators, both internally and throughout its ecosystem.
- *ENOVIA SmarTeam* provides Collaborative Product Data Management for small- and mid-size enterprises, engineering departments of larger organizations and across supply chains. ENOVIA SmarTeam offers multi-CAD design data management, including a tight integration with CATIA applications.

The Company believes that customers need collaborative software solutions to manage both product and business process complexity. The Company believes there are opportunities to grow its PDM presence both within its current customer base and across a number of industry verticals, where companies need to manage complex business processes.

3DVIA

3DVIA was created during 2007. The objective of this brand is to bring 3D technology to new users, businesses and consumers. The Company's 3DVIA portfolio includes, among other solutions: 3DLive, a suite of products designed to help individuals across the enterprise to search, navigate and collaborate in 3D in real-time over the Internet; 3DVIA Composer, which enables users to deliver assembly procedures, technical illustrations and marketing materials utilizing 3D images and other 3D data that remains consistent with product data; and 3DVIA Virtools and 3DVIA MP, which offer a comprehensive interactive 3D development environment enabling companies to create, and their customers to utilize, lifelike interactive experiences. The Company also launched 3DVIA.com, a community Web site dedicated to 3D enthusiasts and digital content creators to showcase 3D interactive experiences.

Although 3DVIA has earned only minimal revenues to date, the Company believes that it can offer opportunities for growth by reaching new professional and consumer communities.

6.2.2 Customers and industrial sectors

The Company's customer base and target markets span eleven sectors: automotive; aerospace; industrial equipment; consumer goods; consumer packaged goods; energy; high-tech; shipbuilding; life sciences; construction; and business services. The Company's largest customer represented approximately 5% of total revenue in 2008 (compared to 5% in 2007), and its five, ten and twenty largest customers accounted, respectively, for approximately 14%, 20% and 23% of total revenue in 2008, compared to 15%, 20% and 24%, respectively, in 2007. The automotive, aerospace and industrial equipment industries represent approximately 85% of end-user software sales of the Company's products, and the newer industries represent approximately 15%.

The Company has had a long-term presence in the automotive, aerospace and industrial equipment industries, and its customers in these industries include:

Aisin Seiko Co	Ford Motor Company	Nikon
Alstom Power	Framatome	Nissan
AVIC	General Motors	Northrop Grumman
BAE Systems	Goodyear	Raytheon
Bobst	Honda	Renault
Boeing	Honeywell	Safran
Bombardier	Hyundai Kia Motor Corp	Schuler
Chrysler	Kobelco	Tata Motors
Claas	Lockheed Martin	Toyota Motor
Daimler	Metso	Volkswagen Group
Dassault Aviation	Michelin	Volvo Group
EADS	Mitsubishi Motors	

Industries which the Company is targeting to increase its market presence include consumer goods; consumer packaged goods (such as packaged food products); energy; high-tech; and shipbuilding. The Company's market position in some of these industries has been reinforced by its acquisitions over the last several years. The Company's customers in these industries include:

Adidas	Guess	Northrop Grumman Newport News
Agere	Hitachi	Phillips
Areva	Hydro-Quebec	Pioneer
Barilla	Kodak	Procter & Gamble
Bénéteau	LG Electronics	Samsonite
Celestica	Luxottica	Samsung Heavy Industries
Clarion	Matsushita Panasonic	Shell
Coca-Cola	MeyerWerft	Sony Ericsson
Gap	New Balance	STMicroelectronics
General Dynamics Bath Iron Works	Nokia	Yantai Raffles

Other industries which the Company targets include life sciences, construction, and more broadly, business services. The Company's customers in these industries include Abbott Laboratories, Electronic Arts, GE Healthcare, Gehry Partners, Medrad and 3M.

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, service and marketing, and education.

IBM relationship. The Company has maintained a long-standing relationship with IBM in distribution, as described below under Section 6.2.4 "Sales and marketing". Moreover, in the hardware, middleware and consulting services domains, IBM has been an important partner to the Company. The Company also collaborates with IBM 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 those 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 largest program with these partners is the Company's CAA V5 program to enable software developers to create and market their own software applications that are fully integrated and complementary to the Company's PLM software solutions. The Company's CAA V5 program has more than 490 products based on CAA V5 introduced on the PLM market with V5 R19 by 165 CAA V5 partners as of January 2009.
- 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 220 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/segments to address clients' business challenges. Based on their strong competence in industries and application domains in conjunction with Dassault Systèmes' products and solutions, ISP partners help to deliver innovative PLM solutions which customers need for success in their business. See also Section 6.2.4 "Sales and marketing" below.

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 largely markets and sells its software solutions indirectly. In 2008, approximately two-thirds of the Company's total revenue resulted from indirect sales, including through IBM PLM, and one third from direct sales.

Through its investments over the last several years the Company has developed three sales channels: (1) the PLM Business Transformation Channel, primarily addressing large enterprises through IBM PLM and the Company's own PLM direct sales forces, (2) the PLM Value Selling Channel, primarily addressing small- to mid-size enterprises through a network of value-added resellers, and (3) the Professional Channel, primarily focused on the marketing and sales of its Mainstream 3D solutions through a network of value-added resellers and distributors.

The Company has a long-standing strategic relationship with IBM. Under their current agreement, since 2007 both IBM and Dassault Systèmes have been increasing the scope of their responsibilities, with IBM authorized to market and sell an expanded portfolio of the Company's PLM solutions to a substantial number of selected large enterprises, and Dassault Systèmes assuming full responsibility for the PLM Value Selling Channel (see also Section 4.1 "Risks Related to the Company's Business" for risks related to the Company's historical and evolving approach to the marketing and sales of its PLM products).

Revenue generated through the Company's agreement with IBM represented approximately 27%, 35% and 45% of its total revenue in 2008, 2007 and 2006, respectively.

The Company's sales channels

- **PLM Business Transformation Channel:** Representing approximately 54% of the Company's total revenue in 2008, this channel is focused on the marketing and sales of the Company's PLM solutions to large enterprises and comprises sales activities through IBM PLM and the Company's direct sales resources. The goal is to ensure the appropriate coverage by geography and customer, bringing the best combination of resources to address the needs of the Company's customers.
    - **IBM PLM,** an IBM organization dedicated to the sales of Dassault Systèmes PLM software applications since 1981, is engaged in marketing and selling the Company's PLM solutions to large enterprises. Historically, IBM PLM was authorized to sell CATIA, ENOVIA VPLM and ENOVIA SmarTeam products, and it is now also authorized to market and sell the Company's ENOVIA MatrixOne, DELMIA PLM and 3DVIA Composer solutions. Under their marketing and distribution agreement, the Company licenses its products to IBM, which then sublicenses them to end-users. IBM pays royalties to the Company, which are in general equal to 50% of total license fees invoiced by IBM; however this amount may vary depending upon individual customer or brand circumstances. IBM may earn an incentive provided it reaches certain royalty growth targets.
    - **Dassault Systèmes PLM direct sales:** Through its acquisitions, in particular, Abaqus, Inc. (subsequently renamed Dassault Systèmes Simulia Corp.) in 2005 and MatrixOne, Inc. (subsequently renamed Dassault Systèmes Enovia Corp.) in 2006, as well as internal growth, the Company has significantly increased its direct sales resources. The Company's SIMULIA, DELMIA and ENOVIA MatrixOne products are largely marketed by its direct sales force, complemented by resellers.
- **PLM Value Selling Channel:** Representing approximately 25% of its total revenue in 2008, 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 more than 300 resellers (VARs, or Value-Added Resellers). Historically, IBM PLM managed a network of IBM business partners selling the Company's solutions and the Company provided technical support and training as needed to these partners. Beginning in 2005, the Company has progressively assumed increasing responsibility for its PLM Value Selling Channel (acting first for IBM and then progressively assuming direct oversight of the PLM Value Selling Channel from early 2007 through mid-2008).
- **Professional Channel:** Representing approximately 21% of the Company's total revenue in 2008, the Professional Channel is comprised of a network of more than 400 value-added resellers and distributors worldwide. Historically, this channel has focused exclusively on the marketing and sales of the Company's Mainstream 3D solutions. Commencing in 2008, the Professional Channel began to market and sell the Company's 3DVIA solutions. 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 are highly competitive and characterized by rapidly changing technology and evolving standards. The Company's main competitors in the PLM market include Parametric Technology Corporation (PTC) and Siemens PLM Software, a business unit of Siemens Industry Sector. For its Mainstream 3D products, the Company's main competitors include Autodesk, Inc., and PTC. The Company also competes with companies focused on specific applications, including ANSYS, Inc. and MSC Software Corporation in simulation, and Oracle Corporation and SAP AG in product data management and collaboration. In addition, numerous software developers compete with the Company in specific applications or industries. In general, the Company's largest competitors compete with it on a worldwide basis.

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

CHAPTER 7 – ORGANIZATIONAL STRUCTURE

7.1 The Company's position within the Group

Dassault Systèmes SA, the Group's parent company, which owns directly or indirectly all the companies which make up the Dassault Systèmes 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 Company's software solutions, including CATIA, a part of the Company's ENOVIA, DELMIA, SIMULIA and 3DVIA solutions and the CAA V5 platform. Second, Dassault Systèmes SA operates as a holding company and provides centralized services to all the companies in the Group.

Dassault Systèmes SA defines the Company's overall strategy and operating plans. Since November 3, 2008, the executive management team has been based at Dassault Systèmes' principal office and corporate headquarters at the new corporate campus in Vélizy-Villacoublay (in the Yvelines department) to the southwest of Paris. Prior to that date, the principal office was based in Suresnes (in the Hauts-de-Seine department). Dassault Systèmes SA provides support to the Group in a range of areas, such as finance, investor relations, communications, legal, human resources, information technology and sales processes, as well as the Company's global research and development and acquisition strategies and management of the Company's strategic partnership with IBM. The costs of providing centralized services are billed back at their actual costs to the respective subsidiaries using these services. In 2008, the total amount charged back to subsidiaries by Dassault Systèmes SA was €29.9 million. This amount included management fees for administrative and technical services of €8.8 million (compared to €5.1 million in 2007 and €4.1 million in 2006). With respect to the Company's assets, they are largely held by the respective subsidiaries using such assets for the development of software and services.

The business of Dassault Systèmes SA's subsidiaries, and the companies they control, is generally similar to the parent company's business, in that it consists of the development of software for both the PLM and Mainstream 3D segments and is carried out within the Group's global strategy in the area of software based on 3D technology

In particular, the main American subsidiaries of Dassault Systèmes develop and distribute principally products under their related brand names: DS Simulia Corp. develops its products principally under the brand SIMULIA, DS Delmia Corp. under the brand DELMIA, DS Americas Corp. and DS Enovia Corp. under the brand ENOVIA, and finally DS SolidWorks Corp. under the brand SolidWorks. The principal functionalities of the products developed under each brand are described in Section 6.2.1 "Brands".

7.2 Principal subsidiaries of the Group

At December 31, 2008, the Group included Dassault Systèmes SA and 88 operational subsidiaries present in 28 countries. The Company has a global presence, and, in addition to the countries mentioned below, operates in various European countries as well as China, India and South America.

The list below sets forth the Group'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 Americas Corp. (US) – 100%
Dassault Systèmes SAS (France) – 100%	Dassault Systèmes Services LLC (US) – 100%
Dassault Systèmes Provence SAS (France) – 100%	Dassault Systèmes SolidWorks Corp. (US) – 100%
Dassault Systèmes Deutschland AG (Germany) – 100%	Dassault Systèmes Enovia Corp. (US) – 100%
Delmia GmbH (Germany) – 100%	Dassault Systèmes Delmia Corp.(US) – 100%
Dassault Systèmes Israel Ltd – 100%	Spatial Corp. (US) – 100%
Dassault Systèmes K.K. (Japan) – 100%	Dassault Systèmes Simulia Corp. (US) – 100%
	Dassault Systèmes Inc. (Canada) – 100%

See also Note 26 to the Company's consolidated financial statements.

Other than Dassault Systèmes SA, which accounted for 24% of the Group's total consolidated revenue, the only subsidiaries which accounted for more than 10% of total consolidated revenue in 2008 were Dassault Systèmes SolidWorks Corporation (which contributed 21%) and Dassault Systèmes Americas Corp. (which contributed 10.2%).

For information regarding recent acquisitions, see Section 9.1.1 "Executive Overview for 2008 – Engineous acquisition and DSF divestiture".

CHAPTER 8 – PROPERTY, PLANT AND EQUIPMENT

8.1 Properties occupied by the Company and other important existing or planned real estate interests

On November 3, 2008, the Company moved its corporate headquarters and principal offices to its new corporate campus at Vélizy-Villacoublay, outside Paris. In 2006, the Company entered into a build-to-suit lease agreement for a group of buildings with approximately 57,000 square meters at Vélizy, for a non-cancellable term of 12 years. This lease began on June 30, 2008, the date at which construction was completed.

The Company rented, and owned a portion of, the office space at its former headquarters in Suresnes, outside Paris (approximately 30,000 square meters in all). The Company moved out of its Suresnes facilities to occupy its new corporate campus in Vélizy during the fourth quarter of 2008. Almost all of the lease contracts which covered the facilities of its former headquarters were terminated on December 31, 2008.

Employees of the Company or of its subsidiaries who were based in the Paris area in facilities other than those in Suresnes have also been moved to the Vélizy campus. The leases covering these facilities have thus been terminated during the fourth quarter of 2008 and the first quarter of 2009. Most of the Group's other facilities for administration, research, development and distribution, located principally in France, the United States, Germany, India, Israel, Japan, Canada, Sweden, the United Kingdom and China, are rented.

The Company believes that its existing facilities, and the space available to it since moving its corporate headquarters, will satisfy its anticipated needs, and that it should be possible to obtain additional or substitution facilities in the future, according to needs, under reasonable conditions.

8.2 Industrial and environmental risk

The Company does not believe that it is exposed to significant environmental risks resulting from the nature of its business.

The Company believes that its products contribute to the protection of the environment, since they are designed to substitute for the construction of physical prototypes and thus reduce environmental problems experienced in all industries.

The Company has also chosen to set up its new global headquarters on a site qualified as "High Environmental Quality" ("*Haute Qualité Environnementale*").

8.3 Environmental Report

Sustainable development is an important part of DS's mission.

Its PLM solutions support its clients' initiatives in sustainable development by enabling them to reduce their consumption of raw materials through the replacement of physical prototypes by virtual models, to optimize energy consumption, to manage product compliance with environmental standards and to improve the security and ergonomics of production and assembly lines, as well as of the finished products themselves. DS solutions thus permit the entire industrial process to be optimized.

In addition, in 2008, DS's strategy was focused on sustainable innovation. It is now important to consider the "Product in life", which means not only the product itself, but also its impact on its environment. DS software can also be used to imagine new ecological solutions by using new materials or rationalizing production lines to avoid waste.

Moreover, although the direct impact of DS's business on the environment is minimal, the Company and its employees remain sensitive to the consumption of resources and recycling.

DS Campus

DS's corporate campus (DS Campus), the new world headquarters of Dassault Systèmes at Vélizy-Villacoublay received the high environmental quality certification "NF Bâtiments tertiaires Démarche HQE". To continue this approach to the environment at the new site, DS Campus has the infrastructure, furnishings and maintenance processes needed to optimize its environmental management in the years to come.

DS Campus is a reference for environmental quality. Despite its high level of computer activity, the site consumes three times less kWh/m^2 and emits six times less CO_2/m^2 than the average French office building. Dassault Systèmes SA obtained the rating "high performance" in five environmental areas (water, energy, building and its immediate environment, construction site and maintenance), more than the three areas required for the HQE certification.

a) Group consumption levels

As a result of the recent relocation of its corporate headquarters at the end of 2008, it was not possible to determine formal data regarding energy and water consumption, or for waste treatment, at DS Campus, during the first two months of occupancy (November and December 2008). In fact, during this period, DS Campus was in a "test" mode to enable Dassault Systèmes SA's general services to adjust the site's operation. The data presented in this report thus cover only the period from January to October 2008, and only the headquarters site at Suresnes.

Water consumption

The consumption of water at the headquarters at Suresnes amounted to 11,390 m^3 in 2008 (for the period from January to October 2008). For information purposes, water consumption for the 12 months of 2007 was 14,292 m^3 (or 11,921 m^3 over ten months).

On many DS sites in the world, water consumption could not be determined with certainty; consumption is estimated by the site owner and included in rental charges.

Paper consumption

Paper consumption at the headquarters at Suresnes, then at Vélizy-Villacoublay, was 32,205 kilos in 2008, representing an increase of 29% compared to 2007. This increase was due to the consolidation, beginning in October 2008, on DS Campus of a certain number of subsidiaries and branches of Dassault Systèmes SA in France, resulting in an increase in the number of employees and thus in paper consumption. The number of employees present on DS Campus was 2,200 (compared to 1,600 at Suresnes).

Nevertheless, the replacement of individual printers with collective printers on DS Campus should cause employees to reduce their level of printing. In addition, the fact that the employee must manually confirm the printing of each document should reduce the number of unused printed documents and thus paper waste. The employees on DS Campus use principally 100% recycled paper.

The use of recycled paper is spreading throughout the Group's subsidiaries. For example, 30% of the 6 tons of paper consumed by Dassault Systèmes Inc. (Canada) in 2008 was recycled paper.

Energy consumption

Energy consumption at the corporate headquarters at Suresnes was 8,751,386 kwh for the period January to October 2008. For the reasons stated above, formal data for energy consumption cannot be given for DS Campus for November and December 2008.

For information purposes, energy consumption at the headquarters in 2007 was 10,520,300 kwh (or 8,766,913 kwh over ten months).

In the context of its HQE certification, DS Campus earned the rating "high performance" in the area of "energy management". For example:

- Computer servers: As a research and development company in the area of software, Dassault Systèmes SA uses a large number of computer servers; the heat given off is used to heat 70% of the air needed for recirculation of air in the offices during the coldest days.
- Lighting: Dassault Systèmes SA saves 30% of the energy needed for lighting the campus by using motion detectors together with detectors of natural light, as well as high-yield lighting elements. For example, the light 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 campus's energy consumption. In case of excess use, the system locates leaks and defects to accelerate repair work and save energy.

In addition, the Group's main sites have adopted measures to improve energy efficiency in their facilities and, more specifically, to optimize lighting and heating and cooling systems.

For example, Dassault Systèmes Provence consumed 935,299 KWh in 2008, which represents a decrease of 3.6% compared with 2007. In addition, Dassault Systèmes Inc. (Canada) was able to reduce its energy consumption in 2008 by installing, – as on the DS Campus – detectors of natural light, as well as high-yield lighting elements. Dassault Systèmes K.K. (Japan) improved its energy efficiency by reducing from 12 to 3 the number of physical servers used for its activities, and Dassault Systèmes Enovia in the United States (Lowell, Massachusetts) by replacing desktop computers with laptop computers that consume less energy.

To encourage employees to reduce their energy consumption at the office, an internal sensitivity campaign – at Group level – was carried out during the sustainable development week in April 2008. The "Turn it Off" campaign encouraged employees to be aware of their energy consumption and to adopt daily "eco acts" at work to reduce consumption.

The Group's different sites around the world also take this kind of initiative. For example, DS Israel has put in place the "DS IL is Keeping it Green" program to sensitize employees and different services to environmental subjects and how to reduce their impact.

b) Waste treatment

DS has adopted in all the offices of its corporate headquarters in Suresnes, and then on DS Campus, a waste recycling system. In Suresnes, from January to October 2008, this system recovered 101 tonnes of waste paper for recycling and 74 tonnes of "ordinary industrial waste" for thermal energy production. With respect to subsidiaries, during the year 2008, Dassault Systèmes Provence and Dassault Systèmes SolidWorks Corp. also took waste recycling measures.

In addition, at the time of relocating the corporate headquarters from Suresnes to Vélizy-Villacoublay, 27 tonnes of paper were recovered for recycling.

As set forth in the DS's code of business conduct, even the kind of software solutions offered by the Group, by virtual technological simulations, helps to reduce waste. For example, computerized virtual simulation avoids preparing paper designs and actual models for all types of testing, including automobile crash-tests, which results in a significant reduction in raw material consumption and in waste. DS's solutions are used by customers to ensure compliance with European environmental directives, like the WEEE (Waste Electrical and Electronic Equipment) directive, the RoHS directive (Restriction on the use of certain hazardous Substances directive, such as lead) and the End of Life Vehicles (ELV) directive.

As regards its own waste, Dassault Systèmes SA sub-contracts in France with specialized companies for recycling paper, used ink cartridges from fax machines, neon lights, magnetic tape, CD-Roms, etc. This service is sometimes included in DS's lease contracts around the world.

In 2008, Dassault Systèmes SA adopted a new policy for managing its computer equipment, which it buys instead of renting. Thus, at the beginning of 2008, Dassault Systèmes SA purchased all new fixed work stations and, since May 2008, all its portable computers. The old fixed and portable computers thereby eliminated were recycled (with certificates of destruction) by external service providers. These service providers were also used by certain subsidiaries for recycling their computers when they moved to Vélizy. In addition, Dassault Systèmes SA's telephone and network equipment which could still be used was resold.

At the end of its life, purchased computer equipment will be resold to third parties. For the material which cannot be sold, Dassault Systèmes SA will continue to use companies in compliance with decree nº 2005-829 of July 20, 2005, regarding the make-up of electric and electronic material and the elimination of waste resulting from such material. Recycling (of the portion that cannot be resold) will be carried out by companies ensuring that the destruction complies with environmental standards (including the WEEE directive).

In addition, DS's French subsidiaries recycle computer waste according to applicable law. For example, DS Provence recycled one tonne of computer waste in 2008 (in compliance with the WEEE directive.

c) Avoiding environmental impact

In light of its activities, DS is not considered as a polluting business. Whether in France or through its foreign subsidiaries, the Group nevertheless seeks to minimize the impact of its activities on the environment. For this purpose, it takes initiatives to integrate environmental issues into the management of its business and facilities.

In connection with the measures to avoid environmental risks, Dassault Systèmes SA has put in place real-time monitoring of closing of operations, operating and building maintenance incidents with the assistance of ISO 9001 certified companies, which has helped, for example, avoid energy losses.

Dassault Systèmes SA has also sought to include sustainable development specifications in the terms it sets for bids by companies serving its corporate headquarters campus at Vélizy (office furniture, photocopiers, printers, building management, food services, etc).

The HQE (Haute Qualité Environnementale) certification received by the DS Campus includes indicators regarding respect for the natural environment. For example, the use of a cement mixer on the worksite of DS Campus allowed the production of the daily equivalent of 100 cement trucks, thus reducing by nearly 30% the carbon gas emissions which would have directly resulted from transporting the cement.

Dassault Systèmes SA has not been found liable for environmental matters in any court judgment.

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 2008. 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 elsewhere in 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, and (iv) for the year ended December 31, 2008, other operating income and expense, net. 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 2008

The table below sets forth total revenue by activity, geographic region and segment for the years ended December 31, 2008 and 2007, and provides growth rates on an as reported basis and in constant currencies.

	Year ended December 31,			
(in millions, except percentages)	**2008**	**% growth**	**% growth in constant currencies**	**2007**
Total Revenue	€1,334.8	6.0%	9%	€1,258.8
Total revenue by activity				
Software revenue	€1,154.4	8.6%	11%	€1,063.3
Services and other revenue	180.4	(7.7%)	(5%)	195.5
Total revenue by geographic region				
Americas	€410.1	4.7%	12%	€391.8
Europe	620.2	7.7%	8%	575.9
Asia	304.5	4.6%	7%	291.1
Total revenue by segment				
PLM revenue	€1,058.3	5.2%	8%	€1,006.2
Mainstream 3D revenue	276.5	9.5%	12%	252.6

The Company recorded growth in both revenue and earnings during 2008. The year 2008, however, was affected by changing global economic conditions. After strong growth during the first nine months of the year, the Company had markedly weaker results during the final quarter of 2008 as a result of the significant deterioration in the economic environment.

Nonetheless, Dassault Systèmes' financial performance for 2008 demonstrated that the Company benefited from its strategy of diversification of revenue by geographic region, software application, sales channel and industry.

- In 2008, Dassault Systèmes' total revenue increased 6.0%, and approximately 9% in constant currencies. In Europe revenue increased 8%, and, in constant currencies, revenue increased 12% in the Americas and 7% in Asia. In the newer markets comprised primarily of China, India, Brazil, Eastern Europe and Russia, which accounted for approximately 8% of the Company's total revenue, 2008 revenue grew approximately 40% in constant currencies. Europe accounted for 46% of the Company's total revenue in 2008, followed by the Americas with 31% and Asia with 23%.

- Software revenue, representing 86% of the Company's total revenue, was the principal driver of revenue growth for 2008, increasing 11% in constant currencies. Software revenue growth was supported by the performance of the Company's three largest brands, with CATIA software revenue increasing 12%, ENOVIA software revenue increasing 10% and Mainstream 3D software revenue increasing 13%, in each case in constant currencies. SIMULIA software revenue recorded approximately 20% growth in constant currencies.
- Recurring software revenue, which increased 20% in constant currencies, was a significant contributor to revenue growth and continued to be an important component of the Company's financial model. For 2008, recurring software revenue represented 64% of software revenue, compared to 60% in 2007. Recurring software revenue includes periodic licenses and annual maintenance revenue.
- Services and other revenue, representing 14% of total revenue, decreased 5% in constant currencies, largely reflecting the winding down of historical sales channel management activities rendered to IBM, as well as the spin off in July 2008 of DSF, the Company's PLM sales division dedicated primarily to small- and mid-size businesses in France, Belgium and Luxembourg.

The Company's net cash provided by operations in 2008 was €309.1 million, compared to €311.4 million in 2007.

The Company continues to have a strong financial position. Cash and short-term investments totaled €840.4 million at December 31, 2008, compared to €626.6 million at December 31, 2007. The Company's net financial position was €639.7 million at December 31, 2008, net of outstanding long-term debt consisting of €200.7 million under the Company's revolving credit facility. During 2008, the Company paid cash dividends totaling €53.7 million, repurchased shares for €79.0 million, made capital expenditures of €53.6 million (principally in connection with the relocation of its corporate headquarters) and completed acquisitions, net of cash acquired, for a total cost of €29.0 million.

Currency exchange rates

The evolution of currency exchange rates during 2008 in comparison to 2007 affected 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: 2008 Compared to 2007" and Paragraph 4.2.2 "Foreign Currency Exchange Risk".

- The Company uses revenue growth in constant currencies to evaluate its financial performance in comparison to prior periods and as a measure of expected growth in planning and setting objectives for future periods. The Company believes that this measure is an important indicator of its progress and outlook because it provides a better gauge of the level of change in business activity by eliminating changes arising solely from currency fluctuations. The average euro to U.S. dollar exchange rate increased 7.3% to $1.47 per euro for 2008 compared to $1.37 per euro for 2007. The average euro to Japanese yen exchange rate decreased 5.6% to an annual rate of JPY152.3 per euro for 2008 compared to JPY161.4 per euro for 2007.
- Total revenue increased 6.0% for 2008 on an as reported basis, while in constant currencies it increased approximately 9% for the year; software revenue increased 8.6% for 2008 on an as reported basis, while in constant currencies it increased approximately 11% for the year; operating income increased 3.7% for 2008 on an as reported basis, while in constant currencies it increased an estimated 7%.
- In 2008 approximately 39% of the Company's revenue was generated in U.S. dollars and approximately 40% of its expenses were denominated in U.S. dollars; approximately 17% of its revenue was generated in Japanese yen (14%) and Korean won (3%), and approximately 6% of its expenses were denominated in Japanese yen (5%) and Korean won (1%).
- Changes in the value of foreign currencies compared to the euro also had a net negative impact of €6.9 million on the Company's short-term assets, since short-term assets held in foreign currencies are translated to euro at the end of period exchange rate. This impact is taken into account in "Financial revenue and other, net." See Note 9 to the Company's consolidated financial statements.

Engineous acquisition and DSF divestiture

In 2008, the Company completed the acquisition of Engineous Software, Inc., a U.S. company focusing on process automation, integration and optimization, for a total cost, including transaction costs, of approximately $40 million (approximately €26 million). The acquisition of Engineous is intended to extend SIMULIA's simulation lifecycle management offering.

The Company spun off Dassault Systèmes Solutions France (DSF), its PLM sales division dedicated primarily to small- and mid-size businesses in France, Belgium and Luxembourg, to create Keonys, a new independent Dassault Systèmes value-added reseller (VAR). For further information on business combinations, see Note 16 to the Company's 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 and, for the year ended December 31, 2008, other operating income and expense, net. 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. (See Note 16 to the Company's consolidated financial statements.) 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 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 normally 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 (for the year ended December 31, 2008):* Under IFRS, the Company has recognized certain other operating income and expense comprised of income and expense related to the relocation of the Company's corporate headquarters and restructuring expenses.

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 for 2008 and by excluding them, the supplemental non-IFRS financial information excludes their impact to its net income in 2008. Other operating income and expense are generally not recurring, and the Company does not expect to incur other operating income and expense as part of its normal business on a regular basis.

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.

(in millions, except percentages and per share data)	Year ended December 31, 2008 IFRS	Adjustment(1)	2008 non-IFRS	2007 IFRS	Adjustment(1)	2007 non-IFRS	% Increase (Decrease) IFRS	Non-IFRS(2)
Total Revenue	**€1,334.8**	**€3.4**	**€1,338.2**	**€1,258.8**	**€17.1**	**€1,275.9**	**6.0%**	**4.9%**
Total revenue by activity								
Software revenue	1,154.4	3.4	1,157.8	1,063.3	17.1	1,080.4	8.6%	7.2%
Services and other revenue	180.4	–	180.4	195.5	–	195.5	(7.7%)	(7.7%)
Total revenue by geography								
Americas	410.1	1.8	411.9	391.8	6.1	397.9	4.7%	3.5%
Europe	620.2	0.8	621.0	575.9	8.4	584.3	7.7%	6.3%
Asia	304.5	0.8	305.3	291.1	2.6	293.7	4.6%	3.9%
Total revenue by segment								
PLM revenue	1,058.3	3.4	1,061.7	1,006.2	14.4	1,020.6	5.2%	4.0%
Mainstream 3D revenue	276.5	–	276.5	252.6	2.7	255.3	9.5%	8.3%
Total Operating Expenses	**€1,060.9**	**€(64.7)**	**€996.2**	**€994.7**	**€(53.3)**	**€941.4**	**6.7%**	**5.8%**
Share-based compensation expense	22.0	(22.0)	–	17.9	(17.9)	–	22.9%	–
Amortization of acquired intangibles	42.9	(42.9)	–	35.4	(35.4)	–	21.2%	–
Other operating income and expense, net	(0.2)	0.2	–	0.0	–	–	n/a	–
Operating Income	**€273.9**	**€68.1**	**€342.0**	**€264.1**	**€70.4**	**€334.5**	**3.7%**	**2.2%**
PLM Operating income	170.3	67.5	237.8	171.2	69.8	241.0	(0.5%)	(1.3%)
Mainstream 3D Operating income	103.6	0.6	104.2	92.9	0.6	93.5	11.5%	11.4%
Operating Margin	**20.5%**		**25.6%**	**21.0%**		**26.2%**		
PLM Operating margin	16.1%		22.4%	17.0%		23.6%		
Mainstream 3D Operating margin	37.5%		37.7%	36.8%		36.6%		
Income before Income Taxes	**€282.8**	**€68.1**	**€350.9**	**€271.4**	**€70.4**	**€341.8**	**4.2%**	**2.7%**
Income tax expense	(81.9)	(27.9)	(109.8)	(94.4)	(19.6)	(114.0)		
Income tax effect of adjustments above	*27.9*	*(27.9)*	–	*19.6*	*(19.6)*	–		
Minority interest	(0.4)		(0.4)	(0.3)		(0.3)		
Net Income attributable to shareholders	**€200.5**	**€40.2**	**€240.7**	**€176.7**	**€50.8**	**€227.5**	**13.4%**	**5.8%**
Diluted Net Income Per Share(3)	**€1.68**	**€0.34**	**€2.02**	**€1.48**	**€0.42**	**€1.90**	**13.5%**	**6.3%**

(1) In the reconciliation schedule above, (i) all adjustments to IFRS revenue data reflect the exclusion of the deferred revenue adjustment; (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, net, and (iii) all adjustments to IFRS income data reflect the combined effect of these adjustments.

(in millions)	Year ended December 31, 2008 IFRS	Adjustment	2008 non-IFRS	2007 IFRS*	Adjustment	2007 non-IFRS
Cost of services and other revenue	€155.2	€(0.6)	€154.6	€156.3	€(0.7)	€155.6
Research and development	309.6	(12.0)	297.6	302.9	(10.3)	292.6
Marketing and sales	387.3	(4.2)	383.1	350.0	(3.7)	346.3
General and administrative	109.3	(5.2)	104.1	97.1	(3.2)	93.9
Total share-based compensation expense		**(22.0)**			**(17.9)**	

* In 2008, the Company elected to present the amortization of intangible assets acquired through business combinations or acquisition of technology on a separate line in the income statement. 2007 operating expenses have been restated to conform to the current year presentation.

(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 119.3 million diluted shares for 2008 and 119.6 million diluted shares for 2007.

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: 2008 compared to 2007

REVENUE

The Company's total revenue is comprised of (i) software revenue, which is its primary source of revenue, and (ii) services and other revenue. 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, 2008 and 2007 and provides growth rates on an as reported basis and in constant currencies.

(in millions, except percentages)	Year ended December 31, 2008	% growth	% growth in constant currencies	Year ended December 31, 2007
Total Revenue	€1,334.8	6.0%	9%	€1,258.8
Total revenue by activity				
Software revenue	€1,154.4	8.6%	11%	€1,063.3
Services and other revenue	180.4	(7.7%)	(5%)	195.5
Total revenue by geographic region(1)				
Americas(2)	€410.1	4.7%	12%	€391.8
Europe(2)	620.2	7.7%	8%	575.9
Asia(2)	304.5	4.6%	7%	291.1
Total revenue by segment				
PLM revenue	€1,058.3	5.2%	8%	€1,006.2
Mainstream 3D revenue	276.5	9.5%	12%	252.6

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

Total revenue increased 6.0% to €1.33 billion in 2008 from €1.26 billion in 2007. In constant currencies, total revenue increased approximately 9%, principally reflecting software revenue growth of 11%, offset in part by a decrease in services and other revenue of 5%, as further discussed below. In Europe revenue increased 8%. In the Americas, revenue increased 12% in constant currencies, and in Asia revenue increased 7% in constant currencies. In the newer markets comprised primarily of China, India, Brazil, Eastern Europe and Russia, which accounted for approximately 8% of the Company's total revenue, 2008 revenue grew approximately 40% in constant currencies. As a percentage of total revenue, in both 2008 and 2007, Europe represented 46%, the Americas accounted for 31% and Asia represented 23%. On a non-IFRS basis, total revenue increased 4.9% to €1.34 billion in 2008, compared to €1.28 billion in 2007, and in constant currencies grew approximately 8%.

Software Revenue

Software revenue is comprised of new licenses revenue and periodic licenses, maintenance and product development 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. Software revenue generated from new customers, or from new business with existing customers, is recorded as "periodic license" revenue 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)	**2008**	**2007**
Software revenue		
New licenses revenue	€407.6	€417.5
Periodic licenses, maintenance and product development revenue	746.8	645.8
Total software revenue	**€1,154.4**	**€1,063.3**
(as % of total revenue)	86.5%	84.5%

Software revenue increased 8.6%, and approximately 11% in constant currencies. Non-IFRS software revenue increased 7.2%, and approximately 10% in constant currencies, with new licenses revenue decreasing 3.8%, and approximately 2% in constant currencies, and non-IFRS periodic licenses, maintenance and product development revenue growing 14.2%, and approximately 17% in constant currencies. The decrease in new licenses revenue in 2008 reflected the impact of the difficult economic and business conditions worldwide in the fourth quarter of 2008, which lead to contract deferrals and lower revenue than the Company's objective.

Recurring software revenue, comprised of periodic licenses and maintenance revenue, increased 16.8%, and approximately 20% in constant currencies, to €741.3 million for 2008, compared to €634.8 million in 2007. Recurring software revenue represented 64% and 60% of software revenue in 2008 and 2007, respectively. Recurring software revenue growth reflected increases in the installed bases of the PLM and Mainstream 3D business segments, growth in periodic licenses, and the progressive transfer of licenses to the Company in connection with its taking over the indirect PLM sales channel.

Product development revenue totaled €5.5 million in 2008 compared to €11.0 million in 2007.

PLM software revenue increased 8.3%, and approximately 11% in constant currencies, and reflected growth in recurring software revenue, the inclusion of ICEM for a full year and the Engineous acquisition, partially offset by a decline in new licenses revenue. Non-IFRS PLM software revenue increased 6.8%, and approximately 10% in constant currencies, with CATIA non-IFRS software revenue growth of 7.3%, and approximately 10% in constant currencies. ENOVIA non-IFRS software revenue increased 3.6%, and approximately 7% in constant currencies. SIMULIA non-IFRS software revenue grew more than 20% in constant currencies.

Mainstream 3D software revenue increased 9.5%, and approximately 13% in constant currencies. Non-IFRS Mainstream 3D software revenue increased 8.3%, and approximately 11% in constant currencies, on growth in maintenance revenue, sales of new licenses and sales of Mainstream 3D product data management and simulation software.

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 (formerly as an IBM Business Partner). In 2008 and prior years, the Company also generated revenue from fees paid by IBM for the Company's management of IBM's indirect PLM reseller network (in the role of Channel Management Provider, or "CMP"). Because the Company is completing the transition to direct oversight of the PLM Value Selling Channel, it will no longer receive CMP fees from IBM. The Company also resells a limited amount of computer hardware, for which it records only the gross margin from these sales as service revenue. For each of the years 2008 and 2007, nearly all the Company's service revenue was generated by the PLM segment.

	For the Year Ended December 31,	
(in millions, except percentages)	**2008**	**2007**
Services and other revenue	**€180.4**	**€195.5**
(as % of total revenue)	13.5%	15.5%

Services and other revenue, which represented 13.5% of total revenue for 2008, decreased 7.7% to €180.4 million in 2008, in comparison to 2007. In constant currencies, services and other revenue decreased approximately 5%. This decrease reflected principally the winding down of the Company's CMP activities rendered to IBM, as the Company completed the formation of its indirect PLM Value Selling Channel. The decrease also reflected a lower level of Company activities as a reseller, as a result of the spin-off of the Company's DSF division on July 1, 2008.

OPERATING EXPENSES

In 2008, the Company elected to present the amortization of intangible assets acquired through business combinations or acquisition of technology on a separate line in the income statement. 2007 operating expenses have been restated to conform to the current year presentation.

Operating expenses grew 6.7% to €1.06 billion for 2008 compared to €994.7 million for 2007, reflecting principally (i) the build-out of the Company's sales channels, including in particular additional marketing and sales personnel, (ii) an increase in amortization of acquired intangibles, and (iii) growth in the number of research and development personnel resulting from new hires and acquisitions, notably in simulation. Growth in such research and development expenses was largely offset by an increase in 2008 in the Company's French research and development tax credits. Currency fluctuations had a net favorable impact, lowering growth in the Company's operating expenses by approximately 3 percentage points due to the decrease in the value of the U.S. dollar offset in part by the strengthening of the Japanese yen.

	For the Year Ended December 31,	
(in millions)	**2008**	**2007**
Operating expenses	**€1,060.9**	**€994.7**
Adjustments(1)	(64.7)	(53.3)
Non-IFRS operating expenses(1)	**€996.2**	**€941.4**

(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) for the year ended December 31, 2008, 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 paragraph 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 licensing fees paid for third-party components integrated into the Company's own products, maintenance costs, compact disk reproduction costs, preparation costs for user manuals and delivery costs. The cost of software revenue (excluding amortization of acquired intangibles) amounted to 4.3% and 4.2% of total revenue in 2008 and 2007, respectively.
- 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 business partner. The cost of services and other revenue amounted to 11.6% and 12.4% of total revenue in 2008 and 2007, respectively.

	Year ended December 31,	
(in millions)	**2008**	**2007**
Cost of software revenue (excluding amortization of acquired intangibles)	€56.8	€53.0
Cost of services and other revenue	155.2	156.3
Cost of revenue expenses	**€212.0**	**€209.3**

Total cost of revenue expenses increased 1.3% in 2008 to €212.0 million from €209.3 million in 2007. Cost of software revenue (excluding amortization of acquired intangibles) increased 7.2% to €56.8 million in 2008 compared to €53.0 million in 2007, primarily reflecting additional product shipping costs as the Company increased its responsibilities for marketing and sales, as well as the Company's expanded role in product delivery. Cost of services and other revenue decreased to €155.2 million in 2008 compared to €156.3 million in 2007, principally reflecting the impact of the DSF spin-off. The services and other revenue gross margin was 14.0% in 2008, a decrease from 20.1% in 2007, primarily reflecting a different mix of revenue components, as the Company reduced its role as CMP for IBM.

Research and development expenses

The Company believes that research and development is one of the most important elements of its success. The Company operates research laboratories in France, the United States, India, Canada, Germany, Israel and the United Kingdom. Expenses for research and development include primarily the personnel cost for specialists in software architecture and various application fields such as mechanical design, manufacturing, mechanical engineering, finite element analysis, interactive 3D applications, and computer graphics, as well as specialists with significant experience in and knowledge of the Company's target industrial sectors. Research and development expenses also include 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.

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)	**2008**	**2007**
Research and development expenses[(1)]	**€309.6**	**€302.9**
(as % of total revenue)	23.2%	24.1%

(1) Due to its sales and marketing relationship with IBM, the Company's percentage of various expenses, including research and development expenses, to revenue may not be comparable to such percentages for its competitors.

Research and development expenses increased €6.7 million or 2.2% in 2008 in comparison to 2007. Research and development expense growth in 2008 reflected several factors: (i) higher employee expenses due to an increase of approximately 6% in average research and development headcount, which were largely offset by (ii) an increase of approximately €16.9 million in tax credits for research and development to €25.3 million in 2008 compared to €8.4 million in 2007 following a change in French tax law and (iii) currency fluctuations which limited growth in research and development expenses on an as reported basis by approximately 3 percentage points. Average research and development headcount growth reflected principally the inclusion of ICEM and Seemage personnel for a full year, the 2008 acquisition of Engineous and new hires offset in part by research and development office consolidations. At year-end 2008, research and development personnel numbered 3,468, compared to 3,349 at year-end 2007, representing an increase of 3.6%. 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.

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.

	Year ended December 31,	
(in millions, except percentages and headcount)	**2008**	**2007**
Marketing and sales expenses	**€387.3**	**€350.0**
(as % of total revenue)	29.0%	27.8%

Marketing and sales expenses increased €37.3 million in 2008, or 10.7%, compared to 2007. The growth in marketing and sales expenses resulted principally from (i) the expansion of the Company's PLM Value Selling Channel resources, principally in selected key markets, (ii) the expansion of its PLM direct sales resources, (iii) higher marketing and sales expenses, including lead generation costs, events and other support activities for the channels, and (iv) to a lesser extent, the impact from the acquisitions of ICEM, Seemage and Engineous, which were offset in part by the divestiture of DSF. Currency fluctuations had a beneficial impact, reducing growth in marketing and sales expenses by approximately 3 percentage points. At year-end 2008, marketing and sales personnel numbered 3,773, compared to 3,536 at year-end 2007, representing an increase of 6.7%. 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.

General and administrative expenses

(in millions, except percentages)	Year ended December 31, 2008	2007
General and administrative expenses	**€109.3**	**€97.1**
(as % of total revenue)	8.2%	7.7%

General and administrative expenses increased 12.6% in 2008 compared to 2007 and reflected principally average headcount growth of 15.4%, primarily due to the acquisitions of ICEM, Seemage and Engineous. Higher general and administrative expenses also reflected the impact of higher advisor fees and back-office build-out to support expanded sales and marketing activities. Currency fluctuations had a beneficial impact, reducing growth in general and administrative expenses by 3 percentage points. At December 31, 2008, the total general and administrative headcount was 634, compared to 574 at December 31, 2007, representing an increase of 10.5%.

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".

(in millions)	Year ended December 31, 2008	2007
Amortization of acquired intangibles	**€42.9**	**€35.4**

Amortization of acquired intangibles increased 21.2% or €7.5 million in 2008 compared to 2007 principally reflecting the effects of amortization of certain intangible assets principally related to the realization of tax benefits in conjunction with certain acquisitions, as well as amortization over a full year in 2008 for both ICEM and Seemage, and the Engineous acquisition in 2008.

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.

(in millions)	Year ended December 31, 2008	2007
Other operating (income) and expense, net	**€(0.2)**	**€0.0**

Other operating income and expense, net, were comprised in 2008 of the €17.5 million gain on the sale of part of the Company's former headquarters, offset by expenses arising in connection with the move to its new headquarters and restructuring measures undertaken in 2008. See Note 8 to the Company's consolidated financial statements.

OPERATING INCOME

(in millions)	Year ended December 31, 2008	2007
Operating income	**€273.9**	**€264.1**

Operating income increased 3.7% to €273.9 million for 2008 from €264.1 million in 2007. On a non-IFRS basis, operating income increased 2.2% to €342.0 million from €334.5 million in 2007. The increase in operating income reflected higher revenue which was offset in part by an increase in expenses related to personnel, particularly in marketing and sales, and to higher general and administrative expenses. Changes in currency values reduced the reported operating income growth rate by approximately 2 percentage points (2 percentage points on a non-IFRS basis).

The Company's operating margin decreased to 20.5% in 2008 from 21.0% in 2007 and the non-IFRS operating margin decreased to 25.6%, compared to 26.2% for 2007, in both cases reflecting the sharp weakening of the global economic environment at the end of 2008, resulting in a lower than anticipated revenue level in comparison to the Company's expenses.

FINANCIAL REVENUE AND OTHER, NET

(in millions)	Year ended December 31, 2008	2007
Financial revenue and other, net	**€6.9**	**€6.0**

Financial revenue and other, net increased 15.0% to €6.9 million for 2008 compared to €6.0 million for 2007. Financial revenue and other, net for 2008 was comprised of net interest income of €13.9 million, exchange losses of €6.9 million and other expenses of €0.1 million. The increase in financial revenue and other, net primarily reflected lower exchange losses on U.S. dollar or Japanese yen denominated receivables and payables, partially offset by a decrease in net interest income due to a decrease in the interest rates on investments held in U.S. dollars. See Note 9 to the Company's consolidated financial statements.

INCOME TAX EXPENSE

(in millions, except percentages)	Year ended December 31, 2008	2007
Income tax expense	**€81.9**	**€94.4**
Effective consolidated tax rate	29.0%	34.8%

Income tax expense decreased €12.5 million or 13.2% and the Company's effective consolidated tax rate decreased to 29.0% for 2008 from 34.8% for the 2007, principally reflecting the utilization of tax losses carried forward that were reserved for in 2007 and higher tax research credits in France in 2008. On a non-IFRS basis, the effective consolidated tax rate was 31.3% for 2008, compared to 33.4% for 2007. See Note 10 to the Company's consolidated financial statements.

NET INCOME AND DILUTED NET INCOME PER SHARE

(in millions, except per share data)	Year ended December 31, 2008	2007
Net income attributable to shareholders	**€200.5**	**€176.7**
Diluted net income per share	€1.68	€1.48
Diluted weighted average shares outstanding	119.3	119.6

Net income attributable to shareholders and net income per diluted share both increased 13.5%, principally reflecting a decrease in the Company's effective tax rate to 29.0% for 2008 from 34.8% for 2007 as well as an increase in income before income taxes of 4.2%. Non-IFRS net income increased 5.8% to €240.7 million, principally reflecting a reduction in the non-IFRS effective tax rate to 31.3% for 2008 from 33.4% for 2007, as well as an increase in non-IFRS income before income taxes of 2.7%. Non-IFRS net income per diluted share increased 6.3% to €2.02 from €1.90 in 2007.

9.3 Revenue and Operating Income by Segment

PLM

Revenue

(in millions, except percentages)	Year ended December 31, 2008	% of Total revenue	2007	% of Total revenue
Revenue (excluding inter-segment sales)				
PLM revenue	€1,058.3	79.3%	€1,006.2	79.9%
Supplemental non-IFRS Financial Information(1)				
PLM non-IFRS revenue	€1,061.7	79.3%	€1,020.6	80.0%

(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 paragraph 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Revenue for the PLM segment grew 5.2% to €1.06 billion (excluding €7.1 million of inter-segment sales) and on a non-IFRS basis increased 4.0% to €1.06 billion. On a constant currency basis and excluding inter-segment sales, PLM revenue increased approximately 8%, and approximately 6% on a non-IFRS basis. The increase in PLM revenue in 2008 reflected growth in recurring software revenue (including higher periodic licenses revenue from increased activity and growth in the Company's installed base, the inclusion of ICEM for a full year (compared to six months in 2007) and the Engineous acquisition, partially offset by the spin-off of DSF. CATIA non-IFRS software revenue grew 7.3% in 2008, and approximately 10% in constant currencies. ENOVIA non-IFRS software revenue increased 3.6%, and approximately 7% in constant currencies. SIMULIA recorded more than 20% growth in non-IFRS software revenue in constant currencies. PLM service revenue decreased 7.7% in 2008 compared to 2007, and on a constant currency basis decreased approximately 5%. (See "Services and Other Revenue" under Section 9.2 above.)

Operating income

(in millions, except percentages)	Year ended December 31, 2008	% of Total operating income	2007	% of Total operating income
Operating income				
PLM operating income	€170.3	62.2%	€171.2	64.8%
Supplemental non-IFRS Financial Information(1)				
PLM non-IFRS operating income	€237.8	69.5%	€241.0	72.0%

(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) for the year ended December 31, 2008, 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 paragraph 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Operating income for the PLM segment decreased 0.5% as a result of increased expenses related principally to the Company's increased PLM Value Selling Channel activities and other sales channel investments, the negative impact of currency fluctuations, and higher amortization of intangibles related to acquisitions. On an non-IFRS basis, PLM operating income decreased €3.2 million or 1.3% in 2008 compared to 2007. The PLM operating margin declined to 16.1% in 2008 from 17.0% in 2007, and the non-IFRS PLM operating margin declined to 22.4% in 2008 from 23.6% in 2007, reflecting principally the sharp downturn of activity in the fourth quarter of 2008.

Mainstream 3D

Revenue

(in millions, except percentages)	Year ended December 31, 2008	% of Total revenue	2007	% of Total revenue
Revenue (excluding inter-segment sales)				
Mainstream 3D revenue	€276.5	20.7%	€252.6	20.1%
Supplemental non-IFRS Financial Information(1)				
Mainstream 3D non-IFRS revenue	€276.5	20.7%	€255.3	20.0%

(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 paragraph 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Revenue in the Mainstream 3D segment increased 9.5% in 2008, and approximately 12% in constant currencies, to €276.5 million, representing 20.7% of total revenue (excluding €0.7 million of inter-segment sales). On a non-IFRS basis and excluding inter-segment sales, revenue in the Mainstream 3D segment increased 8.3%, and approximately 11% in constant currencies, to €276.5 million on growth in maintenance revenue, sales of new licenses and sales of the Company's simulation and product data management software.

Operating income

(in millions, except percentages)	Year ended December 31, 2008	% of Total operating income	2007	% of Total operating income
Operating income				
Mainstream 3D operating income	€103.6	37.8%	€92.9	35.2%
Supplemental non-IFRS Financial Information(1)				
Mainstream 3D non-IFRS operating income	€104.2	30.5%	€93.5	28.0%

(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) for the year ended December 31, 2008, 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 paragraph 9.1.2 "Supplemental Non-IFRS Financial Information" above.

Operating income for the Mainstream 3D segment increased €10.7 million, or 11.5%, in 2008 compared to 2007, and the operating margin increased to 37.5% from 36.8%. On a non-IFRS basis, Mainstream 3D operating income increased €10.7 million or 11.4% in 2008 compared to 2007, reflecting revenue growth and an improvement in operating margin to 37.7% in 2008 compared to 36.6% for 2007.

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, since its expenses tend to be relatively stable. 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 size of software sales transactions, the method of software licensing, the timing and size of service engagements, the timing and size of product development software engagements as well as the timing and level of mergers and acquisition activities. 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 2008, revenue for the fourth, third, second and first quarters represented, respectively, 28.7%, 23.9%, 24.4% and 23.0% of the Company's total revenue for the year. In 2007, the Company's revenue for the fourth, third, second and first quarters represented, respectively, 28.8%, 23.8%, 24.3% and 23.1% of the Company's total revenue for the year.

9.5 Off-Balance Sheet Arrangements

The Company has no material off-balance sheet arrangements other than the operating lease obligations referred to in paragraph 9.6 below (see also Note 22 to the Company's consolidated financial statements).

9.6 Tabular Disclosure of Contractual Obligations

The following table summarizes the Company's significant contractual obligations as of December 31, 2008:

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating lease obligations(1)	€252,095	€37,638	€59,202	€44,636	€110,619
Revolving loan facility(2)	225,856	6,144	12,288	207,424	–
Employee profit-sharing	32,965	11,561	11,183	6,951	3,270
Total	€510,916	€55,343	€82,673	€259,011	€113,889

(1) Including €189.9 million of future minimum rental payments for the Company's headquarters facilities located in Vélizy, France.
(2) Including interest at Euribor plus 0.18% at December 31, 2008 (2.89% per annum).

CHAPTER 10 – CAPITAL RESOURCES

The Company's principal source of liquidity is cash from operations. Cash obtained from operations has been used primarily for working capital, short-term investments, dividend payments, share repurchases and the financing of acquisitions. In 2008, the Company also had significant capital expenditures in connection with the relocation of its corporate headquarters facilities.

Working capital at December 31, 2008, increased by €6.1 million, compared to an increase in 2007 of €23.8 million. The smaller increase in working capital in 2008 reflected principally a decrease in trade accounts receivable due to the lower level of business activity at year-end 2008.

Cash and cash equivalents and short-term investments totaled €840.4 million as of December 31, 2008, compared with €626.6 million as of December 31, 2007. During 2008, net cash provided by operating activities decreased €2.3 million to €309.1 million compared with €311.4 million during 2007, reflecting higher net income which was more than offset by a lower increase in working capital as well as other non-cash items (principally income from the non-cash gain on the sale of part of the Company's previous headquarters and deferred income taxes).

Net cash used in investing activities decreased by €24.0 million to €62.8 million, compared to €86.8 million in 2007 and principally reflected the cash received from the sale of part of the Company's previous headquarters and a lower amount of acquisitions, net of cash, in comparison to 2007. In 2008, net cash used in financing activities increased by €71.0 million from €4.2 million to €75.2 million, and principally reflected share repurchases totaling €79.0 million, an increase of €10.5 million in cash received from the exercise of stock options and an increase of €2.9 million in cash dividends paid. Exchange rate fluctuations had a positive translation effect of €25.8 million on the Company's December 31, 2008 cash balance compared to a negative translation effect of €31.9 million on the Company's December 31, 2007 cash balance.

The Company's expenditures and investments in 2008 consisted principally of share repurchases (€79.0 million), capital expenditures (€53.6 million) principally in connection with the establishment of the Company's new corporate headquarters, and acquisitions (€29.0 million, net of cash acquired), all of which were financed from operating cash flows. The Company currently has €200 million fully drawn down 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 19 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.

At the end of 2008, the Company's financial indebtedness included long-term debt in the amount of €200.7 million. The Company's net financial position at December 31, 2008, was €639.7 million, representing cash and short-term investments, net of long-term debt, compared to €423.7 million at December 31, 2007.

CHAPTER 11 – RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 Overview

The Company devotes significant resources each year to research and development, with 2008 expenses totaling €309.6 million and representing 23% of total revenue. Its research and product development teams include approximately 3,450 engineers in research laboratories in France, the United States and India (including the employees of its 3D PLM business venture), as well as in Canada, Germany, Israel and the United Kingdom.

The Company's research and development is two-fold in nature, focusing on further advancing its current portfolio of software applications and, at the same time, on the development of technologies and applications which it expects to bring to market over the medium to longer term.

The Company's technology, research and product development efforts span key domains including: introducing new PLM and 3D MCAD applications, advancing its PLM platform, developing integrated, multi-physics simulation solutions and introducing PLM for simulation, and further expanding its addressable markets with the introduction of new, emerging technologies and application domains.

The Company continued to advance its longer-term roadmap to deliver PLM online. During 2008 the Company introduced its Version 6 ("V6") platform as well as its first applications built on V6. The Company's V6 strategy demonstrates its commitment to extend the benefits of PLM solutions to new markets and, importantly, to new types of users and communities. V6 is the cornerstone for delivering fully collaborative PLM services on demand.

11.2 V6 platform

The Company's V6 platform is the evolution of its V5 SOA (Service-Oriented Architecture), developed as the cornerstone for the Company and its partners to deliver fully collaborative PLM services on demand. The Company believes that the introduction of its V6 platform and applications is an important contributor to the extension of its market presence within its eleven targeted industries and to the extension of its user market to consumers and collaborators. The Company's V6 strategy extends its CAA V5 architecture (Component Application Architecture) with best-in-class Web technologies and introduces the unique power of 3D collaborative applications for networked innovation. The Company's objective is to secure and leverage customers' investments while continuously delivering breakthrough applications and services in order to help customers accelerate and extend their PLM business transformation. Consistent with its product development philosophy, the Company has been working closely with customers in different industries as it advanced its V6 platform and software applications development.

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

- *Global Collaborative Innovation:* The Company believes a key part of the future of PLM is to enable broader and deeper collaboration. Everyone, from engineers to professionals in marketing or procurement inside and outside the enterprise, can collaborate across business processes, across all engineering disciplines (to the lowest level of details), and across the full product definition, bringing together requirements, functional, logical and physical ("RFLP") definitions of the product.

- *Online Creation and Collaboration:* Product creation and collaboration is enabled for real time concurrent work across multiple remote locations and with a Web connection only. The Company believes this capability is a major breakthrough for any company implementing a global engineering and manufacturing strategy.

- *A single PLM platform for Intellectual Property (IP) management:* V6 has been designed to enable the management of all product-related IP from idea to product experience. On a single platform, V6 supports both IP modeling applications spanning all engineering disciplines, as well as collaborative business processes covering the entire product lifecycle:

  - CATIA/DELMIA/ENOVIA/SIMULIA applications are built natively on this single, open SOA platform;

  - In addition, V6 merges the various ENOVIA collaboration products, including MatrixOne, VPLM, and SmarTeam, into a single ENOVIA collaboration solution; and

  - V6 gives a unified, federated view and access to intellectual property (IP), whether the information is in the PLM system, another enterprise application or from another data source.

- *Lifelike Experience:* V6 provides simplicity and ease of use thanks to its extremely intuitive user interface providing a unique experience. 3DLive brings IP to life in 3D across all applications. Any user can find/search information, understand others using the universal language of 3D, experience the product, and collaborate in an immersive online 3D environment.
- *Service-Ready PLM Business Processes:* V6 unifies engineering processes and all enterprise business processes including program management, compliance management and sourcing, among others.
- *Lower Cost of Operation:* The Company believes V6 offers a quick ramp up time via a single server and database for all applications, thereby leading to significantly lower cost of operation as well as more efficient collaboration. SOA standards compliance allows easy integration with existing systems.

11.3 Mainstream 3D technology

Designed specifically for Windows, the Company's SolidWorks technology for the Mainstream 3D market is intended to enable 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 without extensive 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. SolidWorks focuses on three core capabilities: design, simulation and product data management.

The Company has recently introduced SolidWorks 2009, which offers significant performance improvements, continues to focus on ease of use and is designed to extend the gap between SolidWorks software and other software products in the 3D Mainstream market. Among more than 260 customer-driven enhancements, SolidWorks 2009 includes SpeedPak, a new approach to large assembly handling that significantly reduces the amount of computer memory needed, while maintaining full graphic detail and associativity; and Simulation Advisor, which helps users analyze their designs for hidden flaws, guiding them through every stage of the simulation.

11.4 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.

With regard to trademarks, the Company's policy is to register trademarks for its principal lines of products in the countries where it does business. Such registrations are a combination of international trademark registrations, community 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 2008, the Company's portfolio includes more than 70 patents already granted in the United States and more than 250 patent applications pending worldwide.

The Company is also engaged in an active policy against piracy to protect its rights through appropriate measures against the illegal use and distribution of its products. To that end, the Company implements a compliance program to reduce the use of illegal copies of its products and an anti-piracy plan leading to legal actions to disrupt illegal distribution channels.

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

ADDITIONAL BUSINESS HIGHLIGHTS

On February 19, 2009, the Company announced its acquisition of a minority position in Intercim LLC. Intercim LLC is a U.S. company which focuses on manufacturing operation management ("MOM") software solutions for advanced and highly regulated industries. The Company's investment follows a June 2008 memorandum of understanding with Intercim to provide the aerospace and defense industry with Intercim's manufacturing operations management solutions integrated with Dassault Systèmes' V6 platform.

RELEVANT ECONOMIC AND BUSINESS TRENDS

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 is the Company's preliminary 2009 non-IFRS financial objectives, as communicated on February 11, 2009, when the annual results for 2008 were announced.

The Company currently anticipates that the weakening of the macroeconomic environment which began to have a meaningful impact on the Company's financial results during the fourth quarter of 2008 will continue to negatively impact the Company during 2009. At present, the Company's visibility on software revenue, particularly new license activity, is significantly less than it has been historically due to uncertainty with respect to customers' purchasing decisions during this global economic recession.

The non-IFRS objectives set forth below do not take into account the following accounting elements: deferred revenue write-downs estimated at approximately €1.4 million for 2009; share-based compensation expense estimated at approximately €22 million for 2009; and amortization expense for acquired intangibles estimated at approximately €40 million for 2009. These objectives do not include other operating income and expense, net, or the impact of any new stock option or share grants, or any new acquisitions which may be completed during 2009.

The Company's initial objectives for 2009, as communicated in the press release issued on February 11, 2009, are set forth below. They reflect the assumption that the economic conditions and customers' level of demand for new licenses observed during the fourth quarter of 2008 remain unchanged during 2009. These objectives are therefore subject to revision as market conditions change during 2009.

- 2009 non-IFRS revenue growth objective range of about 1% to 3% in constant currencies (€1.405 to €1.425 billion based upon the 2009 currency exchange rate assumptions below);
- 2009 non-IFRS operating margin of about 25.5%; and
- 2009 non-IFRS earnings per share (EPS) range of about €2.02 to €2.12.

The information above includes statements that express objectives for the Company's future financial performance. Such forward-looking statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results or performances may differ materially from those in such statements due to a range of factors, including the risk factors set forth above under Section 4.1 "Risks Related to the Company's Business", and in particular the first of such risks "Difficult global economic environment".

In preparing such forward-looking statements, the Company has also assumed that there will be no substantial decline in general levels of corporate spending on information technology in comparison to recent trends. The Company has also assumed an average U.S. dollar per euro exchange rate of $1.38 per €1.00 and an average Japanese yen per euro exchange rate of JPY129 per €1.00 for 2009; however, currency values fluctuate, and the Company's results of operations may be significantly affected by changes in exchange rates. Actual results or performance may also be materially negatively affected by difficulties or adverse changes affecting the Company's partners or its relationships with its partners, including the Company's longstanding, strategic partner, IBM; new product developments and technological changes; errors or defects in the Company's products; growth in market share by the Company's competitors; and the realization of any risks related to the integration of any newly acquired company and internal reorganizations.

For more information regarding the risks facing the Company, see Section 4.1 "Risks Related to the Company's Business".

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

14.1 Board of Directors and Executive Officers

Board of Directors

In 2008 and at the date of this Annual Report, the Company's Board of directors is made up of 9 members, nominated for periods of 6 years, of whom five are independent. The independence criteria adopted by the Board of Directors takes into account market recommendations in France, in particular the recommendations of the AFEP and the MEDEF, and in 2008 also took into consideration the requirements of the NASDAQ and the Sarbanes-Oxley Act. These criteria reflect the general rule that an independent director must not be in a situation which may affect his independent judgement or give rise to a real or possible conflict of interest. The independent directors of DS are Paul R. Brown, Bernard Dufau, André Kudelski, Jean-Pierre Chahid-Nouraï and Arnoud De Meyer.

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 59 years old at the date of this Annual Report. Each director must hold at least one share of Dassault Systèmes.

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

Name	Current position within the Company	Other occupations and Directorships (*)	Other mandates (outside DS) expired during the last 5 years	Company Shares owned at December 31, 2008
Charles Edelstenne Age: 71 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2011	Chairman	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 Carrefour (a listed company) – Manager (*Gérant*) of Arie, Nili, Arie 2 et Nili 2 Foreign Companies – Director of Société Anonyme Belge de Constructions Aéronautiques – Chairman of Dassault Falcon Jet Corporation – President of Dassault International, Inc.	Director of Dassault Réassurance and Thalès Systèmes Aéroportés	7,682,647
Paul R. Brown Age: 58 Director since: September 25, 2000 Term expires at annual shareholders' meeting in 2011	Director	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: 52 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2011	President and Chief Executive Officer (*Directeur général*)	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 Canada Inc.	Director of Business Objects	569,718

Name	Current position within the Company	Other occupations and Directorships (*)	Other mandates (outside DS) expired during the last 5 years	Company Shares owned at December 31, 2008
Laurent Dassault Age: 55 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2011	Director	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, Société de Véhicules Electriques SAS, Société financière Louis Potel & Chabot and Génération Entreprise – Co-Manager (*Co-Gérant*) of Artcurial Développement – Member of the Supervisory Board (*Membre du Conseil de surveillance*) of ARQANA SAS and 21 Central Partners SA – Member of the Steering Committee (*Comité de suivi*) of Pechel Industries SAS and Member of the Advisory Committee (*Comité consultative*) 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 Foreign Companies – Chairman and Chief Executive Officer (*Président-Directeur Général*) of Dassault Belgique Aviation – 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, Fauchier Partners Management Ltd., Lepercq, de Neuflize and Co. Inc., Terramaris 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 – Member of the Supervisory Board (*Conseil de surveillance*) of Eurazeo and Member of the Advisory Board (*Comité consultatif*) of Power Private Equity Fund and Syntek Capital SA	10
Bernard Dufau Age: 67 Director since: May 31, 2001 Term expires at annual shareholders' meeting in 2013	Director	– 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 Team Partner Group and Mood Media – Manager (*Gérant*) of B. Dufau Conseil	1,000

Name	Current position within the Company	Other occupations and Directorships (*)	Other mandates (outside DS) expired during the last 5 years	Company Shares owned at December 31, 2008
André Kudelski Age: 48 Director since: May 31, 2001 Term expires at annual shareholders' meeting in 2013	Director	President and Chief Executive Officer (*Président* and *Administrateur délégué*) of Kudelski SA (a listed company) Chairman and Chief Executive Officer (*Président-Directeur Général*) of Nagra+ SA Chairman of the Board of Open TV (USA)(a listed company) Director of HSBC Private Bank Holding (Switzerland), Nestlé and Edipresse Director of the Swiss American Chamber of Commerce	Member of the Advisory Board of Crédit Suisse	10
Thibault de Tersant Age: 51 Director since: April 8, 1993 Term expires at annual shareholders' meeting in 2011	Senior Executive Vice President and Chief Financial Officer	French subsidiares of DS President (*Président*) of Dassault Systèmes Europe SAS and Dassault Systèmes HoldCo SAS Foreign subsidiaries of DS Director and Chairman of Spatial Corp. Director of Dassault Systèmes SolidWorks Corp., Dassault Systèmes Delmia Corp., Dassault Systèmes Corp., Dassault Systèmes Israel Ltd., SmarTeam Americas Inc., Dassault Systèmes Simulia Corp. and Icem Ltd	–	9,815
Jean-Pierre Chahid-Nouraï Age: 71 Director since: April 15, 2005 Term expires at annual shareholders' meeting in 2011	Director	Director of Fondation Notre-Dame de Garaison	Managing Director (*Administrateur Délégué*) of Finanval Conseil Director of Stanislas SA	1,010
Arnoud De Meyer Age: 54 Director since: April 15, 2005 Term expires at annual shareholders' meeting in 2011	Director	Professor and Director of the Judge Business School at the University of Cambridge, United Kingdom Director of Option International NV and Kylian Technology Management Pte. Ltd.	Director of Ancorabel, SR&DM, INSEAD (Singapore) and INSEAD EAC Pte. Ltd	250

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

- Charles Edelstenne was one of the founders 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 DS from 1985 to 1988 and as Director of Research and Development from 1988 to 1995.

- Thibault de Tersant has been Senior Executive Vice President of Dassault Systèmes since 2003. He joined DS in 1998 as Chief Financial Officer. Prior to joining DS, 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 group since 1991. Mr. Dassault is Vice President of GIMD, 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 2002 and of Nagra + 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 *Président*. In 2007, he was appointed Chairman of the Board of Open TV, a US company listed on the NASDAQ and controlled by the Kudelski Group.

- 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 CEDEP (the *Centre européen d'éducation permanente).*

- Arnoud De Meyer is Director of Judge Business School and Professor in Management Studies (University of Cambridge, UK). He is also currently external member of the management board of the Department for Business, Enterprise and Regulatory Reform of the British government. 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 a 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 reprinted in Section 16.1 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 2008 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
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
Joel Lemke*	Chief Executive Officer of ENOVIA until October 24, 2008
Michel Tellier*	Chief Executive Officer of ENOVIA starting October 24, 2008
Jeff Ray*	Chief Executive Officer of SolidWorks, and Vice President Professional Channel
Muriel Pénicaud	Executive Vice President, Chief People Officer (until March 2008)
Laurence Dors	Senior Executive Vice President, Global Development & Resources (since April 1, 2008)

* 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 Group, 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 has been 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 Régie Nationale des Usines Renault.

- Joel Lemke was the Chief Executive Officer of the activities under the brand ENOVIA since its creation in 1998 until October 2008. He was also responsible for PLM sales in Americas from 2003 to 2006. Prior to joining Dassault Systèmes, Mr. Lemke served as Vice President of Solutions in the Industrial Sector Division of IBM. During the nineteen years of his work for IBM, Mr. Lemke was responsible for strategy, product development, service, marketing and sales of materials and software. Mr. Lemke chose to leave the Group to become Chief Executive Officer of Novaquest, a new company create by him which is a value-added reseller (VAR) of Dassault Systèmes.

- 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.

- Jeff Ray was appointed in July 2007 as Chief Executive Officer of SolidWorks, and at the beginning of 2008 also as Vice President Professional Channel. Mr. Ray joined SolidWorks in 2003 as Chief Operating Officer, a position he continue to hold. 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.

- Laurence Dors is Senior Executive Vice President,Global Development & Resources, since April 1, 2008. Prior to joining the Company, Mrs. Dors held international positions in several companies and government services. She served as General Secretary of the EADS Group beginning in 2003, as General Secretary of EADS International from 2000 to 2003, and as General Secretary of International Affairs of the Lagardère group, which subsequently became the International Directorate of Aerospatiale-Matra, from 1998 to 2000. Previously, Mrs. Dors was an advisor 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.

To the knowledge of the Company, 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 knowledge of the Company, 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 knowledge of the Company, 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 Companies 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, 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”.

CHAPTER 15 – REMUNERATION AND BENEFITS

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

The principles and rules used by the Board to set the compensation and benefits granted to the Company's directors (*"mandataires sociaux"*) are set forth in the Report of the Chairman of the Board on Corporate Governance and Internal Control prepared 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 director of the Company are described below, in accordance with the presentation established by the AFEP-MEDEF Corporate Governance Code of December 2008 (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 2007 and 2008, as well as the value of the free shares and subscription options awarded during these years.

	2007	2008
Charles Edelstenne, Chairman of the Board of Directors		
Compensation due for the year *(detailed in table 2)*	€833,000	€870,500
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)*	€1,679,727	€1,786,227
Value of the stock options awarded during the year *(detailed in table 4)*[(1)]	€740,500	€545,000
Value of the share grants awarded during the year *(detailed in table 6)*[(2)]	€6,387,000	€5,712,000

(1) The valuation of one option granted was €14.81 in 2007 and €10.90 in 2008, 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 €42.58 in 2007 and €38.08 in 2008, 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 2008 by the Company to its senior management, made up of thirteen executive officers as set forth above in Section 14.1 "Board of Directors and Executive Officers", amounted to €7,159,908, including profit-sharing and excluding capital gain related to the sale of DS shares acquired pursuant to the exercise of stock options or the allocation of free shares.

Table 2 – Summary of the compensation of each executive director

Gross compensation before tax of the *mandataires sociaux* is set forth in the table below in accordance with the recommendations of the Code AFEP-MEDEF and the AMF. The table also sets forth the compensation of the director who performs the role of Senior Executive Vice President and Chief Financial Officer (*Directeur Général Adjoint – Affaires Financières*), in accordance with article L. 225-102-1 of the French Commercial Code.

	2007		2008	
	Amounts due for 2007	**Amounts paid in 2007**	**Amounts due for 2008**	**Amounts paid in 2008**
Charles Edelstenne Chairman of the Board				
Fixed compensation	€800,000	€800,000	€836,000	€836,000
Variable compensation				
Extraordinary compensation				
Directors' fees	€33,000	€32,000	€34,500	€33,000
Benefits				
Total	**€833,000**	**€832,000**	**€870,500**	**€863,000**
Bernard Charlès, President and Chief Executive Officer				
Fixed compensation	€850,000	€850,000	900,000	€900,000
Variable compensation(1)	€850,000	€800,000(2)	€855,000(5)	€850,000(3)
Extraordinary compensation				€47,575(6)
Directors' fees	€18,000	€18,000	19,500	€18,000
Benefits(4)	€11,727	€11,727	11,727	€11,727
Total	**€1,729,727**	**€1,679,727**	**€1,786,227**	**€1,827,302**
Thibault de Tersant, director				
Fixed compensation	€273,000	€273,000	€301,000	€301,000
Variable compensation(1)	€137,000	€146,000(2)	€149,000(5)	€137,000(3)
Extraordinary compensation				
Directors' fees	€18,000	€18,000	€19,500	€18,000
Benefits(4)	€7,173	€7,173	€7,173	€7,173
Total	**€435,173**	**€444,173**	**€476,673**	**€463,173**

(1) The rules governing the awarding of variable compensation to the executive director are described in the Report of the Chairman of the Board on Corporate Governance and Internal Control in Section 16.1.
(2) Variable portion due for 2006. Bernard Charlès and Thibault de Tersant also received in 2007 €31,540 under the Company's French profit-sharing plans.
(3) Variable portion due for 2007. Bernard Charlès and Thibault de Tersant also received in 2008 €30,217 under the Company's French profit-sharing plans.
(4) These benefits are related to the personal use of a car provided by the Company.
(5) Variable portion due for 2008 and paid in 2009.
(6) Amount paid for the balance of paid holidays (*solde des congés payés*) following the suspension of Bernard Charlès' employment agreement.

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 Edelestenne, Bernard Charlès and Thibault de Tersant, whose compensation is set forth in Table 2 above.

	Directors' fees paid in 2007 for the year 2006	Directors' fees paid in 2008 for the year 2007
Paul Brown	€22,500	€26,000
Jean-Pierre Chahid-Nouraï	€24,500	€26,000
Laurent Dassault	€18,000	€18,000
Bernard Dufau	€30,500	€32,000
André Kudelski	€26,500	€28,000
Arnoud De Meyer	€20,000	€22,000
Charles Edelstenne	€32,000	€33,000
Bernard Charlès	€18,000	€18,000
Thibault de Tersant	€18,000	€18,000
TOTAL	**€210,000**	**€221,000**

In addition, for 2008, the amount budgeted for Directors' fees totaled €225,500, of which €154,000 consisted of Board retainer fees and €71,500 were for attendance at meetings of the Board of Directors and its Committees.

The allocation of Directors' fees in 2008 was based on the following principles: €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; €1,000 per meeting of the Board attended in person; €2,000 per meeting of the Audit Committee attended in person; €1,000 per meeting attended in person of the Compensation Committee and the Scientific Committee (only for independent Board members); and €500 for each meeting of the Board or its committees attended by telephone or video-conference.

The Board will not propose to the general meeting of shareholders scheduled for June 9, 2009, to change the maximum annual amount of Directors' fees, which was set by the general meeting of shareholders on June 14, 2006, at €250,000. This maximum amount will remain valid for the year 2009 and thereafter until a new decision is taken by the shareholders.

Table 4 – Subscription or purchase options awarded during 2008 to each executive director

	Number and date of plan	Type of option (purchase or subscription)	Valuation of the options	Number of options awarded in 2008	Exercise price	Exercise period
Charles Edelstenne	2008-01 09/25/2008	Subscription options		0		
Total						
Bernard Charlès	2008-01 09/25/2008	Subscription options	€545,000	50,000	€38.15	Beginning 09/25/2009
Total			**€545,000**	**50,000**		

The valuation of one subscription option was €10.90, 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 08-01 Options granted to each beneficiary by the Board on September 25, 2008, will vest and become exercisable in whole or in part, in tranches of one-third of the total number of options granted, beginning on the first anniversary of their grant date until the third anniversary.

The 08-01 Options may not be exercised in the event the beneficiary ceases being an executive director, except in certain cases such as the beneficiary's forced retirement (i.e., at the request of the employer) or retirement (i.e., at the request of the employee when conditions are satisfied), or termination due to disability or due to appointment to another company of the Group.

Information regarding the options granted to executive directors ("*mandataires sociaux*") is set forth in Section 17.2 of this Annual Report.

Table 5 – Subscription or purchase options exercised during 2008 by each executive director

	Number and date of plan	Number of options exercised during 2008	Exercise price
Charles Edelstenne		0	
Total			
Bernard Charlès	Nº 1998-2 as of 11/09/98*	852,050	€29.58
Total		**852,050**	**€29.58**

* This plan expired on November 8, 2008.

In connection with the exercise of these options, only shares needed to finance the option exercise were sold. See also Section 15.2 "Transactions in the Company's shares by directors and executive officers of the Company".

Table 6 – Free shares granted in 2008 to each executive director

	Number and date of plan	Number of free shares awarded during 2008	Valuation of the shares based on the method used for the consolidated financial statements	Acquisition date	Availability date
Charles Edelstenne		0			
Total					
Bernard Charlès	09/25/2008	150,000	€5,712,000	09/25/2010	09/25/2012
Total		**150,000**	**€5,712,000**		

The valuation recorded was €38.08 per free 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.)

No company of the Group other than Dassault Systèmes SA granted free shares to executive directors.

Pursuant to an authorization granted by the shareholders at the general meeting held on June 6, 2007, the Board of Directors decided on September 25, 2008, to grant 150,000 free shares to the Company's Chief Executive Officer, Bernard Charlès, in accordance with the recommendation 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 Group.

Such shares shall be vested 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 have the same duties at the acquisition date. Following the termination of this 2-year acquisition period, the Chief Executive Officer must hold the granted shares until the end of a new 2-year lock-up period and may not sell or transfer them during that period.

The Chief Executive Officer must maintain at least 15% of the total amount of shares he acquires through the stock grants allocated to him in registered form in the conditions stated below in the paragraph "Lock-up commitment".

Table 7 – Free shares that have become available during 2008 for each executive director

	Number and date of plan	Number of shares that became available during 2008	Acquisition terms
Charles Edelstenne		0	
Total			
Bernard Charlès		0	
Total			

No free share became available during 2008. The 300,000 shares acquired by Bernard Charlès in 2008 pursuant to former grants of free shares are subject to a 2-year lock-up period at the end of which Bernard Charlès undertook to maintain at least 15% of the total amount of such shares until he has left his current functions (see also "Lock-up commitment" below). 150,000 more shares should be acquired in June 2009 and will be subject to the same lock-up commitment.

The authorization granted to the Company's Board of Directors by the shareholders on June 6, 2007, to grant shares to Company employees or certain categories of employees, representing up to 1% of the share capital, is still valid in 2009, since it was granted for a 38-month period. Taking into account the grant of free shares decided by the Board in June 2007 and September 2008, the Board is authorized to grant a further 867,503 shares.

Table 8 – 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: annual general shareholders' meeting to be held in 2011		X		X		X		X
Bernard Charlès President and Chief Executive Officer Director since (1st appointment): 04/08/1993 Term: annual general shareholders' meeting to be held in 2011	X (suspended)			X	X			X

Bernard Charlès' employment agreement was suspended in 2008 (see "Report of the Chairman of the Board on Corporate Governance and Internal Control" in Section 16.1 of this Annual Report).

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.

In 2003, the Board of Directors decided on an indemnity payment to be paid to Bernard Charlès in the event of his dismissal as President and Chief Executive Officer. In accordance with the legal requirements of the French "TEPA" law of August 21, 2007, the Board defined the conditions for payment at its meeting on March 28, 2008. Furthermore, according to the Code AFEP-MEDEF's recommendations, on

March 27, 2009, the Board specified that the decision on an indemnity payment would apply in the event of an imposed departure (*départ contraint*) from the Company, and also that payment of the indemnity would be subject to certain additional conditions.

The amount of the indemnity would be calculated on the basis of the aggregate gross compensation due for his mandate during the two financial years preceding the decision of the imposed departure, to which would be applied the percentage of the variable remuneration actually paid during the three financial years before the decision of the imposed departure as a portion of the target variable remunerations set forth each year by the Board.

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 related to a change in control or strategy, if this departure is not linked to bad results of the Company or to an error in management 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 DS 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 Group 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*), the indemnity payment will not be due.

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

Lock-up commitment

In accordance with the law, Dassault Systèmes' Board of Directors decided in 2007 and 2008, after prior consultation with the Compensation and Nomination Committee, that the Chairman of the Board and the President 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. These two executive directors must thus maintain in registered form at least 15% of the total amount of shares they subscribe or acquire in connection with stock options or free shares granted to them in 2007 and 2008, until they have left their current functions at the Company.

15.2 Transactions in the Company's shares by directors and executive officers 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 summarizes those transactions executed in 2008 as published by the AMF.

Date and place	Directors and Executive Officers	Nature of the transaction	Unit Price	Gross amount
2/26/2008 Euronext Paris	Etienne Droit	Subscription	€29.58	€295,800
		Sale	€36.90	€369,000
2/27/2008 Nasdaq	Joel Lemke	Subscription	$38.36	$767,200
		Sale	$53.47	$1,069,400
3/10/2008 Euronext Paris	Charles Edelstenne	Purchase	€35.93	€218,005.51
5/2/2008 Euronext Paris	Etienne Droit	Subscription	€29.58	€295,800
		Sale	€39.78	€397,800
5/7/2008 Euronext Paris	Etienne Droit	Purchase	€23.00	€230,000
		Sale	€40.00	€400,000
5/15/2008 Euronext Paris	Dominique Florack	Subscription	€29.58	€1,508,875.80
		Sale	€40.00	€2,040,400.00

Date and place	Directors and Executive Officers	Nature of the transaction	Unit Price	Gross amount
5/15/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€2,981,959.80
		Sale	€40.00	€3,000,000.00
5/16/2008 Euronext Paris	Dominique Florack	Subscription	€29.58	€709,624
		Sale	€40.00	€959,600
5/16/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€462,631.20
		Sale	€40.00	€465,480.00
5/27/2008 Euronext Paris	Etienne Droit	Subscription	€23.00	€230,000
		Sale	€40.64	€121,920
		Sale	€39.60	€396,000
5/28/2008 Euronext Paris	Etienne Droit	Subscription	€23.00	€460,000
		Sale	€40.96	€819,200
5/28/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€4,175,217.00
		Sale	€40.96	€4,292,812.80
5/29/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€4,497,727.74
		Sale	€42.60	€4,589,724.00
5/29/2008 Euronext Paris	Dominique Florack	Subscription	€29.58	€547,230
		Sale	€42.60	€788,100
8/5/2008 Euronext Paris	Philippe Forestier	Subscription	€29.58	€103,530
		Sale	€41.00	€143,500
8/6/2008 Euronext Paris	Philippe Forestier	Subscription	€23.00	€690,000
		Sale	€42.00	€1,260,000
8/6/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€1,479,000
		Sale	€42.00	€1,488,060
8/6/2008 Nasdaq	Joel Lemke	Subscription	$38.36	$287,700.00
		Sale	$63.53	$476,511.00
8/7/2008 Euronext Paris	Etienne Droit	Subscription	€23.00	€460,000
		Sale	€42.54	€850,738
8/7/2008 Nasdaq	Joel Lemke	Subscription	$46.55	$465,500
		Subscription	$38.35	$95,900
		Sale	$63.07	$630,700
		Sale	$63.42	$158,545
8/8/2008 Nasdaq	Joel Lemke	Subscription	$46.55	$465,500
		Sale	$64.35	$643,500
8/8/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€39,933
		Sale	€42.50	€40,375
8/11/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€699,567
		Sale	€42.50	€703,800
8/11/2008 Nasdaq	Joel Lemke	Subscription	$46.55	$931,000
		Sale	$65.63	$656,300
		Sale	$65.92	$659,200
8/12/2008 Nasdaq	Joel Lemke	Subscription	$32.11	$433,485
		Sale	$64.07	$864,945
8/13/2008 Nasdaq	Joel Lemke	Subscription	$32.11	$208,715
		Subscription	$41.92	$716,832
		Subscription	$51.06	$837,384
		Sale	$62.40	$1,154,400
		Sale	$63.22	$1,359,230
8/14/2008 Nasdaq	Joel Lemke	Subscription	$41.92	$180,256
		Sale	$63.92	$274,856
8/15/2008 Euronext Paris	Bruno Latchague	Subscription	€23.00	€1,610,000
		Sale	€42.50	€2,975,000

Date and place	Directors and Executive Officers	Nature of the transaction	Unit Price	Gross amount
8/15/2008 Nasdaq	Joel Lemke	Subscription	$41.92	$150,912
		Subscription	$51.06	$183,816
		Sale	$62.47	$224,892
		Sale	$62.55	$225,180
8/15/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€344,133.72
		Sale	€42.70	€346,254.30
8/25/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€510,846.60
		Sale	€41.00	€513,976.00
8/26/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€228,623.82
		Sale	€41.00	€230,010.00
8/26/2008 Euronext Paris	Thibault de Tersant	Subscription	€29.58	€1,729,394.70
		Sale	€41.00	€2,397,065.00
8/28/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€739,500
		Sale	€41.50	€744,012
8/28/2008 Euronext Paris	Thibault de Tersant	Subscription	€29.58	€1,731,465.30
		Sale	€41.00	€2,399,935.00
8/29/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€781,562.76
		Sale	€41.50	€786,300.50
11/3/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€4,486,043.64
		Sale	€32.50	€4,513,188.22
11/4/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€2,680,184.64
		Sale	€35.03	€321,454.55
		Sale	€32.50	€1,028,787.50
		Sale	€33.83	€599,316.34
		Sale	€33.13	€746,945.16
11/5/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€261,930.90
		Sale	€33.65	€263,517.08
11/6/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€283,790.52
		Sale	€32.00	€14,656.00
		Sale	€32.06	€110,593.55
		Sale	€32.07	€160,375.00
11/7/2008 Euronext Paris	Bernard Charlès	Subscription	€29.58	€550,986.66
		Sale	€32.13	€556,574.13
11/10/2008 Euronext Paris	Etienne Droit	Subscription	€23.00	€230,000
		Sale	€33.00	€330,000

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 June 9, 2009, 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 ("DS") and the conditions under which the work of the Board of Directors of DS is prepared and organized, as well as the internal control and risk management procedures established by DS and its subsidiaries (the "Company" or the "Group") for the fiscal year ended December 31, 2008. It is presented to you in addition to the management report included in the annual report (*Document de référence*) of DS for 2008.

This report has been prepared pursuant to article L. 225-37 paragraph 6 of the French Commercial Code and the recommendations of the AMF (*Autorité des marchés financiers)* contained in its Report on corporate governance and internal control of November 27, 2008. The Chairman has entrusted the diligence related to the preparation of this report to the finance, the legal and to the internal audit departments, which was then reviewed by the Audit Committee and approved by the Board of Directors of DS during its meeting held on March 27, 2009.

It should first be noted that DS is a French company listed on Euronext Paris – Compartiment A in Paris since 1996. Until October 2008, DS 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. Therefore, within the 2008 year, DS ensured compliance with the company law rules and the corporate governance rules applicable on each of the two markets.

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

Since DS 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 framework proposed by AMF in 2007.

In 2008, DS maintained its corporate governance practices in line with previous years and in accordance with new applicable rules and recommendations.

1) Composition and practices of the Board of Directors

a. Composition of the Board of Directors

In 2008, the Board of Directors of DS 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 in France by the Code AFEP-MEDEF. 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.

The Board members are elected to serve a six-year term, pursuant to the by-laws of the Company. In order to comply with the recommendations of the Code AFEP-MEDEF, the Board decided to propose to the Shareholders' Meeting to be held on June 9, 2009, to modify the duration of directors' terms of office by reducing it to 4 years in the by-laws for the new mandates and for the mandates to be renewed, the continuing terms remaining for an unchanged duration of 6 years. The staggering of term renewals will be carried out when the next terms expire.

All the information related to the composition of the Board of Directors is provided in Chapter 14 of the annual report (Document de référence) for 2008 of DS ("Administrative, management and supervisory bodies and senior management").

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 call for 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 2007 accounts of the parent company and consolidated accounts, the consolidated accounts for the first half of 2008, the management planning documents for 2008, review of quarterly results);
- the compensation of directors;
- the internal control (review of the assessment of the internal control procedures);
- review and enforcement of the new French and European rules and recommendations on corporate governance and financial communication.

The Board met 6 times in 2008, with an attendance rate of 85%.

The offices of Chairman of the Board and Chief Executive Officer have been separated. The DS Chairman of the Board, Mr. Charles Edelstenne, organizes and supervises the works of the Board and reports thereon at the shareholders' meeting. He ensures the smooth practices of the Board and its committees and that the directors are enabled 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 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.

In 2005, the Board of Directors adopted an internal regulation which defines the composition and operating rules of the Board and its committees, as well as the committees' responsibilities. In 2009, this internal regulation was revised by the Board of Directors to take into consideration the recommendations of the Code AFEP-MEDEF and also the fact that the Company is no longer subject to U.S. regulations with regard to corporate governance.

This internal regulation describes the usual 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, as well as in case an event occurs which might have a significant impact on the prospects, forecasts or the implementation of DS 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 on its practices and formal assessments shall be made every 3 years. In 2008, the functioning of the Board was on the agenda of one of its meetings and the means of improving its practices, which had been previously defined, were pursued.

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

Finally, the internal regulation states that external Directors (i.e. Directors who are neither executives, nor employees of DS) must meet at least once a year without the presence of the executive Directors to make a general review of the practices of DS and its Board.

c. Audit Committee

The Audit Committee of DS's Board of Directors is composed of four independent directors: Bernard Dufau, Chairman, André Kudelski, Paul Brown, and Jean-Pierre Chahid-Nouraï. The two first above mentioned were or currently are managers of companies, the third is an accounting university professor and the fourth has held various positions with senior financial responsibilities.

This Committee met physically three times in 2008. The Senior Executive Vice President and Chief Financial Officer of DS, the Group Finance Vice President, the consolidation director, the internal audit director, the general counsel and the external auditors of the Company attended these meetings. In addition, in order to review the quarterly earnings announcements and other issues, the members of the Audit Committee held four conference calls with the Senior Executive Vice President and Chief Financial Officer, the Group Finance Vice President and the consolidation director. The attendance rate for these meetings and calls was 93%.

The responsibilities of this Committee as defined in its internal regulation were expanded in 2003 in order to take into consideration both the French recommendations of the Bouton report and the new US rules resulting from the Sarbanes-Oxley Act which were applicable to the Company until the end of 2008. The internal regulation of the Committee was reviewed by the Board of Directors on March 27, 2009, in order to take into consideration the delisting 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.

The Audit Committee acts under exclusive and joint liability of the members of the Board. Its mission is to ensure the follow up of the 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 annual audit by the external auditors of the accounts of the parent company and of the consolidated accounts, as the case may be, and the independence of the statutory auditors.

The Audit Committee is responsible for scrutinizing these various matters and giving its recommendations or providing its advice to the Board of Directors.

The Audit Committee also approves the annual plan of the internal audit missions. The internal audit director reports to this Committee the outcome resulting from the performance of its work.

In 2008, in addition to its traditional responsibilities, the Committee was informed of the progress of the internal controls and procedures assessment pursuant to the French and U.S. regulations then applicable, and were consulted on the delisting from the Nasdaq. One meeting was devoted to reviewing the main risks which may face the Company.

d. Compensation and Nomination Committee

Since its creation in April 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 scrutinize the policy of the Group for the nomination and compensation of the executive officers who are not members of the Board,

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

(vi) to debate the stock-options allocation policy or any kind of profit-sharing mechanism based on DS 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 2008, the Compensation and Nomination Committee met twice with an attendance rate of 100%. It has confirmed the independence of DS "independent directors", on the basis of responses to the questionnaire sent to each director. It formulated recommendations to the Board of Directors about the Directors' fees allocation, the free allocation of shares to the Chief Executive Officer and the allocation of stock options to certain executives and employees of the Group. It also reviewed the structure of the 2008 compensation of the executive officers who are not members of the Board and reviewed the stock option allocation general process.

The Committee has issued advice on the variable part of the compensation of the Chief Executive Officer for 2007 and has proposed to the Board a compensation composed of a fixed amount and variable amount for the Chief Executive Officer and a compensation amount for the Chairman of the Board for 2008. In 2009, the Compensation and Nomination Committee should meet at least twice.

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

The DS compensation policy is designed to attract, motivate and retain highly qualified individuals needed to achieve the Company's 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 the 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 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 amount of the variable portion is reviewed every year in order to be consistent with DS strategic orientations and includes 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. Most of the employees of the French direct subsidiaries of Dassault Systèmes SA are also eligible for corporate profit-sharing.

For the Chief Executive Officer, the target variable can represent up to 100% of the fixed portion, depending on the achievement of objectives. This variable portion depends on the performance of the Company in light of the implementation of the strategic orientations defined by the Board of Directors. The Board evaluates the effective implementation of the strategic objectives each year and determines consequently the amount of the variable portion to be paid for the preceding year, in accordance with the recommendations of the Compensation Committee on this matter. In 2008, the Board of Directors decided to pay the total amount of the variable compensation due for 2007 on the basis of the achievement of the objectives, corresponding to 100% of the fixed portion. In addition, the Chief Executive Officer receives benefits in-kind, as indicated in the Chapter 15 of the Annual report (*Document de Référence*), which contains all the figures with respect to compensation of the executive officers.

The Board of Directors, during its meeting held on March 27, 2009, decided to fix the amount of the variable compensation due to the Chief Executive Officer for 2008, paid in 2009, at €855,000, after the review of the allocation criteria set forth in 2008.

During its meeting on March 27, 2009, the Board of Directors decided not to proceed with the review of the fixed or variable portions of the compensation of the Chairman of the Board of Directors and of the Chief Executive Officer for 2009, which remains equal to 2008 until a new decision of the Board, in accordance with the DS policy of not revising the compensation of its executive officers and employees for the time being. Compensation may be revised later in 2009. Any new decision of the Board with respect to the compensation of the executive directors will be published in an appropriate manner, in accordance with the corporate governance rules, at the time it will occur. The aggregate information related to the 2008 compensation of the Chairman of the Board and Chief Executive Officer is provided in the Chapter 15 of the DS annual report (*Document de référence*) for 2008.

As in preceding years, the Chairman and the Chief Executive Officer will receive director's fees. The maximum aggregate amount of directors' fees for all directors together is €250,000.

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

In accordance with the Code AFEP-MEDEF, the cases in which an indemnity payment might be due to the Chief Executive Officer were reviewed and modified by the Board of Directors during its meeting on March 27, 2009. This review gave rise to a publication, in compliance with the French Commercial Code.

Thus, an indemnity payment, equal to a maximum of 2 years of compensation, 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 related to a change in control or strategy, if this departure is not linked to bad results of the Company or to an error in management 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 DS Group.

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 DS Group, or in the event he would be able to benefit from pension rights shortly after leaving the Company. Furthermore, in the event of exceptional circumstances seriously damaging the image or results of the Group 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, the Board may decide that the indemnity payment is not due.

The performance criteria to which the payment of the indemnity is subject and the method for computing the indemnity remain the same as those decided by the Board on this matter in March 2008 and are described in the DS annual report (*Document de référence*) for 2008 in Chapter 15.

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. Nevertheless, this recommendation applies to new or renewed mandates as director, at the discretion of the Board of Directors. Therefore, the Board of Directors of DS considered that it will have to take a decision on this matter at the time of the possible renewal of the terms of the current Chief Executive Officer, in 2011.

• Free shares and stock options

The executive officers are given long-term incentives through grants of stock options, intended particularly to encourage them to act in the best interests of DS 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.

It should be noted that the Chief Executive Officer of DS was granted stock options and free shares in 2008. The Board decided at this occasion, according to the Compensation Committee's recommendations, to impose a commitment to keep at least 15% of the shares acquired through these allocations, until the termination of his functions. Nevertheless, these allocations occurred before the publication of the Code AFEP-MEDEF. The modalities and the allocation criteria of the stock options and free shares granted to the executive directors will be scrutinized later by the Board, when the next allocations may be decided, in light of the AFEP-MEDEF Code and after the Compensation Committee has given its opinion. In the same manner, the maximum portions represented by these stock options and actions within the aggregate compensation of the executives and within the authorization given by the shareholders' meeting will be decided upon the next allocations to come.

f. Scientific Committee

The Scientific Committee is composed of two directors, Bernard Charlès and Arnoud De Meyer and of an executive officer, Dominique Florack, the company's Senior Executive Vice President Products – Research and Development. The Committee meets at least once a year. Its members were nominated when the Committee was created. The Committee reviews the research and development directions, scrutinizes DS Group's technological advances and makes recommendations on these matters. DS employees having the adequate competences in research and development or regarding questions raised by the Committee may be invited to these meetings.

In 2008, the Scientific Committee met 3 times with an attendance rate of 67%. It discussed the new possibilities offered by the version 6 of DS software, presented as "PLM 2.0", which was publicly announced in early 2008. The Committee also debated the 3DVIA strategy and the potential development of DS's business in this area. Finally, during its last meeting, the Committee addressed the subject of digital manufacturing, studying how DS software may have a simultaneous impact on different levels of the manufacturing process. The Scientific Committee plans to meet at least twice in 2009.

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 bylaws, 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 shall fall under the sole and exclusive responsibility of the shareholders.

Similarly, the Board of Directors has sole responsibility to (i) call shareholders' meetings, (ii) prepare the parent company and consolidated financial statements and the annual management report, (iii) prepare forecast management documents and the corresponding reports, (iv) issue prior authorizations for regulated agreements, (v) co-opt directors, (vi) appoint and dismiss the Chairman of the Board or the Chief Executive Officer, (vii) set their respective compensation, (viii) create Board Committees and appoint Committee members, and (ix) 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 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 (provided by banks debts or capital markets), in the event where these transactions exceed certain thresholds which are determined at the beginning of the year by the Board of Directors' meeting approving the accounts for the preceding fiscal year, and which are effective until the next Board meeting approving the annual accounts.

On March 27, 2009, the Board authorized the Chief Executive Officer, for one year, until the next meeting of the Board approving the annual accounts, to grant guarantees in the name of DS in the limit of €100 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 head office of the Company in France, who are named in Chapter 14 of the annual report of DS, who meet weekly and compose the Executive Committee.

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 corporate governance and internal control procedures recommended by the AMF.

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

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

a. Internal control objectives

The internal control procedures within the Company, whether at the level of the parent company or the subsidiaries, are designed to:

- improve the performance and efficiency of operations through optimized use of available resources;
- ensure the reliability, quality and availability of financial data;
- ensure that operations comply with legislations in force and the Company's internal procedures;
- guarantee the safety of the assets, particularly the intellectual property, the human and financial resources and the image of the Company;
- 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 mandate described above. At the same time, the Company's management has established the following bodies:

- An Insider Committee in 1997,

This committee is responsible for setting and communicating within the Company the dates of the periods during which it is recommended to directors and certain employees to not buy or sell DS shares, in order to prevent insider trading. This Committee is to be informed of the 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 created in 2003 and 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 DS 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 2008, the internal audit department was in charge of the assessment, for the management team, of internal control mechanisms related to financial reporting.

- An Ethics Committee was established in May 2004 to monitor the implementation of the Code of Business Conduct which defines the ethical behavior rules applicable within the Company and to provide a right of recourse to all employees who would notice violations of the Code in the areas of accounting, internal financial controls or audits.

The internal control organization is also based on the principle of empowering each of the departments and subsidiaries of the Company in its area of expertise, on delegations of powers to certain members of the Executive Committee of the Company and on limitations of the powers of each of the chief executives or managers of the subsidiaries.

Moreover, the subsidiaries chief executives and financial officers are responsible for the preparation of the subsidiaries accounts which are included in the consolidated accounts of the Company, and the accounts and activity reports for each of their respective subsidiaries.

The Group 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 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 various entities of the Company have implemented for several years codes and rules that promote business ethics. To establish a common culture and ethical practices within the Company, a Code of Business Conduct for all Company employees was established and communicated in 2004, and has been updated regularly. This Code is available on the Company's intranet site and every new employee must be aware of it.
- 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 DS annual report (*Document de référence*) "Risk factors" for 2008. This Chapter mentions the measures taken by the Company to manage or mitigate the risks when possible. The Audit Committee regularly reviews and devotes a meeting to the evaluation of measures limiting the main risks facing the Company.

  Operational risks are managed mostly at the level of the subsidiaries, with intellectual property risks handled by the Group's headquarters legal services, and ethical conduct risks handled by the Group's Ethics Committee and Compliance Officer. Management of financial risks is the responsibility of the Group's treasury and Financial Division.
- Protection and Control 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 taken steps during recent years to further protect its inventions through a reasonable and well-considered approach to filing patents in several jurisdictions. Finally, the Company's principal brands are registered in a large number of countries.
  2) Information systems protection, which is critical to ensuring 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 reports is reviewed in detail in close cooperation between the financial, the legal and investors relations departments.
  4) The formalization and update of 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), whether at the level of the parent company or at the level of the main subsidiaries of the Group.
  5) Documentation on key control points allowing to warn or detect risks impacting the financial information in the significant entities of the Group.
  6) The tests realized on these key control points to estimate their implementation and efficiency.
  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 twice yearly communication forums where internal control processes are discussed, among other topics.

Furthermore, the Company is currently harmonizing the management and accounting systems of its main subsidiaries by deploying an ERP (Enterprise Resource Planning) integrated solution.

- Monitoring:

In 2008 the internal audit department carried out different missions within the Group's subsidiaries to verify compliance of the local internal control procedures with the Group objectives. These missions, authorized by the Audit Committee, resulted 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

Lastly, 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 to identify and analyze any variation from the objectives set by the Financial Division of the Company and from the previous quarter and 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 refined each quarter to take into account all changes in the PLM (*Product Lifecycle Management)* 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 complete consolidated statements every quarter and within a reasonable timing. The consolidation procedure as defined by the Company is based on:
    1. Giving responsibility to the financial officers in the subsidiaries, who are required to certify the quarterly statements transmitted to DS 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.
    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 Financial Division.
    5. The detailed analysis by the accounting department Group of the software and services transactions impacting in a significant manner the accounts in order to validate the accounting data.
- 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 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 American Sarbanes-Oxley Act with regard to the assessment of its internal control procedures, since its voluntary delisting from the Nasdaq in October 2008.

Previously, pursuant to sections 302 and 404 of the Sarbanes-Oxley Act, the Chief Executive Officer and the Senior Executive Vice President and Chief Financial Officer were required to give their opinions on the effectiveness of the disclosure controls and procedures and the internal control over financial reporting. On both matters, it was concluded that internal control procedures were effective for the fiscal year ended December 31, 2007.

In 2008, detailed assessment work continued to be carried out, the management of the Company wishing to maintain a high level of internal control within the Group. This work is in line with the continuing improvement process of the internal control, and allows the implementation of action plans and specific audits.

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

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

Shareholders participate in the shareholders' meeting of the Company according to provisions specified by law and by sections 26 to 34 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 held shares, according to section 28 of the by-laws of Dassault Systèmes.

b) Publication of the information as required by section L. 225-100-3 of the French Commercial code.

Information required by section L. 225-100-3 is set out in Chapter 10 "Capital Resources", Chapter 18 "Major Shareholders", Chapter 21 "Additional Information" and paragraph 15.1 "Remuneration and Benefits" of the DS annual report ("*Document de référence*") for 2008, which also includes the annual management report of the Board of Directors. This annual report *("Document de référence")* is available on the AMF website (www.amf-france.org) and on the DS website (www.3ds.com). The public availability of the annual report will be subject to a press release.

Charles Edelstenne
Chairman of the Board

16.2 Report of the Independent Auditors on corporate governance and internal control

For the year ended December 31, 2008

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 Dassault Systèmes

To the Shareholders,

In our capacity as Statutory Auditors of Dassault Systèmes, 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 December 2008.

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 articles 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 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 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 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 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 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 30 March 2009

The statutory auditors

PricewaterhouseCoopers Audit	**Ernst and Young**
Xavier Cauchois	Jean-Marc Montserrat

CHAPTER 17 – EMPLOYEES

17.1 Social Report

This report sets forth information regarding the number of employees at year-end 2008, as well as their distribution by geographic location and by type of activity.

a) Total employees of the Group

At December 31, 2008, the total number of Group employees was 7,875, compared to 7,459 at December 31, 2007, representing growth of 5.6% resulting not only from internal growth but also from acquisitions. The Group's total number of employees over the last three years is as follows:

At December 31,	Total employees
2008	7,875
2007	7,459
2006	6,840

The figures presented in this paragraph a) cover the employees of Dassault Systèmes SA and its subsidiaries as well as independent external service providers hired by the Group for a specific function and a limited period of time (totaling 1,115 at December 31, 2008). The data above is calculated on the basis of full-time equivalent employees.

In addition, at year-end 2008, 961 persons were employed by 3D PLM Software Solutions Limited, a development joint venture based in India. See Chapter 19 "Related Party Transactions" for a description of the relationship with 3D PLM.

By type of activity and geographic zone, the employees were distributed as follows:

	At December 31					
	2008	% of total	2007	% of total	2006	% of total
R&D and maintenance	3,468	44.04%	3,349	44.90%	3,164	46.26%
Sales, marketing and services	3,773	47.91%	3,536	47.41%	3,166	46.29%
Administration and other	634	8.05%	574	7.70%	510	7.46%
Total	**7,875**	**100%**	**7,459**	**100%**	**6,840**	**100%**
Europe	3,509	44.56%	3,515	47.12%	3,280	47.95%
Americas	2,665	33.84%	2,541	34.07%	2,304	33.68%
Asia Pacific	1,701	21.60%	1,403	18.81%	1,256	18.36%
Total	**7,875**	**100%**	**7,459**	**100%**	**6,840**	**100%**

b) Employees in France

At December 31, 2008, the Group had 2,439 employees in France, of whom 1,850 were employees of the company Dassault Systèmes SA. These employees were divided as follows:

- 2,335 employees under contracts without a defined term (*contrat à durée indéterminée* ("CDI")), of whom 1,765 were at Dassault Systèmes SA;
- 42 employees under contracts with defined terms (*contrat à durée déterminée* ("CDD")), of whom 31 were at Dassault Systèmes SA; and
- 62 trainees under apprenticeship contracts (*contrat d'apprentissage*), of whom 54 were at Dassault Systèmes SA.

At December 31, 2008, employees in France were made up 22.3% of women (544 persons) and 77.7% by men (1,895 persons).

The figures presented in this paragraph b) cover the company Dassault Systèmes SA and its French subsidiaries, Athys, Dassault Systèmes Provence and Dassault Data Services, and do not include its indirect subsidiaries, the branches of its foreign subsidiaries and independent external service providers.

Total number of hires by CDD and CDI

	New hires in 2008		
Type de contrats	**Dassault Systèmes SA**	**Direct subsidiaries in France**	**Total**
CDI	307*	62	369
CDD	42	10	52
Apprenticeship contracts (*contrats en alternance*)	39	6	45
Total	***388***	***78***	***466***

* of which 23 CDD were transformed into CDI

Difficulties in hiring

In 2008, DS faced a difficult labor market and a high level of competition. To meet the challenges of this situation, the Company's recruiting team was organized and took the following specific measures: long-term partnerships with schools and universities, strengthening of hiring programs to develop networks, and optimizing the recruitment process to be able to rapidly make offers targeting the best candidates.

These measures allowed the Company to achieve a successful year in terms of hiring, with respect to both quality and volume. In addition to permanent and temporary hires, DS is pursuing its policy of investment and staying close to students.

New hires in 2008 were divided as follows: 64% in R&D, 12% in Sales and Marketing, and 24% in Communication/Finance/Human Resources.

Terminations

In 2008, DS in France, excluding indirect subsidiaries, terminated 23 employment contracts, of which 14 were with the company Dassault Systèmes SA. The contract terminations were all based on personal reasons (*motifs personnels*).

Employee reduction plans, plans for maintaining employment, efforts to transfer, re-hires and assistance measures

The company Dassault Systèmes SA did not take any such measures in 2008. In addition, none of the Group's other French companies in France put in place any such plans.

c) Working schedule within the company Dassault Systèmes SA

Organization of work; work by full-time employees

In the company Dassault Systèmes SA, full-time management employees working for a full year (*en forfait jours*) have a standard annual work year of 216 days. The average work week for such management is 37.80 hours, taking into account legally required days off (*jours de réduction du temps de travail ("JRTT")*). For non-management employees, the average work week has 35 hours, taking into account JRTT.

Work time for part-time employees

In the company Dassault Systèmes SA, the average work time for part-time employees (representing 3.89% of Dassault Systèmes SA employees) is 77.37%. 53 employees are paid on a per day basis, and 19 employees are paid on a per hour basis (*en forfait horaire*).

Additional hours

The organization of the work time for employees working at the company Dassault Systèmes SA on a per hour basis (*en forfait horaire*) has been arranged according to a system of variable schedules, which does not provide for additional hours.

Absenteeism rate and causes

The company Dassault Systèmes SA has the following data regarding absenteeism in 2008, organized by reasons: illness (3,962 days), maternity leave (1,884 days), paternity leave (341 days), work and travel accidents (180 days). The absenteeism rate in 2008 for Dassault Systèmes SA, all reasons taken together, other than paid vacation, was 5.5%. The number of authorized leave days (leave for parents, leave for family events, etc.) at Dassault Systèmes SA was 6,611 days.

d) Compensation at the company Dassault Systèmes SA

Evolution in compensation

The total amount of annual salary at the company Dassault Systèmes SA increased 9.08% for 2008, compared to the preceding year.

Employee savings plan (Plan d'épargne salariale)

Since 1993, the company Dassault Systèmes SA has provided an employee savings plan to enable its employees to subscribe interests and portions of interests in a mutual fund (*Fonds Communs de Placements*) not investing exclusively in shares of Dassault Systèmes SA.

Application of the provisions of Titles I and II of Book III of the New French Labor Code (employee profit-sharing) by the company Dassault Systèmes SA

The total amount of Company employee profit-sharing (*intéressement*) for the year 2007 paid in 2008 was €8,195,622. The total amount of Company contribution to regulatory profit-sharing (*participation*) for the year 2007 paid in 2008 was €9,720,962.

The results of the year ended December 31, 2008, submitted for the approval of the shareholders on June 9, 2009, should permit the distribution of Company profit-sharing in the amount of €8,140,149 and the contribution of €6,604,314 to a special reserve account for regulatory profit-sharing.

The Company's Board of Directors decided in March 2009 to contribute a supplement to regulatory employee profit-sharing in the amount of €2,598,572, resulting in total regulatory employee profit-sharing (*participation*) of €9,202,886 with respect to 2008.

For the year 2008, Company profit-sharing and the contribution to the special reserve account for regulatory profit-sharing represented the equivalent of 7.9% and 8.9% of the total amount of salary for the year. To the extent that limits exist on the amounts which are to be distributed, the amounts paid to employees not subject to such limits represented 8.4% of annual salary for Company profit-sharing (*intéressement*), and 9.7% for regulatory employee profit-sharing (*participation*).

Social charges

The total amount of social charges for the company Dassault Systèmes SA in 2008 was €53,986,160.

Professional equal treatment men/women

In 2008, the differences between the average basic remuneration for women compared to men were as follows:

Position	
Non-management (7.19% of the employees)	+2.99%
Certain management (*Cadres "coefficientés"*) (2.81% of the employees)	+1.80%
Management and engineers (*Cadres et ingénieurs "positionnés"*) (90% of the employees)	– 6.38%

An agreement for equal treatment and balance within the company Dassault Systèmes was signed on November 7, 2007, by the trade unions CFE-CGC, CFDT and FO.

e) Professional relations at the company Dassault Systèmes SA

In 2008, there were 18 meetings with the workers' committee (*Comité d'entreprise*), 12 meetings with employee representatives, and 34 meetings for negotiation with all the trade unions representing employees in the company Dassault Systèmes SA.

These meetings led to agreements regarding:

- the required annual negotiation (*Négociation Annuelle Obligatoire (NAO)*), signed on April 17, 2008, by the trade unions CFE-CGC and CFDT;
- forecast planning and management of employment positions and competencies (agreement of the group GPEC), signed March 18, 2008, by the CFE-CGC, CFDT, FO and CFTC (for DDS);
- a one-time release of amounts distributed through Company profit-sharing, signed March 8, 2008 by the CFE-CGC, CFDT, CGT and FO;
- the project to spin-off DSF, signed June 23, 2008, by the CFE-CGC, CFDT, CGT and FO;
- the creation of a required collective health cost reimbursement plan for non-management employees, signed November 21, 2008, by the CFE-CGC, CFDT, CGT and FO;
- resources for the Employee Representative Institutions: offices for the workers' committee of Dassault Systèmes on the DS corporate campus, signed on April 10, 2008, by the CFE-CGC and CFDT;
- regulatory profit-sharing 2008-2009-2010, signed on June 26, 2008, by the CFE-CGC, CFDT, CGT and FO;

– amendment n° 1 to the PERCO agreement of July 4, 2007, signed June 30, 2008, by the CFE-CGC and CFDT; and

– the protocol on renewing the members of the workers' committee and the employee representatives, signed September 9, 2008, by the CFE-CGC, CFDT, CGT and FO.

f) Health and safety at the company Dassault Systèmes SA

The company Dassault Systèmes SA has a Health, Safety and Work Conditions Committee, which met 11 times during the year 2008.

In 2008, the company Dassault Systèmes SA modified its document for evaluating risks, specifically to adapt it to the new corporate campus at Vélizy and to take account of psychosocial risks, risks relating to posture and muscular-skeletal issues, as well as risks related to wifi.

g) Training

DS encourages its employees to develop through knowledge, leadership and creativity. It fosters continuous learning and innovation through collaboration within the Group via training courses and multiple opportunities for learning throughout its ecosystem.

Each employee is invited at individual growth and development meetings to develop his own training program together with his management, and in coordination with strategic changes in his organization.

In 2008, the principal training objectives within the company Dassault Systèmes SA were an extension of the Group's specific management plan, assistance for transformations related to V6 and Internet for R&D employees, and assistance for our sales and services organizations around the world.

h) Community activities

The company Dassault Systèmes SA provides subsidies to the workers' committee in an amount equivalent to 5.20% of total salaries for the on-going year to support social and cultural activities. This contribution is recognized as one of the largest on the market. In 2008, the workers' committee received €5,241,472 for these activities.

i) "Ethical Business Code", Diversity and Employment Opportunities

DS's professional ethical code is formalized through corporate governance procedures, and in particular through the Ethical Business Code. The code is the formal expression of DS's commitment to manage the Company in accordance with the highest ethical standards. The code sets the framework for the behaviour and interaction of DS employees both internally and externally. It considers interactions within the Group and its ecosystem, the protection of assets (in particular the intellectual property belonging to DS, its clients and partners), and the possibility of conflicts of interest.

During the year 2008, DS also created and placed on its Internet site "Corporate Principles of Social Responsibility" to formalize its commitment as a corporate citizen. In preparing these principles, DS focused on the awareness and respect of applicable national laws, and more specifically, the fundamental standards for social rights and the protection of the environment, such as the Universal Declaration of the Human Rights, the Basic Labor Principles and Rights by the International Labor Organization, the OECD Directives for Multinational Companies and the United Nations Convention of Children's Rights.

The Group is committed to diversity and encourages encounters between different cultures and competencies. Group employees can also continue to acquire knowledge and skills, while also developing the economic efficiency and competitiveness of the Group.

The agreement on work opportunities for handicapped persons was renewed in 2007 for three years and signed by the CFE-CGC, CFDT and FO. This agreement demonstrates Dassault Systèmes SA's desire to make the hiring, training and on-going employment of handicapped persons an important objective of its Corporate Principles of Social Responsibility. Actions taken since 2007 to give effect to the agreement are organized around the following three axes:

– training: during the year 2008, DS hosted in its facilities seven handicapped trainees, of whom three were from the EREA Toulouse-Lautrec school of Vaucresson. DS also pursued a partnership with the Centre de Rééducation Professionnelle Jacques Arnaud and participated in training 33 handicapped persons seeking employment as part of its long-distance training program "Assistant 3D";

– recruitment of handicapped persons and on-going employment: DS has today 19 handicapped employees. Four of them have benefitted from actions to maintain employment (voice synthesizer, screen-enlarger, adjustment of work schedule).

  DS also continued in 2008 its membership in the Tremplin association (recruiting network), its participation in the site "Hanploi.com", its partnership with the "Handimanagement" association and with the Conférence des Grandes Ecoles by receiving future management personnel from the schools ISEP, INSA, Centrale Lyon and the Ecole des Mines de Nantes to sensitize them to the issues of handicapped employees; and

– internal communications and sensitivity training regarding handicapped persons within the Company: DS has established days for developing sensitivity and training in French sign language, as well as specific training for persons responsible for hiring, human resources managers and management.

DS's active policy of offering employment opportunities to handicapped workers enabled it to multiply by three the number of handicapped workers at DS since 2003.

j) External labor force and sub-contracting

The amount paid by the Group to external companies for the use of temporary employees was €503,283 in 2008.

In 2008, the Group spent €11.8 million for sub-contracting. The Group is careful to hire only sub-contractors who respect the terms of the basic conventions of the International Labor Organization concerning labor union freedoms and the protection of union rights, the abolition of forced labor, equality of remuneration as between women and men, the absence of discrimination (work and profession) and the abolition of child labor.

k) Impact of business on regional labor and development

Growth in the number of the Group's employees benefits local and regional development. DS works in close collaboration with educational establishments and industrial partners to promote innovation. The Group is also present in high schools and higher education, with a triple objective: to develop interest in scientific careers, to prepare students for professional life and to generate local employment.

For this purpose, in France, Dassault Systèmes SA and the Ministry of Education work together to promote scientific and technological studies through two programs, "Course en Cours" and "Mobi3". The first program is in partnership with the University of Versailles/Mantes la Jolie and Renault and brings together more than 600 students who use CATIA to create mini Formula 1 race cars. The second program, a public-private multi-company partnership (Nokia, SFR, IBM, DLA Piper, DS and the association of the Institut de mécénat social), allows students in disadvantaged regions to discover technologies and careers related to the lifecycle of portable telephones through using 3DVIA Shape.

Internationally, DS is also committed to develop local skills and know-how.

l) Relations with the community

DS is active in community actions, putting its technological innovations at the service of local communities and developing actions in education.

Schools

For DS, sharing technological innovation – through partnerships – is a means for building a society based on knowledge. DS creates opportunities for learning and training through the use of its solutions in very diverse educational institutions.

DS thus works together with primary schools, high schools, universities and major educational institutions around the world. DS's academic partnership program includes diverse actions in each of its brands, which it puts into effect through a dedicated Internet site, by making educational resources available, by the delivery of certifications by partners, and through different partnerships. Each year, more than 1,300,000 students become familiar with DS's 3D technologies and PLM.

DS is a member of the most important international engineering organizations, which enables it to contribute to training tomorrow's engineers. DS is thus a founding member and member of the board of directors of the International Federation of Engineering Education Societies. Finally, the PLM competency centers in India, China, Brazil and Mexico, where DS works in partnership with the Ministry of National Education, permit the development of skills in the area of advanced technology.

Associations

DS seeks to create bridges between business and community associations through collaboration and sponsoring. For example, in 2008:

– DS maintained its membership in several French associations, such as IMS (Institut de mécénat social) or ORSE (Observatoire de la responsabilité sociale de l'entreprise) as well as the European association "Corporate Social Responsibility (CSR) Europe";

– the U.S. company Dassault Systemes Simulia Corp. sponsored the First Lego League program to promote science and technology among students aged 9 to 14 years old;

– the U.S. company Dassault Systemes Delmia Corp. worked together with several local associations, making contributions in kind and, through a recovery program, repairing and selling old computers, with the proceeds used for community projects;

- the company Dassault Systemes Israël Ltd also continued working together with several associations such as “PUSH” which organizes educational support for young people in disadvantaged areas;
- the U.S. company Dassault Systemes SolidWorks Corp. participated for the sixth time in the “PanMassachussetts Challenge”, an event to collect funds for the treatment and research institute Dana Farber Cancer Institute. In all, more than $2 million were raised by the employees of SolidWorks; and
- to support humanitarian aid after the earthquake in China in 2008, DS offered $145,572 to the Red Cross, including $72,786 contributed personally by DS employees.

Relations with users of DS products

DS organizes annual meetings with its software clients and partners to present new products, to understand their needs and to discuss best industrial practices. In 2008, these meetings took place on three continents:

- in Europe: Developer Conference, European CATIA Forum, Russia PLM Forum, DELMIA User Conference, Spanish PLM Forum and CATIA PLM Days in Hungary, Romania and Slovenia, as well as the ENOVIA Customer Conference;
- in the Americas: SIMULIA Customer Conference, North America DELMIA User Conference, SolidWorks World, Innovation & Collaboration forums in Argentine, Brazil and Mexico, as well as the ENOVIA Customer Conference; and
- in Asia-Pacific: India PLM Summit, Korea PLM Executive Summit, Japan CATIA Forum, Taiwan PLM Forum, and DELMIA Asia Pacific User Conference, as well as the ENOVIA Customer Conference.

m) Subsidiaries

DS’s foreign subsidiaries are sensitive to the impact of their business on regional development and local populations and share and promote technological innovation through educational and community partnerships.

Growth in the number of DS employees has a positive impact on the development of regions where the Group’s subsidiaries are based. Whether the subsidiaries belong to the Group for several years or were recently acquired, growth in the number of their employees is mostly achieved principally through local hiring (in particular through close collaboration with local schools, high schools and universities).

DS makes available for any shareholder who requests it the social report required by articles L. 2323-68 *et seq.* of the French Labor Code.

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, 2008, there were 16 active stock option subscription plans for the benefit of certain management and employees. Three stock option subscription plans expired during 2008. The exercise price of stock options granted pursuant to the plans was fixed by reference to the market value of the Dassault Systèmes shares on the date of grant of the stock options, and complied with the legal minimum exercise price as prescribed (80% of the average share price during the 20 trading days preceding the grant date).

The general meeting of shareholders on May 22, 2008, 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 20% of the Company’s share capital.

The Board of Directors used this authorization on September 25, 2008, to grant 1,436,600 stock subscription options to 502 beneficiaries.

The following tables provide certain information on our stock options plans in effect during 2008.

Stock option plan	1998-1	1998-02	1998-03	1998-04	1998-05	1998-08	1998-09	1998-10	1998-11	1998-12
Meeting of Board	Jan. 28, 1998	Nov. 09, 1998	Nov. 09, 1998	Sept. 15, 1999	Sept. 15, 1999	Mar. 29, 2001	Mar. 29, 2001	June 29, 2001	Oct. 05, 2001	Oct. 05, 2001
Shareholders' Meeting	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998	Jan. 26, 1998
Number of options granted	750,000	2,468,730	354,750	3,297,000	320,000	2,909,600	553,300	138,000	1,387,400	328,650
– to *mandataires sociaux*	0	1,039,050	0	1,841,750	0	1,672,250	0	0	655,000	0
– to the top 10 beneficiary employees (excluding *mandataires sociaux)*	706,000	838,000	126,000	844,000	103,500	736,000	176,600	116,403	424,100	101,000
Maximum number of shares	750,000	2,468,730	354,750	3,297,000	320,000	2,909,600	553,300	138,000	1,387,400	328,650
Number of beneficiaries	26	1,018	296	556	290	531	513	44	400	434
Exercise price in euro	26.37	29.58	29.58	37.00	37.00	52.00	52.00	49.00	35.00	35.00
First exercise date	Jan. 28, 1998	Nov. 09, 2000	Nov. 09, 1998	Sept. 15, 2001	Sept. 15, 1999	Mar. 29, 2003	Mar. 29, 2001	June 29, 2001	Oct. 05, 2002	Oct. 05, 2002
Last exercise date	Jan. 27, 2008	Nov. 08, 2008	Nov. 08, 2008	Sept. 14, 2009	Sept. 14, 2009	Mar. 28, 2011	Mar. 28, 2011	June 28, 2011	Oct. 04, 2011	Oct. 04, 2011
Number of options exercised in 2008	300	1,391,819	46,413	23,999	45,685	0	53,650	15,915	23,718	25, 809
Number of options cancelled in 2008	0	19,303	2,025	3,625	750	38,130	3,950	0	951	1
Number of options outstanding as of Dec. 31, 2008	0	0	0	3,068,587	53,038	2,781,360	177,080	42,715	1,252,112	57,406
Number of options exercised between Jan. 1, 2009 and Feb. 28, 2009	0	0	0	0	575	0	0	0	0	0
Number of options cancelled between Jan. 1, 2009 and Feb. 28, 2009	0	0	0	1,000	525	2,500	3,600	0	1,400	100
Number of outstanding options as of Feb. 28, 2009	0	0	0	3,067,587	51,938	2,778,860	173,480	42,715	1,250,712	57,306
Number of options exercised as of Feb. 28, 2009	722,300	2,392,897	308,087	160,348	216,510	0	269,040	87,077	98,339	213,432
Number of options exercisable as of Feb. 28, 2009	0	0	0	3,067,587	51,938	2,778,860	173,480	42,715	1,250,712	57,306

Stock option plan	2002-01	2002-02	2002-03	2002-04	2005-01	2005-02	2006-01	2006-02	2008-01	Total
Meeting of Board	May 28, 2002	May 28, 2002	Jan. 20, 2003	Jan. 20, 2003	Mar. 29, 2005	Mar. 29, 2005	Oct. 9, 2006	June 6, 2007	Sept.25, 2009	
Shareholders' Meeting	May 28, 2002	May 28, 2002	May 28, 2002	May 28, 2002	May 28, 2002	May 28, 2002	June 8, 2005	June 8, 2005	May 22, 2008	
Number of options granted	1,363,563	355,300	3,325,000	675,000	967,150	232,850	1,405,700	1,325,900	1,436,600	23,594,493
– to *mandataires sociaux*	651,433	0	1,500,000	0	80,000	0	150,000	150,000	150,000	7,889,483
– to the top 10 beneficiary employees (excluding *mandataires sociaux)*	454,000	139,000	1,060,000	219,000	405,000	104,000	410,000	407,000	440,000	7,809,603
Maximum number of shares	1,363,563	355,300	3,325,000	675,000	967,150	232,850	1,405,700	1,325,900	1,436,600	23,594,493
Number of beneficiaries	378	401	803	533	264	88	447	462	502	7,986
Exercise price in euro	45.50	45.50	23.00	23.00	39.50	39.50	47.00	47.50	38.15	
First exercise date	May 28, 2003	May 28, 2003	Jan. 20, 2004	Dec. 31, 2004	Mar. 30, 2007	Mar. 30, 2006	Oct. 10, 2009	June 7, 2010	Sept. 25, 2009	
Last exercise date	May 27, 2012	May 27, 2012	Jan. 19, 2013	Jan. 19, 2013	Mar. 28, 2012	Mar. 28, 2012	Oct. 8, 2013	June 5, 2014	Sept. 24, 2015	
Number of options exercised in 2008	0	37,609	205,592	17,900	2,800	28,550	0	0	0	1,919,759
Number of options cancelled in 2008	33,857	1,900	1,100	1,800	70,300	0	115,200	80,800	20,800	394,492
Number of options outstanding as of Dec. 31, 2008	1,283,992	107,179	2,524,567	116,635	853,850	110,150	1,256,800	1,234,400	1,415,800	16,335,671
Number of options exercised between Jan. 1, 2009 and Feb. 28, 2009	0	0	2,020	1,230	0	0	0	0	0	3,825
Number of options cancelled between Jan. 1, 2009 and Feb. 28, 2009	6,200	500	0	0	18,550	7,450	22,700	14,800	6,000	85,325
Number of outstanding options as of Feb. 28, 2009	1,277,792	106,679	2,522,547	115,405	835,300	102,700	1,234,100	1,219,600	1,409,800	16,246,521
Number of options exercised as of Feb. 28, 2009	440	200,395	784,178	511,495	8,500	94,450	0	0	0	1,599,458
Number of options exercisable as of Feb. 28, 2009	1,277,792	106,679	2,522,547	115,405	835,300	102,700	0	0	0	12,383,021

At December 31, 2008, the Company's *mandataires sociaux* (the three of our directors who are also executive officers: Charles Edelstenne, Bernard Charlès and Thibault de Tersant) hold, respectively, 1,360,710, 4,147,723 and 1,285,452 share subscription options.

See paragraph 15.1 "Compensation of the Company's *Mandataires Sociaux*" above regarding options granted to *mandataires sociaux*.

See paragraph 15.1 "Compensation of the Company's *Mandataires Sociaux*" and Chapter 18 "Major Shareholders" regarding DS shares held by the Company's *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 Group employees who received the largest number of Company stock options during 2008 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 Group employees who have exercised the largest number of Company stock options during 2008 and who are not members of the Board:

	Total number of options	Weighted average exercise price	Plan nº 1998-2	Plan nº 1998-4	Plan nº 1998-11	Plan nº 2002-03	Plan nº 2008-01
Stock options granted in 2008 to the ten employees of DS SA who received the largest number of DS stock options	440,000	€38.15					440,000
Stock options exercised in 2008 by the ten employees of DS who exercised the largest number of DS stock options	374,500	€27.16	170,500	14,600	19,400	170,000	

17.2.2 Options to subscribe SolidWorks shares

The Company's subsidiary Dassault Systèmes SolidWorks created in 1998 a SolidWorks stock option subscription plan 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 the Company. As of December 31, 2008, with the exception of 20,000 stock options giving the right to subscribe to 0.08% of Dassault Systèmes SolidWorks Corp.'s share capital, which are held by an employee who is not a DS executive officer, there are no more options outstanding under this plan.

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 the Company's 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 %[4]
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[2]	251,807	0.21%	–	–
Treasury shares	1,300,000	1.09%	–	–
Directors and senior management[3]	581,816	0.49%	586,776	0.41%
Public	57,158,722	48.09%	57,355,275	40.26%
Total	***118,862,326***	***100%***	***142,471,860[4]***	***100%***
At December 31, 2007				
Groupe Industriel Marcel Dassault	51,787,334	44.04%	63,317,846	46.34%[4]
Charles Edelstenne[1]	7,658,122	6.51%	15,316,129	11.21%
SW Securities LLC[2]	255,204	0.22%	–	–
Directors and senior management[3]	112,037	0.09%	118,497	0.09%
Public	57,791,856	49.14%	57,893,906	42.36%
Total	***117,604,553***	***100%***	***136,646,378[4]***	***100%***
At December 31, 2006				
Groupe Industriel Marcel Dassault	51,460,436	44.45%	57,490,948	44.46%[4]
Charles Edelstenne[1]	7,658,122	6.61%	15,316,129	11.84%
SW Securities LLC[2]	261,578	0.23%	–	–
Directors and senior management[3]	18,762	0.02%	24,462	0.02%
Public	56,371,392	48.69%	56,485,144	43.68%
Total	***115,770,290***	***100%***	***129,316,683***	***100%***

(1) Including shares held in trust for the benefit of his family.
(2) *Because SW Securities L.L.C. is a subsidiary of SolidWorks Corporation, shares held by SW Securities L.L.C. do not have voting rights.*
(3) *"Senior management" includes the senior officers listed in this Annual Report, other than Mr. Edelstenne.*
(4) See the following paragraph for an explanation.

The total number of votes published on the Company's web site is different from the number set forth in the table above. The number of votes published each month by the Company 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 declared to the AMF an unadjusted percentage of voting rights of 48.04% at December 31, 2008, 46.25% at December 31, 2007, and 44.37% at December 31, 2006.

At December 31, 2008, the total number of voting rights amounted to 144,023,667 (the number of votes which may be exercised, not including shares for which voting rights have been suspended, was 142,471,860) and, on February 28, 2009, the total number was 144,033,029 (the number of votes which may be exercised was 142,481,222). The total number of voting rights is published by the Company 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.

The investment managers Orbis Investments Management Limited and Orbis Asset Management Limited (together, “Orbis”) informed the Company that as of November 2007, they held collectively more than 2.5% of the Company’s share capital, and that as of March 2008 they held more than 2.5% of voting rights, through the collective investment schemes which they manage.

To the knowledge of the Company, based on shareholder obligations to declare their equity interest or voting rights if it exceeds or falls below certain levels, there are no other shareholders (except as indicated in the table above) who held more than 2.5% of the Company’s share capital or voting rights (the threshold set forth in the Company’s by-laws), alone or in agreement with other shareholders, at December 31, 2008.

The Caisse des Dépôts et Consignations (the “CDC”), which had acquired more than 2.5% of the Company’s share capital and voting rights in 2006, informed the Company, in accordance with the Company’s by-laws, that its voting rights fell below 2.5% of total voting rights in 2007, and that its equity interest fell below 2.5% of the Company’s share capital in August 2008.

Although the Company 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. At February 27, 2009, there were 2,047,983 ADSs outstanding and 73 record holders of ADSs, holding either for themselves or for third parties. The U.S company DTC (Depositary Trust Company), which is a registered holder, holds ADSs representing the Company’s shares for 2,575 other persons.

In January 2009, the Company commissioned a survey on the Company’s shares from an external specialized services provider. The survey indicated that approximately 274 institutional investors (including CDC and Orbis, as mentioned above), each holding more than 2,000 shares, held in the aggregate approximately 44% of the Company’s share capital as of December 31, 2008. Based upon this survey, as of December 31, 2008, the proportion of the Company’s outstanding shares, including in the form of ADSs, held by institutional investors whose funds are managed from the United States was approximately 5.2% of the Company’s share capital.

As of the date of this report, the Company holds 300,000 treasury shares, which were repurchased by the Company as part of the share repurchase program authorized by the general shareholders’ meeting in May 2008. These treasury shares represented approximately 0.25% of the Company’s outstanding share capital as of March 27, 2009, and carry no right to vote or to dividends.

As of December 31, 2008, 61,228,620 outstanding shares (i.e. approximately 51.51% of the share capital) were held in registered form, representing 85,090,411 voting rights (i.e. approximately 59.72% 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 23,003 shares at December 31, 2008, 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.

18.3 Major shareholders

Groupe Industriel Marcel Dassault SAS (“GIMD”) is the principal shareholder of Dassault Systèmes with, as of December 31, 2008, 43.65% of the share capital and 48.04% of the voting rights of the Company as indicated in the notification filed by GIMD with the AMF on February 4, 2009. GIMD is wholly-owned by the members of the Dassault family. No other shareholder holds an equivalent or greater interest in the share capital or voting rights of the Company. Under French law, the quorum for an ordinary shareholders’ meeting is one-fifth of the total number of voting shares, decisions being taken by at least a majority of the shareholders present or represented.

Because GIMD owns more than one third but less than half of the shares and voting rights in the Company, under French company law, GIMD may not increase its participation by more than 2% of the total number of shares or voting rights of the Company in less than twelve consecutive months, unless it launches a tender offer on all the equity securities issued by the Company.

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 (*Conseil de surveillance*) of GIMD. These two directors are not members of the Nomination and

Compensation, Audit or Scientific Committees of the Company. The quorum for holding meetings of the Board of Directors of Dassault Systèmes, comprising 9 members, is at least half of the total number of members, and Board decisions are adopted by at least a majority of the voting directors.

18.4 Shareholder agreements

To the Company's knowledge, there is no shareholders' agreement or other convention between the shareholders of Dassault Systèmes. 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 Company's shares.

CHAPTER 19 – RELATED PARTY TRANSACTIONS

Dassault Systèmes licenses its products to Dassault Aviation and certain of its subsidiaries, which is under the control of GIMD and whose President is 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 €11.4 million for the year ended December 31, 2008 (€13.9 million for 2007 and €12.5 million for 2006).

Dassault Systèmes also provides services and technical support to Dassault Aviation and certain of its subsidiaries. This activity generated revenues of €14.3 million in the year ended December 31, 2008 (€10.1 million for 2007 and €8.2 million for 2006).

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. This joint venture provides services only to the Dassault Systèmes Group, which retains the resulting intellectual property. The Company accounts for 3D PLM as an equity investment and shows the Company's share of its results under "Income from equity investees". Services purchased from 3D PLM by Dassault Systèmes amounted to €19.9 million in 2008 (€16.0 million for 2007 and €12.7 million for 2006).

See Section 26.1 of this Annual Report and Note 25 to the Company's consolidated financial statements for further information on related party transactions. See also the Special Report of the Independent Auditors regarding related-party transactions under Section 20.4.3 for information on "regulated agreements".

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 of the annual shareholders' meeting of Dassault Systèmes scheduled for June 9, 2009.

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 2006 and 2007 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**	**2008**	**2007**
New licenses revenue		€407,549	€417,506
Periodic licenses, maintenance and product development revenue		746,816	645,846
Software revenue	4	**1,154,365**	**1,063,352**
Services and other revenue		180,416	195,497
Total revenue		**1,334,781**	**1,258,849**
Cost of software revenue		(56,759)	(52,991)
Cost of services and other revenue		(155,188)	(156,301)
Research and development		(309,627)	(302,922)
Marketing and sales		(387,261)	(349,975)
General and administrative		(109,328)	(97,139)
Amortization of acquired intangibles		(42,885)	(35,483)
Other operating income and expense, net	8	198	–
Operating income		**273,931**	**264,038**
Financial revenue and other, net	9	6,942	6,053
Income from equity investees		1,986	1,277
Income before income taxes		**282,859**	**271,368**
Income tax expense	10	(81,992)	(94,395)
Net income		**€200,867**	**€176,973**
Attributable to:			
Equity holders of the Company		€200,499	€176,683
Minority interest		€368	€290
Earnings per share			
Basic net income per share	11	€1.71	€1.52
Diluted net income per share	11	€1.68	€1.48

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

(in thousands)	Notes	Year ended December 31, 2008	2007
Assets			
Cash and cash equivalents	12	€794,145	€597,246
Short-term investments	12	46,298	29,351
Trade accounts receivable, net	13	329,395	319,968
Income tax receivable		58,603	19,994
Other current assets		79,759	76,600
Total current assets		**1,308,200**	**1,043,159**
Property and equipment, net	14	69,262	61,132
Investments and loans receivable	15	4,322	2,479
Deferred tax assets	10	38,302	35,988
Intangible assets, net	17	280,606	298,435
Goodwill	18	441,353	417,800
Total non-current assets		**833,845**	**815,834**
Total assets		**€2,142,045**	**€1,858,993**
Liabilities			
Trade accounts payable		€70,147	€48,419
Accrued compensation and other personnel costs		123,440	113,605
Unearned revenue		250,739	207,529
Income taxes payable		8,665	2,626
Other current liabilities		70,043	64,994
Total current liabilities		**523,034**	**437,173**
Deferred tax liabilities	10	26,082	28,985
Borrowings	19	200,000	200,000
Other non-current liabilities		88,436	74,625
Total non-current liabilities		**314,518**	**303,610**
Common stock		118,862	117,604
Share premium		141,980	112,249
Treasury stock		(32,555)	–
Retained earnings and other reserves		1,204,039	1,054,442
Other items		(129,471)	(167,355)
Parent shareholders' equity		**1,302,855**	**1,116,940**
Minority interest		1,638	1,270
Total equity	21	**1,304,493**	**1,118,210**
Total equity and liabilities		**€2,142,045**	**€1,858,993**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Notes	Year ended December 31, 2008	2007
Net income attributable to equity holders of the Company		**€200,499**	**€176,683**
Minority interest		368	290
Net income		200,867	176,973
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of real estate	8	(17,529)	–
Depreciation of property and equipment	14	22,956	24,688
Amortization of intangible assets	17	43,473	43,504
Deferred income taxes	10	7,171	19,380
Tax benefits from employee stock-option plans		7,206	1,029
Non-cash share-based payment expense	6	20,287	17,963
Other		18,510	3,996
Net cash from operations before changes in working capital		**302,941**	**287,533**
Changes in current assets and liabilities:			
Decrease (Increase) in trade accounts receivable		8,405	(32,905)
(Increase) in other current assets		(10,160)	(9,450)
Increase in accounts payable and accrued expenses		22,784	10,670
(Decrease) in income taxes payable		(31,808)	(10,696)
Increase in unearned revenue		31,569	49,894
(Decrease) Increase in other current liabilities		(14,712)	16,306
Net cash provided by operating activities		**309,019**	**311,352**
Proceeds from sale of property	14	36,000	–
Additions to property, equipment and intangibles		(53,577)	(30,123)
Purchases of short-term investments		(87,265)	(26,986)
Proceeds from sales and maturities of short-term investments		70,470	46,128
Payment for acquisition of businesses, net of cash acquired	16	(29,072)	(75,880)
Other		681	19
Net cash used in investing activities		**(62,763)**	**(86,842)**
Proceeds from exercise of stock options		57,514	47,042
Cash dividends paid	21	(53,676)	(50,827)
Repurchase of common stock	21	(78,960)	–
Principal payments on capital lease obligations		–	(432)
Net cash used in financing activities		**(75,122)**	**(4,217)**
Effect of exchange rate changes on cash		25,765	(31,791)
Increase in cash and cash equivalents		**196,899**	**188,500**
Cash and cash equivalents at beginning of period		**597,246**	**408,746**
Cash and cash equivalents at end of period		**€794,145**	**€597,246**
Supplemental disclosure			
Income taxes paid		€60,542	€66,307
Cash paid for interest, net		€7,604	€7,538

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Attributable to equity holders of the Company						Minority interest	Total Equity
(in thousands)	Common stock	Share premium	Treasury stock	Retained earnings and reserves	Other items	Total		
January 1, 2007	**€115,770**	**€64,528**	**€–**	**€909,594**	**€(76,636)**	**€1,013,256**	**€980**	**€1,014,236**
Net income	–	–	–	176,683	–	176,683	290	176,973
Net losses recognized directly in equity	–	–	–	–	(90,719)	(90,719)	–	(90,719)
Cash dividends paid		–	–	(50,827)	–	(50,827)	–	(50,827)
Exercise of stock options	1,834	47,721	–	–	–	49,555	–	49,555
Other stock transactions	–	–	–	17,963	–	17,963	–	17,963
Other changes	–	–	–	1,029	–	1,029	–	1,029
December 31, 2007	**117,604**	**112,249**	**–**	**1,054,442**	**(167,355)**	**1,116,940**	**1,270**	**1,118,210**
Net income	–	–	–	200,499	–	200,499	368	200,867
Net gains recognized directly in equity	–	–	–	–	37,884	37,884	–	37,884
Cash dividends paid	–	–	–	(53,676)	–	(53,676)	–	(53,676)
Exercise of stock options	1,920	52,862	–	–	–	54,782	–	54,782
Treasury stock transactions	(662)	(23,131)	(32,555)	(22,612)	–	(78,960)	–	(78,960)
Other stock transactions	–	–	–	20,287	–	20,287	–	20,287
Other changes	–	–	–	5,099	–	5,099	–	5,099
December 31, 2008	**€118,862**	**€141,980**	**€(32,555)**	**€1,204,039**	**€(129,471)**	**€1,302,855**	**€1,638**	**€1,304,493**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Recognized Income and Expense

(in thousands)	Year ended December 31, 2008	2007
Net income	**€200,867**	**€176,973**
Available for sale securities	28	(86)
Derivative (losses) gains on cash flow hedges	(9,184)	714
Foreign currency translation adjustment	43,878	(91,130)
Tax on items taken directly to or transferred from equity	3,162	(217)
Net income recognized directly in equity, net of tax	**37,884**	**(90,719)**
Total recognized income and expense for the period	**€238,751**	**€86,254**
Attributable to:		
Equity holders of the Company	€238,383	€85,964
Minority interest	€368	€290

The accompanying notes are an integral part of these consolidated financial statements.

Dassault Systèmes Notes to the Consolidated Financial Statements

Note 1. Description of Business

Dassault Systèmes, which refers to Dassault Systèmes SA and its subsidiaries (the "Company"), develops 3D and Product Lifecycle Management ("PLM") software solutions powered by three-dimensional (3D) representation. The Company provides software solutions and consulting services that enable its customers to innovate in products and services; accelerate product design in order to satisfy market demand; create and manufacture products more cost effectively; and simulate their end-customers' experiences. The Company largely markets and sells its software solutions through indirect selling channels. With respect to the sales of the Company's PLM solutions, International Business Machines Corporation ("IBM") has been a long-standing strategic sales partner.

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 Velizy-Villacoublay, France. The Dassault Systèmes SA shares are listed in France on Euronext Paris (Compartiment A). These consolidated financial statements were established under the responsibility of the Board of Directors on March 27, 2009.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation 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 are fully consolidated. Companies over which the Company exercises significant influence over operating and financial policies are accounted for under the equity method. Investments in which the Company is not able to exercise significant influence over the investee are accounted for under the cost method. Intercompany transactions and balances are fully eliminated.

Recently Issued Accounting Standards

The following standards and interpretations which became mandatory from January 1, 2008 and were published in the Official Journal of the European Union at December 31, 2008, were applied for the first time in 2008:

- IFRIC 11, "IFRS 2: Group and Treasury Share Transactions" mandatory from January 1, 2008.
- Amendments to IAS 39, "Financial instruments: recognition and measurement" and IFRS 7, "Financial instruments: disclosures" on the reclassification of financial assets, which became mandatory on July 1, 2008. Application of this interpretation and these amendments has no impact on the financial statements at December 31, 2008.

IFRS 8, "Operating segments", was early adopted in 2007. IFRS 8 replaces IAS 14, "Segment reporting", and is mandatory for financial years beginning on or after January 1, 2009.

The Company undertakes no other 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, 2008:

- The amendment to IFRS 2, "Share-based payments" on vesting conditions and cancellations, which is mandatory for financial years beginning on or after January 1, 2009.
- IAS 1, "Presentation of financial statements" (revised 2007), mandatory for financial years beginning on or after January 1, 2009.
- IFRIC 13, "Customer Loyalty Programmes", mandatory for financial years beginning on or after January 1, 2009.
- IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", mandatory for financial years beginning on or after January 1, 2009.
- IAS 23, "Borrowing Costs" (revised 2007), mandatory for financial years beginning on or after January 1, 2009.

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.

Notably, in 2008, the Company elected to present the amortization of intangible assets acquired through business combinations or acquisition of technology on a separate line in the income statement. The 2007 income statement has been restated to conform to the 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 for our reporting units; 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 our 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 the applicable local currency, while the Company's functional and reporting currency is the euro. 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 and expenses and cash flows are translated at the weighted average monthly exchange rates for the year. Translation gains or losses are recorded as a separate component of shareholders' equity and transaction gains and losses are reflected in net income.

Realized and unrealized exchange gains and losses derived from transactions in currencies other than the euro 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) its marketing and distribution agreement with IBM; and (3) consulting and training services and other revenue, including commissions received for sales support. 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 our software. Our software license revenue consists of perpetual and periodic license sales of software products. Software license revenue is recognized 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, we defer recognition of software license revenue until all criteria are met. Revenue related to the licensing of software through value-added resellers (VAR) is 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 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 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.

Marketing and distribution agreement with IBM – Under the Company's agreement with IBM, the Company licenses its products to IBM who then sublicenses the products to end-users. The Company provides maintenance to IBM but does not contract directly with IBM customers. In addition, the Company provides training to IBM employees for new product releases, participates with IBM in a worldwide marketing arrangement and is involved in other product development initiatives for both the Company and IBM products.

Royalties under this arrangement are earned as revenue is recognized by IBM from its sublicensing of the products and services. Royalties are recognized in software revenue when earned from IBM and reported to us. In general, this results in recognition of license royalties when IBM sublicenses software to end-users and maintenance royalties over the period during which IBM is required to provide support to end-users. Royalty payments are generally made within 30 days after the end of the month in which the royalties are earned.

The Company's agreement with IBM provides for increases in the share of licensing revenue to be retained by IBM if certain annual growth targets are met by IBM. This incentive is also linked to IBM meeting a certain level of sales and marketing expenses for the distribution of CATIA and ENOVIA. This incentive is recorded as a reduction to software revenue.

Services and Other Revenue – Services and other revenue consists primarily of fees from consulting, services and training, commissions received in connection with our sales support activities, and revenue generated by hardware resale 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. Revenue derived from hardware resale activities is recognized upon delivery.

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.

COMPUTER SOFTWARE COSTS/RESEARCH AND DEVELOPMENT

Costs incurred to develop computer software products – such as payroll and other headcount-related costs associated with product development – to be licensed or otherwise marketed to customers are expensed in the period incurred, unless such costs qualify for capitalization after technological feasibility is established.

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 so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

We have determined that technological feasibility for our software products is reached shortly before the commercial release of our products. The risks and uncertainties inherent in the software development process make it difficult to demonstrate technological feasibility before a working prototype has been completed. Costs incurred after technological feasibility is established are not material, and accordingly, the application of this accounting policy has resulted in substantially all research and development costs being expensed in the period incurred.

Computer software costs include primarily software license expense for software products included in our 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 tax research 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 services and other revenue costs 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 and costs related to site closings or moving from one site to another.

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.

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. 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, debt securities at amortized cost, securities that are not publicly traded at 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 recognized income and expense until realized. The fair values of securities are determined based on prevailing market prices. 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 recorded on the balance sheet as either an asset or liability measured at its fair value, and changes in the derivative's fair value are recognized in current earnings 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.

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.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to credit risk consist primarily of cash equivalents, short-term investments, derivatives and accounts receivable. The Company places its cash equivalents and its short-term investments with high credit-quality financial institutions. The Company invests its excess cash primarily in money market funds, bank certificates of deposit, and commercial paper.

The Company has established guidelines relative to credit ratings, diversification and 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: buildings, 30 years; 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, not exceeding 10 years. Repair and maintenance costs are expensed as incurred.

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 given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 minority 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.

INTANGIBLE ASSETS

Intangible assets primarily include acquired technology, contractual customer relationships and trademarks. Costs related to acquired technology, contractual customer relationships, and patents and trademarks are capitalized and amortized using the straight-line method over their estimated useful lives, which range from three to 12 years. No intangible asset has been identified with an indefinite useful life.

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.

PENSION BENEFITS

The Company's payments for defined-contribution benefit 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.

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 unrecognized actuarial gains and losses resulting from revisions of the underlying assumptions are included in equity, as allowed under the option contained in the amendment to IAS 19.

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.

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.

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, 2008				Year ended December 31, 2007			
(in thousands)	PLM	Mainstream 3D	Elim.	Total	PLM	Mainstream 3D	Elim.	Total
Revenue:								
Software revenue	€878,385	€276,221	€(241)	€1,154,365	€811,217	€252,387	€(252)	€1,063,352
Services and other revenue	187,002	991	(7,577)	180,416	199,840	1,182	(5,525)	195,497
Total revenue	**1,065,387**	**277,212**	**(7,818)**	**1,334,781**	**1,011,057**	**253,569**	**(5,777)**	**1,258,849**
Operating income	***€170,338***	***€103,593***	***€–***	***€273,931***	***€171,149***	***€92,889***	***€–***	***€264,038***

Information about certain non-cash and balance sheet items is as follows:

	Year ended December 31, 2008				Year ended December 31, 2007			
(in thousands)	PLM	Mainstream 3D	Elim.	Total	PLM	Mainstream 3D	Elim.	Total
Depreciation of property and equipment and amortization of intangible assets	€59,423	€7,006	€–	€66,429	€61,197	€6,995	€–	€68,192
Non-cash share-based payment expense	20,287	–	–	20,287	17,963	–	–	17,963
Total assets	1,765,926	376,119	–	2,142,045	1,584,571	274,422	–	1,858,993
Total liabilities	666,710	170,842	–	837,552	581,547	159,236	–	740,783
Acquisitions of property and equipment and intangible assets	45,201	8,376	–	53,577	23,630	6,493	–	30,123
Goodwill	€411,479	€29,874	€–	€441,353	€389,776	€28,024	€–	€417,800

During 2007 the Company changed CosmosWorks to its Mainstream 3D segment from PLM where it had historically been grouped with the Company's other analysis and simulation applications.

The data by geographic operations of the Company is established according to the geographical location of the consolidated companies.

	2008				2007			
(in thousands)	France	North America	Other	Total	France	North America	Other	Total
Revenue	€451,128	€734,767	€148,886	€1,334,781	€462,827	€677,006	€119,016	€1,258,849
Total assets	579,498	1,309,309	253,238	2,142,045	521,706	1,110,427	226,862	1,858,993
Acquisitions of property and equipment and intangible assets	37,307	13,639	2,631	53,577	9,463	17,339	3,321	30,123

The Company also receives data from IBM that identifies the location of IBM's end-user customers. Using such information, revenue – including revenue not derived from IBM – by geographic area would be as follows:

	Year ended December 31,	
(in thousands)	**2008**	**2007**
France	€156,473	€146,102
Europe – other than France	463,729	429,949
Americas	410,126	391,752
Asia Pacific	304,453	291,046
Total revenue	***€1,334,781***	***€1,258,849***

Note 4. Software Revenue and Transactions with IBM

SOFTWARE REVENUE

Software revenue is comprised of the following:

	Year ended December 31,	
(in thousands)	**2008**	**2007**
New licenses revenue	€407,549	€417,506
Periodic licenses and maintenance revenue	741,280	634,920
Product development revenue	5,536	10,926
Software revenue	***€1,154,365***	***€1,063,352***

TRANSACTIONS WITH IBM

Pursuant to the Company's long-standing, mutually non-exclusive agreement with IBM, IBM markets and distributes a substantial portion of the Company's PLM products worldwide, primarily CATIA and ENOVIA.

Revenue obtained through the commercial relationship with IBM represents 27% and 35% of consolidated revenues of the Company for the years ended December 31, 2008, and 2007, respectively. There is no contractual obligation for either IBM or the Company to continue to market and distribute the Company's products according to the present agreement.

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)	2008	2007
Personnel costs	€489,343	€461,243
Social security costs	124,575	112,617
Total personnel costs	***€613,918***	***€573,860***

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, 2008, accumulated Individual Training Rights were approximately 154,000 hours.

Note 6. Share-based Payments

As of December 31, 2008, compensation expense related to share-based payment awards of €19.4 million is recorded respectively in cost of services and other revenue for €0.5 million, in research and development for €11.3 million, in marketing and sales for €3.7 million, and in general and administrative for €3.9 million.

As of December 31, 2007, compensation expense related to share-based payment awards of €20.5 million is recorded respectively in cost of services and other revenue for €0.8 million, in research and development for €11.3 million, in marketing and sales for €4.4 million, and in general and administrative for €4.0 million.

The following table summarizes the unvested options and restricted and service awards as of December 31, 2008 and changes during 2008 and 2007:

	Number of awards
Unvested at January 1, 2007	**3,259,931**
Granted	1,881,766
Vested	(1,193,951)
Forfeited	(173,564)
Unvested at December 31, 2007	**3,774,182**
Granted	2,100,441
Vested	(548,107)
Forfeited	(306,879)
Unvested at December 31, 2008	**5,019,637**

As of December 31, 2008, total compensation cost related to unvested awards expected to vest but not yet recognized was €33.1 million, and the Company expects to recognize this expense over a weighted average period of 1.63 years.

STOCK OPTION PLANS

Since 1996 the Board of Directors has adopted several stock option plans for eligible employees and executives. Options generally vest over various periods ranging from one to three 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:

	2008		2007	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at beginning of year	**17,213,322**	**€38.33**	**17,842,323**	**€36.71**
Granted	1,436,600	38.15	1,325,900	47.50
Exercised	(1,919,759)	28.54	(1,834,263)	26.97
Forfeited	(394,492)	44.07	(120,638)	43.27
Outstanding at end of year	**16,335,671**	**€39.38**	**17,213,322**	**€38.33**
Exercisable	*12,428,671*	*€37.94*	*14,526,122*	*€36.68*

A summary of the weighted average remaining contractual life and the weighted average exercise price of options outstanding as of December 31, 2008 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	2,794,361	3.94	€22.97	2,794,361	€22.97
€30 to €35	1,536,371	2.75	34.48	1,536,371	34.48
€35 to €40	5,448,387	2.72	37.68	4,032,587	37.52
€40 to €46	1,283,992	3.41	45.50	1,283,992	45.50
€46 to €52	5,272,560	3.59	49.75	2,781,360	52.00
€17 to €52	**16,335,671**	**3.27**	**€39.38**	**12,428,671**	**€37.94**

The weighted average grant-date fair value of options granted in 2008 and 2007 was €10.90 and €14.81, respectively.

The fair value of stock options granted in 2008 was estimated on the date of grant using a Black-Scholes option pricing model. Assumptions used in 2008 are as follows: weighted-average expected life of 4.5 years, expected volatility rate of 29.3%, expected dividend yield of 1.4% and risk-free interest rate of 4.83%.

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 €1.6 million and €3.7 million for the years ended December 31, 2008 and 2007 respectively.

EXECUTIVE STOCK GRANTS

Pursuant to an authorization granted by the shareholders at the shareholders' meeting held on June 6, 2007, the Board of Directors decided to grant to our Chief Executive Officer ("CEO") 150,000 shares and 150,000 shares, in 2008 and 2007 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.

Note 7. Government Grants

Government grants and other government assistance amounting to €25.3 million and €8.4 million were recorded as a reduction to research and development expenses in 2008 and 2007, respectively. Government grants and other government assistance amounting to €1.6 million were recorded as a reduction to cost of services and other revenue expenses in 2008 (2007: nil).

Note 8. Other Operating Income and Expense, Net

	Year ended December 31,	
(in thousands)	**2008**	**2007**
Gain on sale of real estate[1]	€17,529	€ –
Headquarter relocation costs[2]	(12,105)	–
Restructuring costs[3]	(4,296)	–
Other	(930)	–
Other operating revenue and expense, net	***€198***	***€ –***

(1) Consideration received for the sale of part of the Company's headquarters in Suresnes (France) of €36.0 million less net book value of €18.5 million. See Note 14. Property and Equipment.

(2) Comprised primarily of rent and operating costs for vacated premises in Suresnes (France), as well as relocation costs related to the move of the Company's Headquarters.

(3) Primarily composed of severance costs relating to the termination of employees in Germany and the United States following the Company's decision to rationalize its R&D organization.

Note 9. Financial Revenue and Other, Net

Financial revenue and other, net for the years ended December 31, 2008 and 2007 is as follows:

	Year ended December 31,	
(in thousands)	**2008**	**2007**
Interest income	€21,560	€23,414
Interest expense[1]	(7,660)	(7,697)
Foreign exchange losses, net	(6,892)	(8,748)
Other, net	(66)	(916)
Financial revenue and other, net	***€6,942***	***€6,053***

(1) In 2006, the Company borrowed €200 million under the loan facility (see Note 19. Borrowings), which bears interest at Euribor plus 0.18% per annum and entered into interest rate swap agreements to fix interest payable at 3.36% (see Note 20. Derivatives). The Company recorded interest expense of €6.7 million and €6.7 million for the years ended December 31, 2008 and 2007 respectively.

Note 10. Income Taxes

Deferred tax assets and (liabilities) are as follows:

(in thousands)	Year ended December 31, 2008	2007
Deferred tax assets:		
Accelerated depreciation and amortization for financial statement purposes	€23,397	€21,092
Profit sharing and pension accruals	7,071	8,044
Provisions and other expenses	43,443	36,954
Net tax loss and tax credit carryforward assets	42,722	56,692
Valuation reserves	(17,598)	(27,878)
Total deferred tax assets	**99,035**	**94,904**
Deferred tax liabilities:		
Accelerated depreciation and amortization for tax purposes	(22,648)	(22,622)
Acquired intangibles	(58,007)	(59,651)
Other	(6,160)	(5,628)
Total deferred tax liabilities	**(86,815)**	**(87,901)**
Net deferred tax asset	***€12,220***	***€7,003***

The increase in deferred tax assets is primarily attributable to the increase in other expenses not currently deductible.

In 2008 and 2007, deferred tax liabilities relate primarily to intangible assets acquired in business combinations.

The schedule of deferred tax assets and liabilities is as follows:

(in thousands)	Year ended December 31, 2008	2007
Current deferred tax assets	€24,733	€18,218
Non-current deferred tax assets	13,569	17,770
Total deferred tax assets	**38,302**	**35,988**
Current deferred tax liabilities	(906)	(8,329)
Non-current deferred tax liabilities	(25,176)	(20,656)
Total deferred tax liabilities	**(26,082)**	**(28,985)**
Net deferred tax asset	***€12,220***	***€7,003***

Current deferred tax assets relate primarily to profit sharing expenses and reserves not currently deductible.

Non-current deferred tax liabilities mainly include the tax effect of intangible assets created through acquisitions (primarily DS Enovia Corp. and DS SolidWorks Corp.).

The components of income before income taxes are as follows:

(in thousands)	Year ended December 31, 2008	2007
France	€144,981	€140,491
Foreign	137,878	130,877
Income before income taxes	***€282,859***	***€271,368***

The significant components of income tax expense are as follows:

(in thousands)	Year ended December 31, 2008	2007
France	€41,322	€59,536
Foreign	33,499	15,479
Current taxes	74,821	75,015
Change in deferred taxes	7,171	19,380
Income tax expense	***€81,992***	***€94,395***

The 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, 2008	2007
Taxes computed at the statutory rate of 34.43% for 2008 and for 2007	€97,388	€93,432
Foreign tax rate differentials	3,575	3,041
R&D tax credit and other tax credits(1)	(10,919)	(4,820)
Tax exempt income(2)	(9,830)	(10,976)
Change in valuation allowance(3)	(9,491)	(703)
Current year losses not benefited	4,310	2,312
Share-based payments(4)	2,028	6,185
Other, net(5)	4,931	5,924
Income tax expense	**€81,992**	**€94,395**
Effective tax rate	***29.0%***	***34.8%***

(1) R&D tax credit and other tax credits derived mainly from tax research credits in France in 2008;
(2) Income received by the Company in connection with certain intercompany financing arrangements is taxed at a reduced rate;
(3) In 2008, the Company merged entities in France and in the United States of America that enabled the Company to utilize tax losses carried forward that were reserved for as of December 31, 2007;
(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) In 2008 and 2007, the Company recorded an accrual for various tax risks for €9.3 million and €8.1 million, respectively.

At December 31, 2008, there were net tax operating losses and tax credit carryforwards of €91.9 and €2.6 million respectively, which are scheduled to expire in the following years:

(in thousands)	Net operating losses	Tax credits
2009	€11	€ –
2010	1,236	–
2011	–	–
2012	–	–
2013	–	–
2014 and later	90,645	2,557
Total	***€91,892***	***€2,557***

The Company has not provided any deferred income taxes on the undistributed profits of its foreign subsidiaries based upon its determination that such profits will not be distributed in the foreseeable future.

Note 11. Earnings per Share

Basic 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 earnings 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 earnings per share:

	Year ended December 31,	
(in thousands, except shares and per share data)	**2008**	**2007**
Net income attributable to Equity holders	€200,499	€176,683
Weighted average number of shares outstanding	117,331,757	116,429,031
Dilutive effect of stock options	1,921,408	3,206,009
Diluted weighted average number of shares outstanding	119,253,165	119,635,040
Basic net income per share	€1.71	€1.52
Diluted net income per share	€1.68	€1.48

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)	**2008**	**2007**
Bank accounts	€133,275	€309,788
Cash equivalents	660,870	287,458
Cash and cash equivalents	***€794,145***	***€597,246***

At December 31, 2008, and 2007, cash and cash equivalents included approximately 64% and 55% of deposits denominated in US dollars, respectively.

Short-term investments of €46.3 million and €29.4 million in 2008 and 2007, respectively, are primarily comprised of mutual funds and bank certificates of deposit held with large financial institutions. Such short-term investments are liquid and have stated maturities of one year or less at each balance sheet date. At December 31, 2008, and 2007, short-term investments included approximately 51% and 75% of investments denominated in US dollars, respectively.

Note 13. Trade Accounts Receivable, Net

(in thousands)	Year ended December 31, 2008	2007
Trade accounts receivable	€334,687	€324,453
Allowance for trade accounts receivable	(5,292)	(4,485)
Trade accounts receivable, net	***€329,395***	***€319,968***

The balances of trade accounts receivable with IBM were €60.3 million and €84.3 million as of December 31, 2008 and 2007, respectively, substantially all of which relates to software revenue. Management believes that the financial position of IBM mitigates the potential credit risk related to the concentration of its trade accounts receivable with IBM. At December 31, 2008, 94% of such accounts receivable were denominated in U.S. dollars (2007: 89%), with the remainder mainly denominated in euros.

Note 14. Property and Equipment

Property and equipment, at cost, consists of the following:

	Year ended December 31, 2008			Year ended December 31, 2007		
(in thousands)	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net
Land and buildings	€ –	€ –	€ –	€32,868	€(14,274)	€18,594
Computer equipment	86,229	(63,431)	22,798	80,358	(65,238)	15,120
Office furniture and equipment	43,909	(23,315)	20,594	33,338	(22,458)	10,880
Leasehold improvements	39,437	(13,567)	25,870	47,528	(30,990)	16,538
Total	***€169,575***	***€(100,313)***	***€69,262***	***€194,092***	***€(132,960)***	***€61,132***

The change in the carrying amount of property and equipment as of December 31, 2008 is as follows:

(in thousands)	Land and buildings	Computer equipment	Office furniture and equipment	Leasehold improvements	Total
Net value – January 1, 2008	€18,594	€15,120	€10,880	€16,538	€61,132
Acquisitions	–	19,227	14,098	15,776	49,101
Acquisitions through business combinations	–	75	65	102	242
Disposals[(1)]	(18,471)	(973)	(317)	(265)	(20,026)
Depreciation for the period	(123)	(11,162)	(4,625)	(7,046)	(22,956)
Exchange differences	–	511	493	765	1,769
Net value – December 31, 2008	***€ –***	***€22,798***	***€20,594***	***€25,870***	***€69,262***

(1) The net decrease in land and buildings is a result of the sale of part of the Company's headquarters with a net book value of €18.5 million. The Company leased part of the land and buildings related to its premises in Suresnes, France, under capital leases. In March 2007, the Company exercised the option to purchase these assets for a total consideration of €1. The Company sold these assets in February 2008 for a basis consideration of €36.0 million subject to additional contingent consideration. The Company remained in these offices under an operating lease until the transfer in November 2008 of its headquarters to a new location in Vélizy, France.

The change in the carrying amount of property and equipment as of December 31, 2007 is as follows:

(in thousands)	Land and buildings	Computer equipment	Office furniture and equipment	Leasehold improvements	Total
Net value – January 1, 2007	€19,501	€14,185	€11,004	€19,182	€63,872
Acquisitions	–	13,753	5,314	6,245	25,312
Acquisitions through business combinations	–	56	372	39	467
Disposals	–	(95)	(48)	(1,217)	(1,360)
Depreciation for the period	(907)	(11,879)	(4,887)	(7,015)	(24,688)
Exchange differences	–	(900)	(875)	(696)	(2,471)
Net value – December 31, 2007	***€18,594***	***€15,120***	***€10,880***	***€16,538***	***€61,132***

Note 15. Investments and Loans Receivable

Investments and loans receivable consist of the following:

	Year ended December 31,	
(in thousands)	2008	2007
Cost basis	€178	€198
Gross unrealized losses	(38)	(86)
Available-for-sale securities	**140**	**112**
Other securities, at cost	**727**	**646**
Equity method investments	**2,564**	**1,721**
Loans receivable	1,273	951
Less current portion	(382)	(951)
Loans receivable – non-current portion	**891**	**–**
Investments and loans receivable	***€4,322***	***€2,479***

The available-for-sale investments included above are measured at fair value. Gains and losses resulting from changes in fair value are recognized in shareholders' equity. If fair value cannot be reliably determined these investments are recorded at cost.

Note 16. Business Combinations

Engineous

On July 21, 2008, the Company completed its acquisition of 100% of Engineous Software, Inc. for cash consideration of approximately €25.7 million (including €0.4 million of direct transaction costs). Engineous Software, Inc. is a U.S. company that develops process automation, integration and optimization software. As a result of this transaction, an amount of €12.5 million was recorded in 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**	**Estimated weighted-average useful life**
Contractual customer relationships	€8,390	10 years
Technology	2,902	7 years
Trademarks	126	4 years
Total amortizable intangible assets acquired	***€11,418***	

ICEM

On June 12, 2007, the Company completed its acquisition of 100% of the outstanding common shares of ICEM Limited ("ICEM") for approximately €54.5 million in cash (including €1.4 million of direct transaction costs). Headquartered in the United Kingdom, ICEM is a worldwide developer and supplier of advanced, surface-based modeling, surface quality analysis and design visualization software for use in the design development of manufactured products, mainly in the automotive industry.

The allocation of the purchase price resulted in €32.1 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**	**Estimated weighted-average useful life**
Technology	€11,700	10 years
Contractual customer relationships	22,800	9 years
In process research & development ("IPR&D")	1,900	13 years
Trademarks	1,400	10 years
Total amortizable intangible assets acquired	***€37,800***	

Seemage

On September 24, 2007, the Company completed its acquisition of Seemage SAS for cash consideration of approximately €25.5 million. Seemage SAS is a French company that develops 3D interactive product documentation. As a result of this transaction, an amount of €14.7 million was recorded in 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**	**Estimated weighted-average useful life**
Technology	€9,236	8 years
Contractual customer relationships	1,206	8 years
Total amortizable intangible assets acquired	***€10,442***	

Pro forma results of operations reflecting these acquisitions have not been presented because the results of operations of the acquired companies, either individually or in the aggregate, are not material to the Company's results of operations.

Note 17. Intangible Assets

Intangible assets at December 31, 2008 consisted of the following:

	Year ended December 31, 2008			Year ended December 31, 2007		
(in thousands)	**Gross**	**Accumulated amortization**	**Net**	**Gross**	**Accumulated amortization**	**Net**
Software	€259,882	€(154,756)	€105,126	€243,755	€(126,652)	€117,103
Customer relationships	221,659	(55,251)	166,408	204,758	(33,696)	171,062
Other	15,414	(6,342)	9,072	16,448	(6,178)	10,270
Total intangible assets	***€496,955***	***€(216,349)***	***€280,606***	***€464,961***	***€(166,526)***	***€298,435***

The change in the carrying amount of intangible assets as of December 31, 2008 is as follows:

(in thousands)	**Software**	**Customer relationships**	**Other intangible assets**	**Total intangible assets**
Net intangible assets as of January 1, 2008	**€117,103**	**€171,062**	**€10,270**	**€298,435**
Engineous acquisition	2,902	8,390	126	11,418
Other additions	4,980	141	116	5,237
Disposals, net	(102)	–	(141)	(243)
Other changes to intangible assets	(659)	(2,794)	–	(3,453)
Amortization for the period	(22,711)	(19,266)	(1,496)	(43,473)
Exchange differences	3,613	8,875	197	12,685
Net intangible assets as of December 31, 2008	***€105,126***	***€166,408***	***€9,072***	***€280,606***

The change in the carrying amount of intangible assets as of December 31, 2007 is as follows:

(in thousands)	**Software**	**Customer relationships**	**Other intangible assets**	**Total intangible assets**
Net intangible assets as of January 1, 2007	**€122,482**	**€180,772**	**€10,785**	**€314,039**
ICEM acquisition	11,700	22,800	3,300	37,800
Other additions	14,018	4,000	–	18,018
Disposals, net	–	–	(5)	(5)
Amortization for the period	(22,783)	(18,878)	(1,843)	(43,504)
Exchange differences	(8,314)	(17,632)	(1,967)	(27,913)
Net intangible assets as of December 31, 2007	***€117,103***	***€171,062***	***€10,270***	***€298,435***

Other additions to intangible assets in 2007 resulted primarily from the acquisition of Seemage (€10.4 million).

Total intangible amortization expense was €43.5 million and €43.5 million for the years ended December 31, 2008, and 2007, respectively. The future amortization expense for each of the five succeeding years relating to all intangible assets that are currently recorded on the consolidated balance sheets is estimated to be the following at December 31, 2008:

(in thousands)	**Estimated amortization expense**
2009	€44,877
2010	41,149
2011	37,873
2012	33,814
2013	31,599

Note 18. Goodwill

The change in the carrying amount of goodwill as of December 31, 2008 and 2007 is as follows:

	Year ended December 31,	
(in thousands)	**2008**	**2007**
Goodwill as of January 1,	**€417,800**	**€404,032**
Engineous acquisition	12,527	–
ICEM acquisition	(1,984)	34,110
Other changes to goodwill	(2,991)	13,273
Exchange differences	16,001	(33,615)
Goodwill as of December 31,	***€441,353***	***€417,800***

Other changes to goodwill in 2007 resulted primarily from the acquisition of Seemage.

The Company performed an annual impairment test in the fourth quarter of 2008 and 2007; no impairment of goodwill was identified as a result of these tests.

For the purpose of the impairment test, the Company identified 6 CGUs or groups of CGUs corresponding to the Company's organization of 6 brands. 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:

	2007	Engineous acquisition	ICEM acquisition	Other changes to goodwill	Exchange differences	2008
PLM						
CATIA	€105,559	€ –	€(1,984)	€(1,412)	€(433)	€101,730
DELMIA	25,635	–	–	–	(51)	25,584
ENOVIA	119,323	–	–	(1,738)	5,872	123,457
SIMULIA	138,455	12,527	–	(60)	9,737	160,659
Services	5,589	–	–	–	(751)	4,838
Mainstream 3D						
Mainstream 3D	23,239	–	–	219	1,627	25,085
Total Goodwill	***€417,800***	***€12,527***	***€(1,984)***	***€(2,991)***	***€16,001***	***€441,353***

The carrying amount of each CGU or groups of CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets covering a five- to ten-year period. The discount rates before taxes used in that calculation are between 11% and 12%. Cash flows beyond that five- to ten-year period have been extrapolated using a steady growth rate of 3% and 4%, respectively, reflecting long-term growth rates in the software industry.

At December 31, 2008, based on management estimates, the Company concludes that the value in use of each CGU or groups of CGUs exceeded significantly 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. 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 can be extended by two additional years 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 two additional years.

Note 20. Derivatives

Fair values

The fair market values of derivative instruments were determined by financial institutions using quoted market prices and option pricing models.

All financial instruments that relate to the foreign currency hedging strategy of the Company usually have maturity dates of less than 38 months when maturity of interest rate swap instruments is equal to 2 years. Management believes counter-party risk on financial instruments is minimal since the Company deals with major banks and financial institutions.

The Company describes its management policy about market risk in Chapter 4, Risk Factors.

Foreign currency risk

The Company transacts in various foreign currencies, primarily U.S. dollars and Japanese yen. To manage this currency exposure, the Company generally uses foreign exchange forward contracts, currency options and collars. Except as noted below, 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 2008, the portion of hedging instruments' gains or losses excluded from the assessment of effectiveness and the ineffective portions of hedges amounted to €2.1 million (2007: not material) and was recorded in financial revenue in the statement of income.

Cash flow hedges in Japanese yen related to the fourth quarter revenue were discontinued starting October 1, 2008. Losses in connection with discontinued forward exchange contract Japanese yen/euros and collars Japanese yen/euros were recorded in financial revenue in the statement of income for an amount of €3.2 million. No cash flow hedges were discontinued for the year ended December 31, 2007.

At December 31, 2008 and 2007, the fair value of the instrument used to manage the currency exposure was recorded as a current asset in the consolidated balance sheet.

	Year ended December 31,			
	2008		2007	
(in thousands)	Nominal amount	Fair value	Nominal amount	Fair value
Collars Japanese yen/euros(1)	€170,134	€2,569	€ –	€ –
Forward exchange contract Japanese yen/euros(2)	38,748	(5,618)	8,489	496
Forward exchange contract U.S. dollars/euros	–	–	37,703	356

(1) Includes collars with a notional amount of €12.7 million and a fair value of €(2.7) million that were discontinued starting October 1, 2008.
(2) Includes a forward exchange contract with a notional amount of €8.6 million and a fair value of €(2.1) million that was discontinued starting October 1, 2008.

Interest rate risk

The Company entered into a €200 million multicurrency revolving loan facility which bears interest at variable rates (see Note 19. Borrowings). In December 2005, the Company entered into interest rate swap agreements that have the economic effect of modifying a portion of its forecasted interest obligations relating to this facility so that the interest payable effectively becomes fixed at 3.36%.

At December 31, 2008 and 2007, the fair value of the instrument used to manage the interest rate risk was recorded as a current asset in the consolidated balance sheet.

	Year ended December 31,			
	2008		2007	
(in thousands)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps	€200,000	€(2,368)	€200,000	€6,386

Note 21. Shareholders' Equity

Shareholders' equity activity

As of December 31, 2008, Dassault Systèmes had 118,862,326 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 makes adjustments to 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, 2008 and 2007.

Shareholders' equity includes foreign currency translation adjustment of €(147.8) million and €(191.7) million as of December 31, 2008 and 2007, 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 €11.8 million and €11.6 million as of December 31, 2008 and 2007, respectively, and represents a component of retained earnings in the balance sheet. The legal reserve is distributable only upon the liquidation of the Company.

Net income in each year after deduction for legal reserve is available for distribution to shareholders of the Company as dividends, subject to the requirements of French law and the Company's bylaws. Dividends may also be distributed from the Company's reserves, subject to approval by the shareholders and certain limitations.

Payment of dividends is fixed by the ordinary general meeting of shareholders at which the annual accounts are approved following recommendations of the Board of Directors.

Dividends per share, which were paid in the immediately subsequent year, were €0.46 and €0.44 as of December 31, 2007 and 2006, respectively.

Stock repurchase programs

The general meeting of shareholders authorized the Board to implement a share repurchase program limited to 10 percent 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. 2,261,986 shares for an aggregate amount of €79.0 million were repurchased for the year ended December 31, 2008. No shares were repurchased in the year ended December 31, 2007.

Note 22. Commitments and Contingencies

The Company is involved in litigation 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.

Lease commitments are disclosed in Note 23. Leases.

Note 23. Leases

The Company leases computer equipment, premises and office equipment under operating leases. Rent expense under operating leases was €34.9 million and €45.6 million, for the years ended December 31, 2008, and 2007, respectively.

At December 31, 2008, future minimum annual rental commitments under non-cancelable lease obligations were as follows:

(in thousands)	**Operating leases**
2009	€37,638
2010	32,117
2011	27,086
2012	24,183
2013	20,453
Thereafter	110,618
Total minimum lease payments	***€252,095***

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 55,000 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 €189.9 million in the aggregate and have been included in the table presented above.

Note 24. Pension Benefits

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. In addition, the Company has certain other plans in countries other than the United States, which are not significant and are combined with the French plans for presentation purposes.

French plans and other

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.

Assumptions

Weighted-average assumptions used to determine the benefit obligation:

	Year ended December 31,	
French plans and other	**2008**	**2007**
Discount rate	5.75%	5.25%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	3.00%	3.00%

Weighted-average assumptions used to determine the net periodic benefit cost:

	Year ended December 31,	
French plans and other	**2008**	**2007**
Discount rate	5.25%	4.60%
Expected return on plan assets	5.00%	5.00%
Rate of compensation increase	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:

(in thousands)	Year ended December 31,	
French plans and other	**2008**	**2007**
Service cost	€2,209	€1,885
Interest cost	1,287	1,116
Expected return on plan assets	(553)	(526)
Net amortization and deferral	(530)	(490)
Curtailment / settlement	(793)	–
Net periodic benefit cost	***€1,620***	***€1,985***

Obligations and funded status

Changes in the funded status of the benefit plans were as follows:

(in thousands)	Year ended December 31,	
French plans and other	**2008**	**2007**
Change in benefit obligations		
Benefit obligations at beginning of year	€26,505	€17,803
Service cost	2,209	1,885
Interest cost	1,287	1,116
Employee contributions	83	–
Curtailment	(557)	–
Change in scope	–	8,501
Actuarial (gain) loss	(1,571)	(2,184)
Exchange rate differences	301	(33)
Benefits paid	(800)	(583)
Benefit obligations at end of year	***€27,457***	***€26,505***
Change in plan assets		
Fair value of plan assets at beginning of year	11,000	9,115
Employer contribution	1,247	77
Employee contributions	83	–
Actual return on plan assets	(1,192)	615
Change in scope	–	1,776
Benefits paid	(800)	(583)
Fair value of plan assets at end of year	***€10,338***	***€11,000***
Funded status	(17,119)	(15,505)
Unrecognized actuarial (gain) loss	(6,556)	(7,362)
Unrecognized prior service cost	322	345
Prepaid (Accrued) benefit cost – French plans and other	***€(23,353)***	***€(22,522)***

Plan assets

All plan assets for the French plans are invested in an insurance contract with Sogecap, a life-insurance company that is part of the Société Générale group. To date, the Company has contributed €6.8 million to this insurance contract.

The weighted average asset allocations, by asset category, are as follows:

(in thousands)	Year ended December 31,	
French plans and other	**2008**	**2007**
Debt securities	76%	65%
Equity securities	24%	35%
Total	***100%***	***100%***

Cash flows

The Company does not expect to make any additional contributions to its French pension plans in 2009.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands)	
French plans and other	
2009	(1,869)
2010	(689)
2011	(956)
2012	(725)
2013	(873)
2014-2018	(9,218)

U.S. Plans

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. Weighted-average assumptions used for the U.S. plans were as follows:

Assumptions

Weighted-average assumptions used to determine the benefit obligation:

	Year ended December 31,	
U.S. plans	**2008**	**2007**
Discount rate	6.00%	6.00%
Expected return on plan assets	8.00%	8.50%
Rate of compensation increase	3.00%	3.00%

Weighted-average assumptions used to determine the net periodic benefit cost:

	Year ended December 31,	
U.S. plans	**2008**	**2007**
Discount rate	6.00%	6.25%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	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:

(in thousands)	Year ended December 31,	
U.S. plans	**2008**	**2007**
Service cost	€1,266	€1,033
Interest cost	1,163	988
Expected return on plan assets	(1,272)	(1,190)
Net amortization and deferral	247	150
Curtailment / settlement	(358)	–
Net periodic benefit cost – U.S. plans	***€1,046***	***€981***

Obligations and funded status

Changes in the funded status of the benefit plan were as follows:

(in thousands)	Year ended December 31,	
U.S. plans	**2008**	**2007**
Change in benefit obligations		
Benefit obligations at beginning of year	€20,929	€17,563
Service cost	1,266	1,033
Interest cost	1,163	988
Curtailment	(610)	–
Actuarial loss (gain)	27	2,020
Benefits paid	(301)	(268)
Exchange rate differences	(230)	(407)
Benefit obligations at end of year	***€22,244***	***€20,929***
Change in plan assets		
Fair value of plan assets at beginning of year	16,743	14,828
Employer contribution	1,208	1,835
Actual return on plan assets	(2,554)	756
Benefits paid	(301)	(268)
Exchange rate differences	(347)	(408)
Fair value of plan assets at end of year	***€14,749***	***€16,743***
Funded status	(7,495)	(4,186)
Unrecognized actuarial (gain) loss	100	5,592
Unrecognized prior service cost	9,070	119
Prepaid (Accrued) benefit cost – U.S. plans	***€1,675***	***€1,525***

Plan assets

The weighted average asset allocations, by asset category, are as follows:

(in thousands)	Year ended December 31,	
U.S. plans	**2008**	**2007**
Equity securities	43%	50%
Debt securities	54%	46%
Other	3%	4%
Total	***100%***	***100%***

Cash flows

The Company expects to contribute €0.9 million to its U.S. pension plans in 2009. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands)	
U.S. plans	
2009	(364)
2010	(398)
2011	(451)
2012	(524)
2013	(613)
2014-2018	(5,209)

Note 25. Related-party Transactions

Compensation of key management personnel

The table below summarizes compensation granted to key management personnel, composed of 13 executive officers in 2008 and 12 executive officers in 2007.

	Year ended December 31,	
U.S. plans	**2008**	**2007**
Short-term benefits(1)	€7,160	€6,971
Stock compensation(2)	11,502	10,829
Compensation of key management personnel	***€18,662***	***€17,800***

(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).

Other transactions with related parties

The Company licenses its products for internal use to Dassault Aviation, a former direct shareholder 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 €11.4 million and €13.9 million for the years ended December 31, 2008 and 2007, respectively.

The Company also provides service and support to Dassault Aviation. Such activity generated service revenues of €14.3 million and €10.1 million in the years ended December 31, 2008 and 2007, respectively.

The balances of trade accounts receivable with Dassault Aviation were €9.2 million, and €11.1 million at December 31, 2008 and 2007, respectively.

Most of our 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 €19.9 million in 2008 (€16.0 million 2007).

Note 26. Principal Dassault Systèmes Companies

The principal Dassault Systèmes' companies included in the scope of consolidation as at December 31, 2008 are as follows:

Country	Consolidated companies	% of interest
France	Athys SAS	100%
France	Dassault Data Services SAS	95%
France	Dassault Systèmes Europe SAS	100%
France	Dassault Systèmes Provence	100%
France	Dassault Systèmes SAS	100%
Austria	Dassault Systèmes Austria Gmbh	100%
Belgium	Dassault Systèmes Belgium SA	100%
Germany	Dassault Systèmes Deutschland AG	100%
Germany	Delmia GmbH	100%
Germany	TransCAT Kunststofftechnik GmbH	60%
Germany	TransCAT PLM GmbH	100%
Italy	Dassault Systèmes Italia S.r.l.	100%
Spain	Dassault Systèmes Espana SL	100%
Sweden	Dynasim AB	100%
Switzerland	Dassault Systèmes Switzerland Ltd	98%
Switzerland	TransCAT PLM AG	100%
United Kingdom	Dassault Systèmes Ltd	100%
United Kingdom	ICEM Ltd	100%
United Kingdom	TransCAT PLM Ltd	100%
United States	Dassault Systèmes Americas Corp. and its subsidiaries	100%
United States	Dassault Systèmes Corp.	100%
United States	Dassault Systèmes Delmia Corp. and its subsidiaries	100%
United States	Dassault Systèmes Enovia Corp. and its subsidiaries	100%
United States	Dassault Systèmes Holding Llc	100%
United States	Dassault Systèmes Simulia Corp. and its subsidiaries	100%
United States	Rand North America Corp.	70%
United States	Dassault Systèmes SolidWorks Corp. and its subsidiaries	100%
United States	Spatial Corp. and its subsidiaries	100%
Canada	Dassault Systèmes Canada Inc.	70%
Canada	Dassault Systèmes Inc.	100%
Canada	Dassault Systèmes Services Llc	100%
Canada	Safework Inc.	100%
India	Dassault Systèmes India Ltd	100%
India	3DPLM Software Solutions Ltd	30%(1)
Japan	Dassault Systèmes Kabushiki Kaisha and its subsidiaries	100%
Israel	Dassault Systèmes Israel Ltd	100%
Russia	Dassault Systèmes Russia Corp.	100%

(1) Accounted for under the equity method. All other entities are consolidated.

20.2 Pro forma financial information

Not applicable.

20.3 Parent Company Financial Statements

Presentation of the annual financial statements and the valuation methods used

The annual financial statements for the year ended December 31, 2008, have been prepared and presented in accordance with the requirements of the accounting law of April 30, 1983, and the related decree of November 29, 1983. In accordance with the requirements of L. 232-6 of the French Commercial Code, the annual financial statements have been prepared in the same manner and according to the same valuation methods as during the preceding year.

As a result of its listing in a member state of the European Union and in accordance with regulation CE n° 1606/2002 of July 19, 2002, the Company's consolidated financial statements for the year 2008 have been prepared according to the International Financial Reporting Standards ("IFRS").

Results of operations of the parent company

Operating results in 2008 increased 1.6% to €562 million from €553 million in 2007. This increase resulted principally from other income and reflected billing to subsidiaries for inter-company services. Software revenue remained stable at €477.0 million, compared to €478.3 million, a slight decrease of 0.2%.

The portion of revenue earned from overseas sales increased to €402.8 million, or 71.6% of total revenue.

Operating costs increased €9.9 million to €434.3 million, principally due to the increase in employee costs (+€18.3 million) and to purchases and other external expenses (+ €23 million). Operating income declined 19.3% to €127.8 million. Financial results for 2008 were negative at €(2.2) million, compared to €35.1 million for the preceding year, a decrease of €37.2 million. This decrease was principally caused by the creation of a provision of €27.9 million for a decline in value of equity interests, by recording a provision of €12.2 million for exchange losses (compared to 4.2 million in 2007) and the negative impact of exchange rate fluctuations on dividends received from subsidiaries (€32.9 million in 2008 compared to €46.9 million in 2007).

Net income after tax, corporate profit-sharing and non-recurring events amounted to €115.3 million for 2008, compared to €135.7 million for 2007.

At December 31, 2008, cash and short-term investments amounted to €249 million (out of which Company shares allocated for free share grants amounted to €11.4 million), compared to €199 million at December 31, 2007. Cash flow generated in 2008 by the Company's operating activities was €66 million.

20.3.1 Parent Company Financial Statements

Balance Sheet

(in thousands of euros)	Notes			Years ended December 31 2008	2007
		Gross	Amortization or provisions for depreciation	Net	Net
ASSETS					
FIXED ASSETS	1 & 2	**1,638,863**	**87,383**	**1,551,480**	**1,483,565**
Intangible assets		**90,092**	**35,829**	**54,263**	**11,693**
Goodwill		41,763	–	41,763	–
Concessions, patents, licenses, trademarks		46,462	35,829	10,633	10,434
Assets in progress, advances and on-account payments		1,867	–	1,867	1,259
Tangible assets		**58,925**	**21,423**	**37,502**	**12,579**
Plant & equipement		45,959	19,190	26,769	3,893
Buildings		–	–	–	–
Other tangible assets		12,843	2,233	10,610	6,835
Fixed assets in progress		123	–	123	1,851
Long-term investments		**1,489,846**	**30,131**	**1,459,715**	**1,459,293**
Investments in subsidiaries		1,386,024	27,953	1,358,071	1,390,911
Receivables from subsidiairies		68,499	2,109	66,390	66,133
Loans		899	–	899	469
Deposits and guarantees		1,869	69	1,800	1,780
Treasury stock being cancelled		32,555	–	32,555	–
CURRENT ASSETS		**542,978**	**1,883**	**541,095**	**446,653**
Inventories		**1,664**	–	**1,664**	**811**
Advances and on-account payments		**173**	–	**173**	**477**
Operating receivables		**291,883**	**1,883**	**290,000**	**246,590**
Trade accounts receivable and equivalents	3	223,627	1,883	221,744	192,500
Other operating receivables	4	68,256	–	68,256	54,090
Investment securities	5.1	**234,180**	–	**234,180**	**178,490**
Treasury shares	5.2	**11,378**	–	**11,378**	**–**
Cash assets		**3,700**	–	**3,700**	**20,285**
Prepayments	6	**9,314**	–	**9,314**	**8,096**
Unrealized exchange losses		**12,181**	–	**12,181**	**4,208**
TOTAL ASSETS		**2,203,336**	**89,266**	**2,114,070**	**1,942,522**

		Years ended December 31	
		2008	2007
(in thousands of euros)	Notes	Before AGM's resolutions	Before AGM's resolutions
LIABILITIES			
SHAREHOLDERS' EQUITY	7	**1,617,471**	**1,523,493**
Capital		118,862	117,604
Share premium		141,980	112,249
Contribution premiums		269,978	269,978
Legal reserve		11,760	11,577
Retained earnings		948,209	866,394
Earnings for the financial year		115,307	135,676
Regulated provisions		11,353	9,991
Accelerated depreciation		22	24
Provisions for contingencies and liabilities	8	**29,752**	**17,559**
DEBTS		**451,830**	**391,225**
Financial debts	9	**215,697**	**216,417**
Loans and debts with credit institutions		200,441	200,399
Sundry loans and financial debts		15,256	16,018
Operating debts	11	**236,133**	**174,808**
Accounts payable and equivalents		87,147	62,029
Tax and social security debt		67,801	66,025
Other operating debt		81,185	46,754
Unearned revenue	12	**3,801**	**10,088**
Unrealized exchange gains		**11,216**	**157**
TOTAL LIABILITIES		**2,114,070**	**1,942,522**

Income statement

(In thousands of euros)	Notes	Fiscal years ended December 31 2008	2007
Operating revenue (I)		**562,106**	**553,462**
Sales of equipment		5,445	11,919
Royalties and services		549,206	538,304
Net sales	14	**554,651**	**550,223**
Of which exports		*402,801*	*428,231*
Capitalized production		6,260	2,682
Reversals of provisions, amortization and transfers of expenses		960	377
Other revenue		235	180
Operating expenses (II)		**434,330**	**395,019**
Purchases of materials		3,991	10,595
Other purchases and external expenses	15	196,046	167,277
Taxes, duties and similar payments		11,229	10,699
Salaries and wages		106,676	95,981
Social security contributions		53,986	46,070
Appropriations to amortization of fixed assets		15,541	15,632
Appropriations to provisions for depreciation of current assets		412	355
Appropriations to provisions for contingencies and liabilities		1,103	779
Other expenses		45,346	47,631
OPERATING INCOME (III = I – II)		**127,776**	**158,443**
Financial income (IV)		**64,653**	**62,207**
Other interest and similar revenue		37,245	50,078
Reversals of provisions and transfers of expenses		4,873	1,671
Exchange gains		13,683	3,112
Net revenue from disposals of investment securities		8,852	7,346
Financial expenses (V)		**66,831**	**27,070**
Appropriations to provisions		40,197	6,740
Interest and similar expenses		9,727	10,033
Exchange losses		16,500	10,249
Net expenses on disposals of investment securities		407	48
FINANCIAL INCOME/LOSS (VI = IV – V)	16	**(2,178)**	**35,137**
CURRENT INCOME (III + VI)		**125,598**	**193,580**
Extraordinary revenue (VII)		**43,253**	**4,443**
From management transactions		5,846	1,900
From capital transactions		37,407	1,392
Reversals of extraordinary provisions		–	1,151
Extraordinary expenses (VIII)		**23,712**	**3,574**
On management transactions		37	284
On capital transactions		15,526	7
Appropriations to amortization and provisions		8,149	3,283
EXTRAORDINARY INCOME (IX = VII – VIII)		**19,541**	**869**
Obligatory and optional staff profit-sharing (X)		**17,343**	**17,917**
Optional profit-sharing		8,140	8,196
Obligatory staff profit-sharing		9,203	9,721
Corporate income tax (XI)	17	**12,489**	**40,856**
NET INCOME (III + VI + IX – X –XI)		**115,307**	**135,676**

Notes to the financial statements

KEY EVENTS OF THE YEAR

Shareholder base

On December 31, the share capital of Dassault Systèmes SA (hereafter the "Company") was held by:

(in %)	2008	2007
Public	48.1	49.2
Groupe Industriel Marcel Dassault	43.6	44.0
Mr. Charles Edelstenne, Chairman of the Board of Directors	6.5	6.5
Treasury shares	1.1	0.0
SW Securities LLC	0.2	0.2
Directors and executive officers (1)	0.5	0.1
Total	100.0	100.0

(1) Not including Mr. Charles Edelstenne

On December 31, the voting rights in Dassault Systèmes SA were held by:

(in %)	2008	2007
Public	40.3	42.4
Groupe Industriel Marcel Dassault	48.5	46.3
Mr. Charles Edelstenne, Chairman of the Board of Directors	10.8	11.2
Directors and executive officers (1)	0.4	0.1
Total	100.0	100.0

(1) Not including Mr. Charles Edelstenne

Major operations relating to interests

All the assets and liabilities of Virtools SA and Seemage SAS, which were respectively acquired in 2005 and 2007, were transferred to the sole shareholder, Dassault Systèmes SA, in June 2008.

Following the recapitalization of Dassault Systèmes SAS by incorporation of receivables, the Company's interest in the latter increased from EUR 37,000 to EUR 30 million.

The Company booked a provision for the depreciation of Delmia GmbH equity securities for EUR 27.9 million (refer to Note 1).

Dividend payment

The Combined General Meeting of Shareholders held on May 22, 2008, resolved to distribute a dividend of EUR 53.7 million that was paid during June 2008.

Stock option plan

The General Meeting of Shareholders of May 22, 2008 authorized the Board of Directors to grant options to subscribe to shares in Dassault Systèmes SA to certain employees of the Company or of its French or foreign subsidiaries. The maximum number of options that may be granted by the Board and not yet exercised may not provide entitlement to subscribe for a number of shares exceeding 20% of the share capital of Dassault Systèmes SA.

Pursuant to this authorization, during the year ended December 31, 2008, the Board of Directors allocated 1,436,600 stock options (refer to Note 7.2).

Stock repurchase program

The General Meeting of Shareholders authorized the Board of Directors to implement a share repurchase program limited to 10% of the Company's share capital. In addition, this program specifies that the Company may not purchase shares at a price exceeding EUR 60 per share or above a maximum aggregate amount of EUR 500 million.

During the 2008 fiscal year, the Company repurchased 2,261,896 of its own shares for an aggregate amount of approximately EUR 79 million. No shares were repurchased during the 2007 year.

Transfer of the registered office

During Q4 2008, the Company's registered office was transferred to 10 rue Marcel Dassault in Vélizy Villacoublay.

A commercial lease was signed with SNC Latécoère for a term of 12 consecutive years beginning on June 30, 2008.

Sale of a building

Pursuant to changing its registered office, in February 2008, the Company sold a building in Suresnes for EUR 36 million.

Disposal of a business activity

In July 2008, the Company sold a distribution business to Keonys SAS, which retained the Company's employees.

POST BALANCE SHEET EVENTS

None.

ACCOUNTING RULES AND METHODS

The year lasts for 12 months from January 1 to December 31.

The annual financial statements for the year ended December 31, 2008 have been prepared and are presented in accordance with CRC Regulation 99-03. The general accounting agreements were applied in respect of the principle of conservatism, the principle of continuity of methods from one year to the other, the independence of years and the assumption going concern.

The valuation of the items recognized in the accounts was carried out using the historical cost method.

Only significant information is disclosed.

The Company applied the new accounting rules on the definition, valuation, amortization and depreciation of assets relating, in particular, to Regulations 2002-10 of December 12, 2002 and 2004-6 of November 23, 2004, from the *Comité de la Règlementation Comptable* (French Accounting Regulation Committee).

The main methods used are as follows:

BALANCE SHEET

a- **Intangible assets**
Intangible assets are amortized using the straight-line method over their forecasted terms of use, with the exception of certain software which is amortized using the accelerated method over one year.

b- **Tangible assets**
Tangible assets are recognized at their acquisition cost (acquisition price and incidental expenses) less any market value net of disposal costs at the end of their term of use.

Amortization for depreciation is calculated according to the straight-line or declining balance method on the basis of their forecasted life cycle.

Where applicable, the term of amortization of investments takes into account the termination date of the lease.

The amortization terms and methods 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
Transport equipment	4 years
Fixtures and fittings	over the term of the lease
Office furniture	over the term of the lease

c- Financial investments

Investments in subsidiaries are valued at their historical acquisition cost.

A provision for depreciation is booked if their inventory value is less than their book value. In particular, the inventory value of securities takes into account the amount of shareholders' equity, long-term profitability and strategic factors.

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.

d- Investments in securities

Investments in securities are recorded at their acquisition price and are depreciated, where applicable, by referring to their stock market value at the end of the year. Investments in securities acquired in foreign currencies are converted at the closing exchange rate.

e- Receivables

Trade accounts receivable and equivalents are valued at their nominal value. The risks of not recovering such receivables are subject to appropriate provisions for depreciation that are derived, in particular, on the basis of historical evidence.

f- Unrealized exchange losses / gains

Receivables and debts in foreign currencies are converted 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 the "Unrealized Exchange Losses / Gains" item. In the event of unrealized losses, a provision for contingencies (exchange loss) is recorded.

INCOME STATEMENT

a- Net sales

The Company's net sales are mainly composed of royalties received from the marketing of CATIA and ENOVIA software developed by the Dassault Systèmes Group (hereafter the "Group").

The Group's software is marketed through three different distribution channels:

- PLM Enterprise Business Transformation involving the direct marketing of Dassault Systèmes SA's products to key customers,
- PLM Value Selling involving the marketing of our products through a network of distributors,
- IBM, the main distributor whose share of revenue represents 52.80% of the Company's total net sales.

The IBM royalties paid to the Company are booked as revenue on the basis of the recognition of net sales recorded by IBM. The latter is booked net of discounts granted to IBM by the Company.

Net sales relating to services are recognized when said services are realized.

Net sales recorded from the IT equipment reselling business is booked when said equipment is delivered.

b- R&D expenses

R&D expenses are recorded as expenses for the year during which they are incurred unless an analysis of technical criteria shows that they should be capitalized.

In all cases, the application of this accounting principle has resulted in substantially all research and development costs being expensed in the period incurred.

Notes to the Balance Sheet

Note 1 – Changes in fixed assets

(in thousands of euros)	Gross 12/31/2007	Contributions merged companies	Increases 2008	Reductions 2008	Gross 12/31/2008
Intangible assets	**41,430**	**42,031**	**7,737**	**1,106**	**90,092**
Goodwill	–	41,763	–	–	41,763
Patents, licenses and trademarks	40,171	268	6,475	452	46,462
Assets in progress	1,259	–	1,262	654	1,867
Tangible assets	**58,768**	**593**	**36,381**	**36,817**	**58,925**
Buildings	1	–	–	1	–
Material fixtures and fittings	27,024	222	14,334	23,434	18,146
Technical facilities, tools and equipment	24,226	255	11,081	7,749	27,813
Other tangible assets	5,667	116	10,843	3,783	12,843
Vehicles	208	–	120	33	295
Office furniture	3,511	108	5,779	3,508	5,890
Office and corporate equipment	1,948	8	4,944	242	6,658
Fixed assets in progress	1,851	–	123	1,851	123
Long-term investments	**1,461,825**	–	**75,128**	**47,107**	**1,489,845**
Total gross fixed assets	***1,562,023***	***42,624***	***119,246***	***85,031***	***1,638,862***

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 of intangible assets during 2008 can be essentially explained by the inclusion in intangible assets of the technical deficits from the transfer of all the assets and liabilities of Virtools SA and Seemage SAS for EUR 41.3 million and by the acquisition of intellectual property for EUR 4.5 million in December 2008.

Changes to tangible assets can be essentially explained by the replacement of the majority of the registered office's equipment following its transfer from Suresnes to Vélizy.

Long-term investments are mainly composed of the securities of subsidiaries and receivables from subsidiaries (EUR 1,455 million), details of which are presented in the information concerning subsidiaries and shareholdings, loans and advances granted to staff and deposits and guarantees.

The increase in long-term investments during 2008 is mostly due to the following changes:

– the buy-back of own shares in November 2008 with a view to cancellation for EUR 32.5 million,

	Number of shares	Average Price *(in euros)*	Total shares *(in thousands of euros)*
Own shares as at January 1, 2008	**–**	**–**	**–**
Shares repurchased during Q1 2008 currently being cancelled	661,986	35.94	23,792
Cancelled shares	(661,986)	(35.94)	(23,792)
Shares repurchased during Q4 2008 currently being cancelled	1,000,000	32.55	32,555
Own shares as at December 31, 2008	***1,000,000***	***32.55***	***32,555***

– increase of share capital made by the Company to certain subsidiaries: Delmia GmbH for EUR 2.0 million, Dassault Systèmes India for EUR 1.3 million and Dassault Systèmes SAS, following its recapitalization in December 2008 by incorporating EUR 30.0 million of receivables,

– acquisition in March 2008 of the remaining shares held by the employees of Virtools SA for EUR 1.3 million, thus increasing Dassault Systèmes SA's interest in said company to 100%,

– additional purchase in July 2008 of Dynasim shares for EUR 3.3 million, thus increasing the Company's interest to 100%.

The Company also granted additional loans to its subsidiaries for EUR 0.8 million and to its employees as part of its package of measures to assist with the move to Vélizy for EUR 0.7 million.

The reduction in long-term investments during 2008 is mainly due to the transfer of all the assets and liabilities of Virtools SA, Seemage SAS and Arboost Technologies SARL, companies acquired respectively in 2005, 2007 and 2008.

Note 2 – Changes in amortization and provisions

(in thousands of euros)	**Amortization at 12/31/2007**	**Contributions merged companies**	**Appropriations 2008**	**Reversals and transfers 2008**	**Amortization at 12/31/2008**
Intangible assets	**29,737**	**257**	**6,288**	**452**	**35,830**
Patents, licenses and trademarks	29,737	257	6,288	452	35,830
Tangible assets	**46,190**	**392**	**9,254**	**34,413**	**21,423**
Buildings	1	–	–	1	–
Material fixtures and fittings	20,988	126	4,159	23,358	1,915
Technical facilities, tools and equipment	20,333	185	4,085	7,328	17,275
Other tangible assets	4,868	81	1,010	3,726	2,233
Vehicles	156	–	43	34	165
Office furniture	2,941	78	614	3,456	177
Office and corporate equipment	1,771	3	353	236	1,891
Long-term investments	**2,532**	**50**	**28,021**	**472**	**30,131**
Total gross fixed assets	***78,459***	***699***	***43,563***	***35,337***	***87,384***

Allowances for the amortization of intangible assets includes EUR 3.5 million relating to the amortization over 3 years of the ImpactXoft technology acquired in 2005 for EUR 12.4 million and EUR 1.9 million relating to the amortization of the financial information system.

The 2008 long-term investment allowance relates mainly to a provision on the equity securities of DELMIA GmbH for EUR 27.9 million so as to reflect their inventory value.

Note 3 – Trade accounts receivable and equivalents

Trade accounts receivable and equivalents are broken down as follows:

(In thousands of euros)	12/31/08	12/31/07
Trade accounts receivable	153,552	118,918
Bills receivable	51	300
Invoices not yet issued	70,024	74,520
Provision for depreciation of trade accounts receivable	(1,883)	(1,238)
	221,744	***192,500***

The due date of all trade accounts receivable and equivalents is less than one year.

The increase in trade accounts receivable is essentially due to the increase in inter-company accounts receivable with Dassault Systèmes SAS, a fully-owned Company subsidiary that is a European billing platform for sales of the Company's software.

The increase in provisions for doubtful accounts receivable relates mainly to the inclusion in the Company's financial statements of bad and doubtful debts and provisions relating to the companies whose assets and liabilities were transferred to the Company in full in 2008.

Note 4 – Other operating receivables

Other operating receivables consist of the following elements:

(In thousands of euros)	12/31/08	12/31/07
Corporate tax	41,067	15,689
Value added tax	11,188	10,635
Current accounts with debit balances	10,328	24,958
Accrued credit notes	5,087	610
Other	586	2,198
	68,256	***54,090***

The due date of other operating receivables is less than one year.

The variation of the corporate tax receivable between December 31, 2008 and December 31, 2007 can be explained by the increase in the research tax credit, a result of the 2008 French Finance Act that changed the method for calculating this credit, which was EUR 18.8 million as at December 31, 2008 compared to EUR 5.7 million as at December 31, 2007, and by the charging of carried-forward deficits of EUR 16.9 million following their transfer by tax accreditation when all the assets and liabilities of various companies were transferred to the Company.

Note 5 – Cash assets

5.1 Investment in securities

(In thousands of euros)	12/31/08	12/31/07
Investment securities	**234,180**	**178,490**

On December 31, 2008, 84.44% of investments in securities were held in euros compared to 99.45% on December 31, 2007, and 16.56% in USD compared to 0.55% on December 31, 2007.

Investments in securities are invested for EUR 231.6 million in monetary investments. EUR 2.5 million are invested in diversified investment mediums.

5.2 Treasury shares

	Number of shares	Average price *(in euros)*	Total shares *(in thousands of euros)*
Treasury shares as at January 1, 2008	–	–	–
Shares repurchased during Q1 2008 intended to cover executive stock grant obligations	300,000	37.45	11,235
Delivery of executive stock grants	(300,000)	(37.45)	(11,235)
Shares repurchased during Q4 2008 intended to cover executive stock grant obligations	300,000	37.92	11,378
Treasury shares as at December 31, 2008	***300,000***	***37.92***	***11,378***

Note 6 – Prepayments

Prepayments break down as follows:

(In thousands of euros)	12/31/08	12/31/07
Real estate rentals	617	1,920
Equipment rentals	373	993
Insurance	100	504
IT maintenance	6,112	3,103
Other	2,112	1,576
	9,314	***8,096***

Note 7 – Shareholders' equity

7.1 Share capital

Movements on share capital during the year ended December 31, 2008 break down as follows:

	Number of shares	Par value *(in euros)*	Capital *(in euros)*
Shares as at January 1, 2008	**117,604,553**	**1**	**117,604,553**
Shares issued pursuant to the share option schemes (refer to note 7.2)	1,919,759	1	1,919,759
Capital reduction by canceling shares	(661,986)	1	(661,986)
Shares as at December 31, 2008	**118,862,326**	**1**	**118,862,326**

7.2 Stock option plans

The table below summarizes the options exercised since each plan was introduced:

	Plan December 15, 1997	Plan January 28, 1998	Plan November 9, 1998		Plan September 15, 1999		Plan March 29, 2001		Plan June 29, 2001	Plan October 5, 2001		SUB TOTAL
		1998-1	1998-02	1998-03	1998-04	1998-05	1998-08	1998-09	1998-10	1998-11	1998-12	CARRY-FORWARD
Number of options allocated	1,031,840	750,000	2,468,730	354,750	3,297,000	320,000	2,909,600	553,300	138,000	1,387,400	328,650	13,539,270
Option exercise price	€25.92	€26.37	€29.58	€29.58	€37.00	€37.00	€52.00	€52.00	€49.00	€35.00	€35.00	
Exercise dates	From 12/15/99 to 12/14/07	From 01/28/98 to 01/27/08	From 11/09/00 to 11/08/08	From 11/09/98 to 11/08/08	From 09/15/01 to 09/14/09	From 09/15/99 to 09/14/09	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 10/05/02 to 10/04/11	From 10/05/02 to 10/04/11	
Number of options exercised until 2006	571,503	719,000	651,275	239,809	79,709	153,325	–	110,825	46,177	58,324	131,837	2,761,784
Number of options exercised in 2007	413,890	2,900	349,803	21,865	56,640	16,925	–	104,565	24,985	16,297	55,786	1,063,656
Number of options exercised in 2008	–	300	1,391,819	46,413	23,999	45,685	–	53,650	15,915	23,718	25,809	1,627,308
Number of options canceled	46,447	27,800	75,833	46,663	68,065	51,027	128,240	107,180	8,208	36,949	57,812	654,224
Number of options in circulation on December 31, 2008	–	–	–	–	3,068,587	53,038	2,781,360	177,080	42,715	1,252,112	57,406	7,432,298

	SUB TOTAL C/ FORWARD	Plan May 28, 2002		Plan January 20, 2003		Plan March 29, 2005 2005-01		Plan October 9, 2006	Plan June 6, 2007	Plan Sept 25, 2008	TOTAL
		2002-01	2002-02	2002-03	2002-04	2002-05	2002-06	2006-01	2006-02	2008	
Number of options allocated	13,539,270	1,363,563	355,300	3,325,000	675,000	967,150	232,850	1,405,700	1,325,900	1,436,600	24,626,333
Option exercise price		€45.50	€45.50	€23.00	€23.00	€39.50	€39.50	€47.00	€47.50	€38.15	
Exercise dates		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	From 10/10/09 to 10/08/13	From 06/07/10 to 06/05/14	From 09/25/09 to 09/24/15	
Number of options exercised until 2006	2,761,784	–	66,305	71,725	385,120	5,700	4,300	–	–	–	3,294,934
Number of options exercised in 2007	1,063,656	440	96,481	504,841	107,245	–	61,600	–	–	–	1,834,263
Number of options exercised in 2008	1,627,308	–	37,609	205,592	17,900	2,800	28,550	–	–	–	1,919,759
Number of options canceled	654,223	79,131	47,726	18,275	48,100	104,800	28,250	148,900	91,500	20,800	1,241,705
Number of options in circulation on December 31, 2008	7,432,299	1,283,992	107,179	2,524,567	116,635	853,850	110,150	1,256,800	1,234,400	1,415,800	16,335,672

The Board of Directors reserves the right to temporarily put on hold the exercising of options during operations on the capital in respect of the law. Moreover, shares subscribed for pursuant to the exercising of options under the schemes 2005-02 of March 29, 2005, 2006-01 of October 9, 2006, 2006-02 of June 6, 2007 and 2008 of September 25, 2008 may not be respectively transferred until March 30, 2009, October 10, 2010, June 7, 2011 and 33% per annum from September 25, 2010 to September 25, 2012.

7.3 Movements in shareholders' equity

The movements in shareholders' equity during the year ended December 31, 2008 break down as follows:

(In thousands of euros)	2007 Before AGM's resolutions	Appropriation of 2007 earnings by AGM	Effect of exercising options and canceling shares	Net income for 2008 fiscal year	Other	2008 Before AGM's resolutions
Share capital	**117,604**	–	1,258	–	–	**118,862**
Share premium	**112,249**	–	29,731	–	–	**141,980**
Contribution premium	**269,978**	–	–	–	–	**269,978**
Legal reserve	**11,577**	183	–	–	–	**11,760**
Retained earnings	**866,394**	81,815	–	–	–	**948,209**
Income (loss) for the fiscal year	**135,676**	(135,676)	–	115,307	–	**115,307**
Regulated provisions(1)	**10,015**	–	–	–	1,360	**11,375**
Shareholders' equity	**1,523,493**	(53,678)	30,989	115,307	1,360	**1,617,471**

(1) The regulated provisions mainly originate from the exceptional obligatory company profit-sharing scheme set up for the benefit of the Company's employees.

Note 8 – Provisions for contingencies and liabilities

Movements of provisions for contingencies and liabilities break down as follows:

(In thousands of euros)	Opening balance on 01/01/08	Appropriation for 2008 fiscal year	Reversals for 2008 fiscal year(1)	Closing balance on 12/31/08
Provisions for retirement payments	7,752	599	438	7,913
Provisions for long-service awards	2,209	45	119	2,135
Provisions for exchange losses	4,207	12,372	4,399	12,180
Other provisions for contingencies and liabilities	3,391	5,796	1,663	7,524
Total provisions	**17,559**	**18,812**	**6,619**	**29,752**

(1) The majority of the reversals of provisions were used during the fiscal year.

The Company's commitment in terms of retirement payments was valued by the future rights pro-rata method. This commitment was reduced in 2008 owing to the departure of staff taken on by Keonys when the distribution business was sold in June 2008.

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, 2008 were calculated using the prospective method with the following assumptions: retirement between 60 and 64 years of age, 5.75% discount rate, 3% average increase in salaries and a 5% investment profitability rate.

In 1998, the Company 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, the Company has invested a total of EUR 6.1 million.

The appropriation for exchange losses during the year relates to unrealized exchange losses generated owing to currency fluctuations, mainly those of the dollar and the yen.

The increase in other provisions for contingencies and liabilities between December 31, 2007 and December 31, 2008 corresponds to a provision for an obligation to deliver shares in June 2009 and September 2010 pursuant to executive stock grants.

Note 9 – Financial debts

At December 31, 2008, financial debts break down as follows:

		Breakdown by due date	
(In thousands of euros)	Gross	Due dates less than one year	Due dates over one year
Loans and debts with credit institutions	200,278	156	200,122
Banks	163	163	–
Obligatory staff profit-sharing scheme	15,256	2,397	12,859
Total financial debts	**215,697**	**2,716**	**212,981**

Financial debt due dates over one year essentially relate to an EUR 200 million multi-currency credit facility and obligatory staff profit-sharing.

The Company entered into the multi-currency credit facility in December 2005 for EUR 200 million. This agreement provides for revolving credit for a period of five years, which can be extended by two additional years at the Company's option. The Company has exercised its options to extend the revolving loan facility for two additional years. In March 2006, the Company drew down EUR 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.

Note 10 – Elements concerning related companies

(In thousands of euros)	12/31/08	12/31/07
Loans granted (balance at the year end)	67,668	68,665
Interest received or provided for during the year on loans granted	3,387	766
Dividends collected during the year	32,943	46,921
Current accounts with debit balances (at year end)	10,323	22,020
Interest received or provided for during the year on granted current accounts	773	2,233
Current accounts with credit balances (at the year cut-off date)	52,433	44,893
Interest paid or provided for during the year on current accounts obtained	2,075	1,911
Trade accounts receivable and equivalent	133,375	117,735
Accounts payable and equivalent	43,335	39,003

Loans granted to subsidiaries and inter-company current accounts are remunerated according to market conditions.

The decrease in current accounts with debit balances can be mainly explained by the recapitalization of the subsidiary, Dassault Systèmes SAS, by the incorporation of receivables, during 2008.

EUR 32.9 million in dividends were received during the 2008 fiscal year, broken down as follows:

– dividend of EUR 13.8 million on the Dassault Systèmes Simulia Corp. preferred shares acquired in May 2006 from Dassault Systèmes Corp. for USD 310 million and providing entitlement to an annual dividend of 6%,

– dividend of EUR 18.5 million relating to the class A and B Dassault Systèmes Americas Corp. preferred shares acquired in July 2006 for USD 354 million and providing entitlement to annual dividends of 7% and 7.25% respectively for class A and B shares,

– dividend of EUR 0.6 million received from 3DPLM.

Note 11 – Operating debts

Accounts payable and equivalents break down as follows:

(In thousands of euros)	12/31/08	12/31/07
Suppliers	47,032	35,077
Suppliers of fixed assets	609	–
Invoices not received	39,506	26,952
	87,147	**62,029**

Tax and social security debts break down as follows:

(In thousands of euros)	12/31/08	12/31/07
Value added tax	10,352	11,443
Other taxes and duty	929	326
Obligatory and optional profit-sharing	13,731	14,060
Provision for paid leave	22,248	21,293
Other staff expenses	20,541	18,903
	67,801	**66,025**

Other operating debts break down as follows:

(In thousands of euros)	12/31/08	12/31/07
Current accounts with credit balances	52,446	45,114
Discounts to be granted and credit notes to be established	23,929	1,493
Financial instruments	4,738	–
Other	72	147
	81,185	**46,754**

The credit notes to be established relate to issued inter-company invoices.

The financial instruments correspond to forward sales of currency and exchange tunnels intended to hedge the exchange rate risk on the dollar and the yen.

Note 12 – Unearned revenue

Unearned revenue consists of the following elements:

(In thousands of euros)	12/31/08	12/31/07
Software royalties	3,801	8,390
Other revenue	–	1,698
	3,801	**10,088**

Note 13 – Financial commitments

13.1 Financial instruments

In order to manage its exchange rate risk, the Company generally uses forward exchange contracts, exchange options and exchange tunnels.

The Company has also taken out a revolving credit facility that bears interest at a variable rate (Refer to Note 9). In December 2005, the Company entered into interest rate swap agreements that have the economic effect of modifying a portion of its forecasted interest obligations relating to this facility so that the interest payable effectively becomes fixed at 3.36%.

On December 31, 2008, the financial instruments portfolio was as follows:

(In thousands of euros)	**Notional amount**	**Fair value**
Interest rate swaps	200,000	(2,368)
JPY / EUR tunnel	170,134	2,569
JPY / EUR forward exchange contracts	38,748	(5,618)

On December 31, 2007, the financial instruments portfolio was as follows:

(In thousands of euros)	**Notional amount**	**Fair value**
Interest rate swaps	200,000	6,386
USD / EUR forward exchange contracts	37,703	356
JPY / EUR forward exchange contracts	8,489	496

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 the Company's hedging strategy and mature in less than 38 months for the exchange rate hedging instruments and in approximately 2 years for the interest rate swaps. The Company's Management believes that the counterparty risk relating to these instruments is minimal as the counterparties are first-rate financial institutions.

13.2 Increases and reductions in the future corporate tax debt

The increases and reductions in the future corporate tax debt have been valued on the basis of the ordinary law corporate tax rate, plus extraordinary contributions, when the temporary differences are repaid during the application periods of said contributions. They originate from time lags between the tax arrangements and the accounting recognition of revenue and expenses.

(In thousands of euros) *Nature of temporary differences*	12/31/08	12/31/07
Provision for obligatory profit-sharing	9,203	9,721
Provision for retirement payments	7,912	7,752
Unrealized exchange gains	11,216	157
Provision for contingencies	1,166	1,366
Depreciation of receivables	3,532	2,887
Other	1,838	969
Land owned in Suresnes	–	5,680
Total temporary differences	34,867	28,532
Net reduction of the future corporate tax debt (34.43% tax rate)	**12,005**	**9,824**

13.3 Other commitments

On December 31, 2008, commitments stood at EUR 188 million for real estate rentals, including commitments relating to the lease for the new registered office in Vélizy, effective as from June 30, 2008 for 12 years and EUR 1.7 million for equipment rentals (compared to EUR 15 million and EUR 8 million respectively on December 31, 2007).

13.4 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, 2008, unused, accumulated Individual Training Rights amounted to approximately 125,110 hours.

NOTES ON THE INCOME STATEMENT

Note 14 – Breakdown of net sales

(In thousands of euros)	12/31/08	12/31/07
Sales of equipment	5,445	11,919
Software (royalties and other product developments)	477,057	478,309
Services (including technical support)	13,616	17,533
Other revenue	58,533	42,462
	554,651	**550,223**

The breakdown of net royalty sales by geographic zone is as follows:

(In thousands of euros)	**12/31/08**	**12/31/07**
Europe	258,914	231,829
The Americas	107,155	125,584
Asia	110,988	120,896
	477,057	**478,309**

Note 15 – Statutory auditors' fees

The amount of statutory auditors' fees appearing in the income statement for the year breaks down as follows:

(In euros)	**12/31/2008**
Certification of the individual and consolidated financial statements	1,070,000
Incidental assignments	85,100
	1,155,100

Note 16 – Financial income / loss

The financial loss for the 2008 year was EUR 2.2 million compared to income of EUR 35.1 million for the 2007 year. The main reason for this decrease is the recognition of a provision for the depreciation of equity securities for EUR 27.9 million, an exchange rate loss in 2008 on dividends received from subsidiaries (EUR 32.9 million in 2008 compared to EUR 46.9 million in 2007), as well as the recognition of a provision for exchange loss of EUR 12.2 million compared to EUR 4.2 million in 2007.

Note 17 – Breakdown of income tax

The breakdown of income tax between current income and extraordinary income for the year ended December 31, 2008, is as follows:

(In thousands of euros)	**Income before tax**	**Tax (charge) profit**	**Income after tax**
Current income	125,600	(26,058)	99,542
Extraordinary income(1)	2,198	13,569	15,767
	127,798	**(12,489)**	**115,309**

(1) Including obligatory and optional employee profit-sharing.

The effective income tax rate for the year ended December 31, 2008 was 9.77% (2007: 23.14%). This decrease in the effective rate is mainly due to the use of the carried-forward losses of companies taken over in 2008 for EUR 16.9 million and an increase in the research tax credit recognized by the Company in 2008.

Following the first consolidation of Dassault Data Services in 2008 and the removal of Virtools SA from the scope of consolidation owing to the transfer of all its assets and liabilities, the tax group consisted of 7 entities at the end of December 2008.

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 said subsidiary had not been a member of the group.

Without the tax integration agreements, Dassault Systèmes' tax charge would have been EUR 14 million in 2008.

ADDITIONAL INFORMATION

Note 18 – Compensation of executive officers

The total gross compensation in euros paid by the Company to corporate officers during the 2008 year breaks down as follows:

Salaries	3,071,575 euros
Benefits in kind	18,900 euros
Directors' fees	69,000 euros(1)
Total	3,159,475 euros

(1) 2007 directors' fees paid in 2008. 2008 directors' fees to be paid in 2009 will represent EUR 73,500.

Following the authorizations granted to it by the General Meeting of Shareholders, the Board of Directors granted 150,000 shares on June 8, 2005, 150,000 shares on June 14, 2006, 150,000 shares on June 6, 2007 and 150,000 shares on September 25, 2008 to the Chief Executive Officer ("CEO"). Such shares shall be vested at the end of an acquisition period of 3, 2, 2 and 2 years respectively, 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.

Note 19 – Average headcount and breakdown by category

Salaried staff by category	12/31/08	12/31/07
Managers	1,614	1,550
Supervisors and technicians	52	28
Employees	128	142
	1,794	**1,720**

Note 20 – Identity of the consolidating company

The Company's business activity is included, by the equity method, in the consolidated financial statements of Groupe Industriel Marcel Dassault SA, having its registered office at 9 Rond-Point des Champs-Elysées – Marcel Dassault, 75008 Paris.

Information Relating to Subsidiaries and Shareholdings

(In thousands of euros)	Gross inventory value of securities	Net inventory value of securities	% holdings	Capital and issue premiums	Reserves and amounts carried-forward	Net profit or (loss) for last fiscal year	Net sales	Dividends collected	Loans and advances	Guarantees and sureties
Dassault Data Services	892	892	95	3,000	22,044	6,583	54,634	–	–	–
Dassault Systemes K.K.	2,655	2,655	100	2,124	648	(7,199)	88,469	–	719	–
Dassault Systemes Deutschland AG	1,500	1,500	100	1,500	(837)	2,440	16,320	–	1,250	–
Dassault Systèmes Provence SAS	32,248	32,248	100	32,394	28,680	9,722	23,918	–	–	–
Dassault Systèmes Israel Ltd	64,883	64,883	100	25,228	(48,075)	7,256	19,260	–	5,473	–
Delmia GmbH	49,854	21,901	100	12,600	(8,094)	65	17,035	–	–	–
Dassault Systemes Italia Srl	381	381	100	20	336	(366)	3,310	–	250	–
Dassault Systemes (Switzerland) Ltd	68	68	100	67	(15)	37	837	–	–	–
3D PLM Software Solutions Ltd	90	90	30	183	6,127	6,782	19,944	642	–	–
Dassault Systemes Canada Inc.(1)	19,235	19,235	100	15,691	(640)	(19)	–	–	1,059	–
Dassault Systemes UK Ltd	–	–	100	128	(528)	1,178	7,873	–	262	–
Athys SAS	8,572	8,572	100	360	(681)	(1,291)	450	–	2,582	2,000
Dassault Systèmes SAS	30,040	30,040	100	24,638	(1,065)	2,347	92,339	–	–	–
Dassault Systemes Corp.(2)	643,058	643,058	100	1,182,208	(29,692)	3,542	–	18,534	–	–
Dassault Systemes Americas Corp.	278,106	278,106	10	361,867	(54,378)	16,613	209,795	13,768	–	5,661
Dassault Systemes Simulia Corp.	242,977	242,977	10	(181)	22,573	21,460	95,483	–	–	–
Dynasim AB	9,055	9,055	100	1,546	(613)	(667)	1,947	–	–	–
Dassault Systèmes Holdco SAS	37	37	100	37	(5)	(2)	–	–	–	–
Dassault Systèmes Europe SAS	37	37	100	37	(1,328)	(2,946)	–	–	53,648	–
Dassault Systemes Espana S.L.	3	3	100	3	300	(141)	1,382	–	365	–
Dassault Systemes Belgium SA	392	392	99	392	48	21	1,114	–	–	–
Dassault Systemes India Ltd	1,334	1,334	100	1,131	–	485	4,758	–	–	–
Allegorithmic(3)	607	607	16		Data not available			–	700	–
	1,386,024	***1,358,071***						***32,943***	***66,308***	***7,661***

(1) Canadian holding company holding 100% of Safework Inc. and Dassault Systemes Inc.

(2) American holding company holding 100% of SolidWorks Corporation and Dassault Systèmes Holding LLC, the latter itself holding 90% of Dassault Systemes Americas Corp. and of Dassault Systèmes Simulia Corp. and 100% of Dassault Systèmes Delmia Corp. and Spatial Corp.

(3) Taking interests

The Company has not granted any other significant guarantee or endorsement to its subsidiaries. The loans granted to subsidiaries are detailed in Note 11.

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 effective rates at the year cut-off date.

20.3.2 Selected financial and other information for Dassault Systèmes SA over the last five years

(in euros)	2004	2005	2006	2007	2008
Capital at year-end					
Share capital	113,786,411	115,038,378	115,770,290	117,604,553	118,862,326
Number of shares	113,786,411	115,038,378	115,770,290	117,604,553	118,862,326
Results of operations for the year					
Revenue (excluding taxes)	491,722,500	534,068,279	565,717,509	550,223,231	554,651,006
Income before taxes, employee profit-sharing, amortization and provisions	189,554,551	216,659,888	213,511,588	221,238,407	210,541,064
Income before taxes, employee profit-sharing, amortization and net provisions	184,596,378	211,983,870	205,226,123	218,039,395	202,315,635
Income tax	54,372,899	58,042,657	52,252,284	40,856,300	12,489,386
Company profit-sharing with employees for the year	10,540,433	11,550,478	10,683,531	9,720,962	9,202,886
Regulatory profit-sharing with employees	6,701,914	7,306,112	7,801,959	8,195,662	8,140,149
Income after taxes, employee profit-sharing amortization and provisions	104,456,095	123,372,773	120,438,429	135,676,022	115,307,017
Earnings per share					
Income after taxes, employee profit-sharing but before amortization and net provisions	0.99	1.17	1.16	1.35	1.45
Income after taxes, employee profit-sharing, amortization and net provisions	0.92	1.07	1.04	1.15	0.97
Dividends per share	0.38	0.42	0.44	0.46	
Employees					
Average number of employees for the year	1,518	1,572	1,612	1,719	1,794
Total amount of employee compensation for the year	76,673,527	82,088,686	88,365,157	94,626,307	102,594,289
Total amount of social charges for the year	38,176,662	41,898,868	43,373,183	46,070,049	53,986,160

20.4 Reports of the Independent Auditors for 2008

20.4.1 Report of the Independent Auditors on the financial statements

Year ended 31 December 2008

Statutory Auditors' 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 2008, on:

- the audit of the accompanying annual financial statements of Dassault Systèmes, S.A.
- the justification of our assessments,
- the specific verifications and information required by French law.

These annual 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 the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit involves performing procedures, by audit sampling and other selective testing methods, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by the management, and the overall financial statements presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at December 31, 2008 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. Justification of 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 (a) to the financial statements (section relating to the accounting rules and principles applicable to the profit and loss account) summarizes the accounting principles and methods relating to the recognition of revenue from software sales, mainly composed of fees received under the distribution agreement with IBM.
- Note (c) to the financial statements (section relating to the accounting rules and principles applicable to the balance sheet) and note 1 to the financial statements (section relating to the balance sheet) 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 applicable accounting rules and principles adopted by your company, we checked the appropriateness of the above-mentioned accounting principles and the information disclosed in the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole and, therefore, contributed to our audit opinion expressed in the first part of this report.

III. Specific verification and information

We have also performed the specific verifications required by French law.

We have no matters to report regarding the following:

- the fair presentation and consistency with the financial statements of the information given in the directors' report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the directors' report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders (and holders of voting rights) has been properly disclosed in the directors' report.

Neuilly Sur Seine and Paris-La Défense, 30 March 2009

The Statutory Auditors

PricewaterhouseCoopers Audit *(French original signed by:)*	Ernst & Young Audit *(French original signed by:)*
Xavier Cauchois	Jean-Marc Montserrat

20.4.2 Report of the Independent 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.

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2008

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 2008, 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, on a test basis or by 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 by management, 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 Group as at 31 December 2008 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.

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 revenues including for the royalties received from IBM and the sales made with direct customers or through value-added resellers.
- 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 in the context 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 the information given in the Group'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 and Paris-La Défense, 30 March 2009

The statutory auditors

PricewaterhouseCoopers Audit
Xavier Cauchois

Ernst and Young
Jean-Marc Montserrat

20.4.3 Special report of the Independent Auditors regarding related-party transactions

Year ended 31 December 2008

Statutory Auditors' Report on Related Party Agreements and Commitments

To the shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

Agreements and commitments authorized during the year ended 31 December 2008 as well as those authorized up to 27 March 2009.

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 by your Board of Directors.

We are not required to ascertain the existence of any other agreements and commitments but 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. We are not required to comment as to whether they are beneficial or appropriate. 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.

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.

With Mr Bernard Charlès

Indemnity in the event of the removal of Mr Bernard Charlès from corporate office

Nature, purpose and conditions

In its meeting on 23 September 2003, the Board of Directors had authorized the decision to grant Mr Bernard Charlès an indemnity in the event of his removal from corporate office or in the event of the termination of his employment contract. Moreover, given the suspension of his employment contract (reported in the agreement described below), Mr Bernard Charlès made the decision to waive his termination indemnity in respect of his employment contract.

In accordance with the TEPA Act (French law for work, employment and purchasing power) of 21 August 2007, which requires that the indemnity due in the event of removal from corporate office be conditional on performance targets being met by the beneficiary; in its meeting of 28 March 2008, the Board of Directors authorized a commitment by your company to pay Mr Bernard Charlès an indemnity in the event of his removal from office as *directeur general* (corporate officer) subject to the condition of meeting performance targets established for the calculation of his variable remuneration. Your Shareholders' Meeting on 22 May 2008 had approved this agreement.

In its meeting of 27 March 2009, taking into account the recommendations of the remuneration committee in accordance with the recommendations that are part of the AFEP/MEDEF consolidated corporate governance code (*Code de gouvernement d'entreprise consolidé*) of December 28, specified and restricted the conditions under which this indemnity would be due.

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 pro-rated 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 objectives 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 in which 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 be seriously prejudicial to the image or to the income of the company 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 authorised in prior years and which remain current during the year

With Mr Bernard Charlès

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, in its meeting of 28 March 2008, the Board of Directors authorised the suspension of Mr Bernard Charlès' employment contract for so long as the latter performs his corporate office, retroactively to 1 January 2008. Your Shareholders' Meeting on 28 May 2008 approved this agreement. It is understood that Mr Bernard Charlès' employment contract will be automatically re-established and will again have all of its effects by reason only of the cessation, for any reason whatsoever, of his term as *directeur général.*

Agreements and commitments authorised in prior years and which remain current during the year

Furthermore, in accordance with the French Commercial Code (*Code de Commerce*), we have been advised that the following agreements and commitments which were approved in prior years remained current during the year.

1. 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 licence for the Enovia brand has been granted to Enovia Corp. This agreement was authorized by the Board of Directors in 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.

2. With 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 in its meeting on 28 June 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 USD260,000 exclusive of taxes.

3. With Mr Bernard Charlès

Amendment to the directeur général's employment contract

Nature, purpose and conditions

In 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 wilful misconduct.

We note that Mr Bernard Charlès has decided to waive his termination indemnity with respect to his employment contract given the suspension of his employment contract.

4. Payment of the legal defence 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 defence before a civil, criminal or administrative jurisdiction of the United States if this defence 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 defence and that the expenses incurred be reasonable.

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.

Neuilly-sur-Seine and Paris-La Défense, 30 March 2009

The Statutory Auditors

PricewaterhouseCoopers Audit
French original signed by

Xavier Cauchois

Ernst & Young Audit
French original signed by

Jean-Marc Montserrat

20.5 Date of the last financial statements

December 31, 2008.

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 years.

20.8 Legal and Arbitration Proceedings

The Company is involved in litigation from time to time in the ordinary course of business. The Company believes that there is no outstanding or threatened litigation or arbitration, including the matter described below, which has recently had or is likely to have a significant impact on the Company’s financial standing, the Company’s activities, or results.

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. As of February 27, 2009, the parties have reached an agreement-in-principle to settle the litigation, which agreement will be subject to negotiation and filing with the Court of definitive settlement documents and final approval by the Court.

20.9 Significant change in the issuer’s financial or trading position since December 31, 2008

Except for the information set forth in Chapter 12 “Trend Information”, Chapter 13 “Profit Forecasts or Estimates” and in Section 21.1.4 regarding share repurchases, there has been no significant change in the financial or trading position of the Company since the end of the year ended December 31, 2008.

CHAPTER 21 – ADDITIONAL INFORMATION

21.1 Share Capital

21.1.1 Share capital at February 28, 2009

At February 28, 2009, the Company's share capital was €118,866,151, divided into 118,866,151 fully paid-up shares with a nominal value of €1.00 per share. The Company's share capital was €118,862,326 on December 31, 2008.

At February 28, 2009, issued share options, whether or not exercisable, would, if all were exercised, result in the issuance of 16,246,521 new shares, representing approximately 13.66% 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 Friday, February 27, 2009 (€27.64 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 2,695,258 new shares, representing approximately 2.26% of the Company's share capital at that date. The dilutive effect per share at December 31, 2008, is set forth in Note 11 to the consolidated financial statements.

In connection with the acquisition of SolidWorks in 1997, Dassault Systèmes issued shares for the purpose of distribution to the holder 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 Group, SW Securities LLC. No further stock options or warrants issued by SolidWorks remain outstanding at this time. At December 31, 2008, as at February 28, 2009, SW Securities LLC held 251,807 shares, or approximately 0.21% 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 "Renumeration and benefits" and Section 17.2 "Shareholdings and stock options of the directors and executive officers", there are not other securities giving a right to subscribe shares of Dassault Systèmes, and there is not agreement which could result in a capital increase. Dassault Systèmes has not issued any securities which do not represent an interest in its share capital.

Pledges of assets

At December 31, 2008, 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 in registered form were pledged as of March 16, 2009. Shares held by DS 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 DS 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)
December 31, 2005	Exercise of share subscription options	1	115,038,378	115,038,378	1,251,967
December 31, 2006	Exercise of share subscription options	1	115,770,290	115,770,290	731,912
December 31, 2007	Exercise of share subscription options	1	117,604,553	117,604,553	1,834,263
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)

The changes in share capital resulting from the operations through December 31, 2008, 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 2008 financial year and as of the date of this Annual Report includes authorizations to increase share capital and to purchase and cancel the Company's own shares.

Summary of delegations	General Meeting	Use
Authorization to purchase Dassault Systèmes' shares	May 22, 2008	The use of this authorization is described in paragraph 21.1.4 of this document
Authorization to cancel previously repurchased shares in the framework of the share buy-back program	May 22, 2008	The use of this authorization is described in paragraph 21.1.4 of this document
Delegation 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 6, 2007	Not used
Delegation 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 6, 2007	Not used
Delegation to increase share capital for the purpose of compensating contributions in kind within the limit of 10% of share capital	June 6, 2007	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 22, 2008	Not used
Authorization to grant free shares, within the limit of 1% of capital	June, 6 2007	The use of this authorization is described in paragraph 15.1 of this document
Authorization to grant stock subscription or purchase options	May 22, 2008	The use of this authorization is described in paragraphs 15.1 and 17.2 of this document

Because the following delegations to increase the share capital will expire in 2009, the Board of Directors is proposing to the General Meeting of shareholders called for June 9, 2009, to grant to the Board of Directors delegations of the same nature, within the same limits, for a duration of 26 months (see paragraph 26.2 of this Annual Report):

- Delegation 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;
- Delegation 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; and
- Delegation to increase share capital for the purpose of compensating contributions in kind within the limit of 10% of share capital.

In addition, 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 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 2007 and May 2008

In connection with the terms of article L. 225-209 of the French Commercial Code, the general meeting of shareholders of June 6, 2007, 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 €60.

This authorization was replaced by a new authorization granted by the general meeting of shareholders on May 22, 2008, to the Board of Directors, to repurchase the Company's shares under the same conditions. This authorization will expire at the end of the shareholders meeting approving the financial statements for the year ended December 31, 2008, on June 9, 2009.

The new share repurchase program to be proposed to the general meeting of shareholders on June 9, 2009, is described in paragraph b) below.

During the year 2008, in connection with the above authorizations, the Company repurchased 2,261,986 of its own shares at an average price of €34.91, for a total cost of €78,960,229.17.

The transactions costs paid by the Company in connection with these share repurchases amounted to €155,758.63 (all taxes included).

In June 2008, 300,000 shares, which had been allocated to cover the Company's obligations resulting from free share grants decided in 2005 and 2006, were transferred to the beneficiary (see paragraph 15.1 above).

In addition, on September 25, 2008, in compliance with the authorization granted at the general meeting of shareholders on May 22, 2008, the Board of Directors cancelled 661,986 treasury shares which had all been set aside for cancellation.

Following these transactions, on December 31, 2008, the Company held directly 1,300,000 of its own shares, nominal value €1, which were allocated as follows:

– 1,000,000 shares, repurchased at an average price of €32.55, representing 0.84% of share capital at that date, were allocated to be cancelled to improve the return on capital and net income per share; and

– 300,000 shares, repurchased at an average price of €37.93, representing 0.25% of share capital at that date, were allocated to cover the Company's obligations resulting from free share grants.

Finally, at its meeting on March 27, 2009, the Board of Directors used once more the authorization granted by the general meeting of shareholders on May 22, 2008, to cancel 1,000,000 Company shares allocated for that purpose. As a result, on March 27, 2009, the Company held directly 300,000 Company shares.

b) Description of the share repurchase program proposed to the general meeting of shareholders on June 9, 2009

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 June 9, 2009.

In connection with the terms of article L. 225-209 of the French Commercial Code, the Board of Directors will propose to the general meeting of shareholder scheduled for June 9, 2009, to authorize the Board to put in place a new share repurchase program. Such authorization will terminate the current share repurchase program.

On March 27, 2009, the Company held 300,000 of its own shares directly and 251,807 shares indirectly.

At that same date, all of 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 2007 and 2008.

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 for payment, or for exchange, particularly in connection with external growth transactions (in the event of a merger, split or contribution, the maximum amount of shares which could be repurchased would be 5% of share capital);

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 free share grants to employees or directors or officers 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 directors or officers 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 June 9, 2009, 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 DS shares representing up to 10% of the Company's share capital at the date of the shareholders' meeting authorizing the program. At February 28, 2009, the most recent date for determining the corporate capital, this 10% limit would correspond to a limit of 11,886,615 shares.

The Board of Directors could also repurchase shares for a maximum price of €50 per share, and within the limits set by applicable regulations. The maximum amount which could be paid for the repurchase of DS shares would be €500 million.

The authorization granted would be valid until the general meeting of shareholders approving the financial statements for the year ended December 31, 2009.

Overview of Company transactions in DS shares from March 29, 2008 to March 27, 2009, in connection with share authorized repurchase programs

Treasury shares as a percentage of share capital at March 27, 2009, based on share capital at 2/28/09 (most recent date for determination of share capital):	0.25%
Number of shares cancelled during the past 24 months:	1,661,986
Number of shares held at March 27, 2009:	300,000
Accounting value of shares held at March 27, 2009:	€11,377,964.36
Market value of shares held at March 27, 2009:	€8,676,000

	Payments		Open positions at March 27, 2009			
			Open purchase positions		Open sales positions	
	Purchases	Sales/ transfers	Purchase options bought	Forward purchases	Purchase options sold	Forward sales
Number of shares	2,261,986	1,961,986(1)	–	–	–	–
Average maximum term	–	–				
Average price	€34.91	–				
Average exercise price	–	–				
Amount	€78,960,229.17	–				

(1) Of the 1,961,986 shares transferred, 300,000 shares represented free share grants to Bernard Charlès, 661,986 shares were cancelled on September 25, 2008, and 1,000,000 shares were cancelled on March 27, 2009.

21.2 Memorandum and Articles of Association

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 sell services to users specifically in the area of training, demonstration, methodology, display and utilization;
- to supply and sell computer resources, together or separate from software or services; and
- 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 in any legal, economic, financial, industrial, civil, commercial, personal or real property enterprise 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 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. 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 (see also Paragraph 21.2.5 below). Shares issued upon the exercise of share subscription options between January 1 and the date of payment of the dividend distributed for the preceding year are not entitled to receive such dividend.

The agreements by the directors and officers to hold their shares are described in Chapter 15 "Remuneration and benefits".

21.2.4 Actions needed to change shareholder rights

Shareholder right 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. 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.

21.2.5 Shareholder meetings

Notice

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 legal 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

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 midnight (Paris time) on the third business day preceding the meeting;
- for holders of shares in bearer form, that they are registered at midnight (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 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 can only have himself represented by his spouse or by another shareholder provided with a mandate. Shareholders who are legal persons will be represented by the physical persons authorized to represent them to third parties or by any person to whom such physical person has delegated his authority. The physical person representing the legal person is not required to be himself a shareholder of the Company.

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 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

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 role call or secret ballot, by optical or electronic means, as decided by the secretariat of the meeting with 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.

Double voting rights (Article 30 of the 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 shares newly 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 by spouses, 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 DS shares.

21.2.6 Terms in the by-laws, charter or regulation of Dassault Systèmes SA which could slow, postpone or prevent a change in control

Other than the double voting right attached to certain shares (see above), the Company's by-laws provide 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 by-laws requiring disclosure of shareholdings above a certain level

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 Commercial Code, 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 five 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 Commercial Code. 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 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 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 restrictiovethan those provided under the law.

21.2.9 Other general information

Fiscal year

The 12-month fiscal year covers the period from January 1 to December 31 of each year.

Allocation of profits

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 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.

21.3 Market information

Shares of Dassault Systèmes have been listed on Compartiment A of Euronext Paris (code ISIN FR0000130650) since June 28, 1996. Its shares were also listed on the NASDAQ Stock Market's Global Market ("NASDAQ") in the form of American Depositary Shares ("ADSs") under the symbol DASTY until October 16, 2008. One ADS represents one ordinary share (see Section 18.1 "Shareholder Base").

Shares issued upon the exercise of share subscription option between January 1 and the date of payment of the dividend distributed with respect to the preceding year do not receive the dividend. These shares are listed on a second line on Euronext Paris under the symbol DSYNV until the date the dividend is paid.

MARKET PRICE (IN EUROS) AND TRADING VOLUMES OF DASSAULT SYSTÈMES SHARES FROM SEPTEMBER 1, 2007

	Number of shares traded	Last trading price of the month	Highest market price during the month	Lowest market price during the month
September 2007	8,782,626	46.02	47.16	42.70
October 2007	10,511,899	43.21	50.00	42.39
November 2007	13,248,027	40.11	43.14	35.76
December 2007	7,039,913	40.49	41.14	37.26
January 2008	16,510,356	37.20	41.25	31.18
February 2008	12,982,518	36.19	38.50	32.50
March 2008	10,934,640	36.78	38.38	34.59
April 2008	11,810,484	40.40	40.76	36.18
May 2008	10,223,918	43.02	43.90	38.83
June 2008	9,557,432	38.72	44.29	37.77
July 2008	10,582,578	41.76	43.50	35.63
August 2008	6,892,909	41.32	42.85	39.84
September 2008	10,137,640	37.63	42.97	36.07
October 2008	14,907,472	32.33	38.59	27.95
November 2008	11,568,051	30.39	35.12	24.50
December 2008	6,683,384	32.33	32.49	28.33
January 2009	9,624,109	29.61	34.05	25.60
February 2009	5,733,774	27.64	32.10	26.63
March 2009	6,082,009	29.26	29.73	25.00

(Source: Bloomberg)

MARKET PRICE (IN U.S. DOLLARS) AND TRADING VOLUMES OF DASSAULT SYSTÈMES SHARES ON NASDAQ SINCE SEPTEMBER 1, 2007

	Number of shares traded	Last trading price of the month	Highest market price during the month	Lowest market price during the month
September 2007	244,330	65.27	66.06	59.01
October 2007	281,116	61.91	68.99	61.91
November 2007	251,031	58.21	62.41	53.21
December 2007	251,845	58.75	59.96	53.60
January 2008	896,167	56.44	59.62	47.10
February 2008	436,269	54.27	57.50	50.75
March 2008	364,021	57.99	59.53	53.90
April 2008	326,382	62.69	63.50	57.35
May 2008	221,658	67.03	67.28	60.25
June 2008	232,544	60.82	67.75	59.54
July 2008	432,185	64.30	67.51	57.23
August 2008	427,390	60.65	66.19	58.33
September 2008	348,987	53.60	61.91	50.00
October 2008 (through October 15)*	327,166	39.75	53.43	39.75

* Delisted from Nasdaq starting on October 16, 2008

(Source: Bloomberg)

CHAPTER 22 – MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Group's material contracts are principally the distribution agreement with IBM, as described in Section 6.2.4 "Sales and marketing" of this Annual Report, and the strategic partnership contracts described in Section 6.2.3 "Extended enterprise partnerships".

DS has also entered into related party agreements described in Chapter 19 "Related Party Transactions" of this Annual Report.

In addition, the Company established a credit agreement in 2005, which terminates at the end of 2012, for a total amount of €200 million, as described in Chapter 10 "Capital Resources".

Finally, in 2008 DS signed a long-term lease (for 12 full, consecutive years) for its corporate headquarters campus in France, 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 auditors, financial statements for the last three fiscal year 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

Thibault de Tersant, Senior Executive Vice President and Chief Financial Officer, is responsible for investor relations.

To obtain documents published by the Company, and for all financial information, please contact:

Service des Relations Investisseurs
10 rue Marcel Dassault
CS 40501
78140 Vélizy-Villacoublay
France
Téléphone: +33 (0)1 61 62 61 62 – Télécopie: + 33 (0)1 70 73 43 63
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 2009 is set forth below. The timetable is based on information known as of the date hereof.

- First quarter results: April 30, 2009
- Second quarter results: July 30, 2009
- Third quarter results: October 29, 2009
- Fourth quarter results: February 2010

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 DS 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 2008

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 the Company over the last 12 months, in accordance with rules and regulations in effect.

A. Financial Communications

The following information is available on the websites of the AMF (www.amf-france.org), the Securities and Exchange Commission (www.sec.gov/edgar/searchedgar/webusers.htm) through 16 October 2008, the date on which the Company's securities were withdrawn from trading on NASDAQ, on the official French site for the centralized archiving of regulated information (www.info-financiere.com) and/or of the Company (www.3ds.com).

1/10/2008	Declaration of the number of outstanding shares and voting rights as of December 31, 2007
02/08/2008	Declaration of the number of outstanding shares and voting rights as of January 31, 2008
2/13/2008	DS Reports 2007 Full Year Software Revenue Growth Above 15% in Constant Currencies
3/10/2008	Declaration of the number of outstanding shares and voting rights as of February 29, 2008
3/11/2008	Disclosure of trading in own shares
3/19/2008	Disclosure of trading in own shares
4/7/2008	Filing of the 2007 Form 20F and French "Document de Référence"
4/9/2008	Declaration of the number of outstanding shares and voting rights as of March 31, 2008
4/29/2008	DS Reports 2008 First Quarter Software Revenue Growth Above 14% in Constant Currencies
4/30/2008	First Quarter IFRS Financial Information
5/2/2008	Information relating to the General Shareholders' Meeting of Dassault Systèmes to be held on May 22, 2008
5/16/2008	Declaration of the number of outstanding shares and voting rights as of April 30, 2008
5/27/2008	Dassault Systèmes – General Meeting of Shareholders
6/2/2008	Publication of the Board of Directors' decision pursuant to the French "TEPA" Law
6/10/2008	Declaration of the number of outstanding shares and voting rights as of May 30, 2008
7/7/2008	Declaration of the number of outstanding shares and voting rights as of June 30, 2008
7/31/2008	DS Reports 2008 Second Quarter Software Revenue Growth Above 15% in Constant Currencies
8/5/2008	Availability of Dassault Systèmes' 2008 Half-Year Financial Report (IFRS half year consolidated accounts)
8/5/2008	2008 Half-year Financial Report
8/11/2008	Declaration of the number of outstanding shares and voting rights as of July 31, 2008
9/10/2008	Declaration of the number of outstanding shares and voting rights as of August 29, 2008
9/26/2008	Dassault Systèmes to file Form 25 with SEC pursuant to previously disclosed Nasdaq voluntary delisting plans
10/7/2008	Disclosure of trading in own shares
10/9/2008	Declaration of the number of outstanding shares and voting rights as of September 30, 2008
10/29/2008	DS Reports 2008 Third Quarter Financial Results Well in Line With its Objectives
10/29/2008	Third Quarter IFRS Financial Information
11/10/2008	Declaration of the number of outstanding shares and voting rights as of October 31, 2008
11/12/2008	Disclosure of trading in own shares
11/14/2008	Disclosure of trading in own shares
12/9/2008	Declaration of the number of outstanding shares and voting rights as of November 28, 2008
12/10/2008	Historical Annual and Unaudited Quarterly IFRS Financial Information Available on DS Website
12/15/2008	Dassault Systèmes confirms its adhesion to AFEP-MEDEF recommendations regarding corporate governance
1/9/2009	Declaration of the number of outstanding shares and voting rights as of December 31, 2008
1/16/2009	Dassault Systèmes Releases Preliminary Non-GAAP Financial Results for the 2008 Fourth Quarter and Full Year
2/9/2009	Declaration of the number of outstanding shares and voting rights as of January 30, 2009
2/11/2009	DS Reports Growth in Revenue and Earnings for 2008
3/9/2009	Declaration of the number of outstanding shares and voting rights as of February 28, 2009
4/1/2009	Publication of the Board of Directors' decision pursuant to the French "TEPA" law.

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 directors and executive officers of the Company".

B. Documents filed with the Clerk's Office.

The following information is available on the web site of Infogreffe (www.infogreffe.fr).

Filing date	Documents
3/28/2008	Extract from the minutes of the Board of Directors meeting on March 28, 2008, regarding a capital increase
3/28/2008	By-laws (*statuts*) as of March 28, 2008
3/28/2008	Extract from the minutes of the Board of Directors meeting on May 22, 2008, regarding a reduction in corporate capital
9/25/2008	Extract from the minutes of the Board of Directors meeting on September 25, 2008, regarding a capital increase followed by a reduction in corporate capital
9/25/2008	Extract from the minutes of the Board of Directors meeting on September 25, 2008, regarding moving the corporate headquarters
9/25/2008	List of previous corporate headquarters
9/25/2008	By-laws (*statuts*) as of September 25, 2008

C. 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).

2/18/2008	Revenue for the fourth quarter 2007
4/14/2008	Announcement of the shareholders' meeting on June 9, 2008
4/21/2008	Preliminary annual financial statements for 2007
5/14/2008	Revenue for the first quarter 2008
6/27/2008	Definitive annual financial statements for 2008
7/2/2008	Correction to the publication of June 27, 2008
8/6/2008	Revenue for the second quarter 2008

The following information was published in journals for legal announcements.

4/14/2008	Announcement of a shareholders' meeting on May 28, 2008, in La Tribune
5/2/2008	Announcement of a shareholders' meeting on May 22, 2008, in Petites Affiches

D. Miscellaneous Announcements

The announcements below are available on the web sites of the AMF (www.amf-france.org), the SEC (www.sec.gov/edgar/searchedgar/webusers.htm) (through October 16, 2008, the effective date for the withdrawal from listing on NASDAQ), of the Company (www.3ds.com) and/or the official French archives for regulated information (www.info-financiere.fr).

1/17/2008	Dassault Systèmes Announces the Release of SIMULIA SLM for Simulation Lifecycle Management
1/24/2008	Dassault Systèmes Unveils PLM 2.0 on V6 Platform
3/31/2008	Dassault Systèmes Names Scott Berkey CEO of SIMULIA
4/3/2008	Dassault Systèmes Creates New Senior Executive Position & Appoints Laurence Dors as Senior EVP, Global Development & Resources
6/17/2008	Dassault Systèmes to Acquire Engineous Software
7/2/2008	Dassault Systèmes Spins Off its French PLM Sales Division "DSF" to Keonys
10/29/2008	Procter & Gamble Extends Strategic Relationship by Selecting Dassault Systèmes for New Product Development
10/29/2008	Dassault Systèmes Names Michel Tellier CEO of ENOVIA
11/26/2008	EADS Chooses IBM and Dassault Systèmes for Collaborative 3D Design and Manufacturing to Help Reshape The Future of Aerospace and Deteuse Products and Services
3/12/2009	IBM and Dassault Systèmes Help European Automaker Create Digital Design Infrastructure to Speed Up Delivery of Fuel Efficient Cars
3/17/2009	Great Wall Motor Drives New Era of Eco-Design with Dassault Systèmes PLM Solutions

CHAPTER 25 – INFORMATION ON HOLDINGS

Other than Dassault Systèmes SolidWorks Corp. (a U.S. company whose headquarters are located at 300 Baker Avenue, Concord, MA 01742, USA, 100% held indirectly by the Company, and whose business focuses on Mainstream 3D), no other subsidiary or equity holding of the Group represents more than 10% of the Company's consolidated net income.

See Section 7.2 "Principal subsidiaries" for other information on the Group's main subsidiaries and affiliates.

See also the table of subsidiaries and equity interests following Note 20 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 June 9, 2009

Annual accounts and allocation of the results

We invite you to approve the financial statements for the financial year ended December 31, 2008, prepared on the basis of French accounting principles as they have been presented in the annual report of DS for 2008.

Dassault Systèmes 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 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.

As a consequence of the financial statements presented and the management report of the Board of Directors included in the annual report of Dassault Systèmes for 2008 that a profit of €115,307,017.12[(1)] has been realized for the financial year ended December 31, 2008 and we invite you to allocate this profit as follows:

- allocation to the legal reserve (restricted retained earnings) (in order to comply with the minimum of 10% of the share capital required by law) €125,777.59
- for distribution to the 118,862,326 shares constituting the share capital as of December 31, 2008, of a dividend of €54,676,669.96
  (€0.46 × 118,862,326 shares)
- to be retained €60,504,569.57
  Which, increased by the retained earning from the prior financial years (€948,208,913.39) credits the amount to be retained to €1,008,713,482.96

(1) This profit, increased by the retained earning from the prior financial years (€948,208,913.39) and decreased by the allocation to the legal reserve (€125,777.59), results in a profit to be allocated amounting to €1,063,390,152.93.

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 retained.

Should you accept this proposal, for individuals tax residents in France the amount allocated amongst shareholders shall be wholly eligible at their option either to the rebate of 40% (as provided by Article 158-3-2° of the French Tax code), or to the 18% levy in discharge (*prélèvement libératoire*) excluding social security charges (as provided by Article 117 quarter of the French Tax code). Since January 1st, 2008 French Tax law provides for a withholding payment of social security charges due by individuals complying with the above conditions except where shares benefiting from a dividend payment are registered in a *Plan d'épargne en actions*.

Pursuant to Article 243 bis of the French Tax code, it is reminded that dividends per share paid over the last three financial years have been as follows:

	2007	2006	2005
Dividend	€0.46	€0.44	€0.42
Number of shares eligible to dividends	117,604,553	115,770,290	115,038,378

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 is €252,380 and which resulted in a corporate tax of €77,598.

Approval of the consolidated financial statements

In addition to the 2008 annual financial statements, we invite you to approve the consolidated financial statements for the financial year ended December 31st, 2008 prepared in accordance with IFRS.

Regulated agreements

The following agreements which have been approved in accordance with Article L. 225-38 and following of the French Code de commerce have continued during the financial year ended December 31, 2008:

1) Insurance policy "directors and officers liability" entered into with insurance company AIG Europe (at the Board meeting on June 28, 1996);

2) Free and non-exclusive license of the ENOVIA trademark granted to Dassault Systèmes Americas Corp. (at the Board meeting on March 11, 1998);

3) Payment, provided certain conditions are met, of 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 enquiry or an investigation conducted against Dassault Systèmes (at the Board meeting on September 23, 2003);

4) Decision to pay to Mr. Bernard Charlès an indemnity in case of departure. 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 (at the Board meeting on September 23, 2003, modified on March 28, 2008 pursuant to French law "TEPA" of August 21, 2007). This decision was modified by the Board of Directors on March 27, 2009 and will be submitted to the approval of this General Meeting (see below). M. Charlès's employment contract has been suspended for the period during which he holds his mandate as director (decided at the Board meeting on March 28, 2008).

The Statutory Auditors have prepared a special report pursuant to Article L. 225-40 of the French Code de commerce.

Regulated agreement entered into between the Company and its Chief Executive Officer

In accordance with the Code AFEP-MEDEF, the cases in which an indemnity payment might be due to the Chief Executive Officer were reviewed and modified by the Board of directors during its meeting on March 27, 2009.

Thus, an indemnity payment, equal to a maximum of 2 years of compensation, 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 which is not related to a change in control or strategy, if this departure is not linked to bad results of the Company or to an error in management 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 to be assigned a new position within the DS Group, or in the event he would be able to benefit from pension rights shortly after leaving the Company. Furthermore, in the event of exceptional circumstances seriously damaging the image or results of the Group 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, the Board may decide that the indemnity payment is not due.

The amount of the indemnity would be calculated on the basis of the aggregate gross compensation due for his mandate during the two financial years preceding the decision of the imposed departure, to which would be applied the percentage of the variable remuneration actually paid during the three financial years before the decision of the imposed departure as a portion of the target variable remunerations set forth each year by the Board.

Pursuant to French law, these new provisions relating to this agreement between the Company and its Chief Executive Officer must be approved by the General Meeting.

The special report of the Statutory Auditors pursuant to Article L. 225-40 of the French Code de commerce includes the modifications made to this agreement.

Duration of the mandate of directors

Pursuant to the Code AFEP-MEDEF, the duration of the mandate of directors shall not exceed four years without changing the duration of currently ongoing mandates.

We propose to modify the by-laws of the Company in order to provide that the duration of directors' mandates be, going forward, for four years; however, the duration of currently on-going mandates would not be impacted and would continue to have a six-year duration.

Appointment of a new deputy Statutory Auditor, Auditex, in replacement of Mr. François Carrega who has resigned

Mr. François Carrega was the deputy Statutory Auditor of Ernst & Young Audit, one of the two incumbent Statutory Auditors of the Company. Ernst & Young Audit has decided to entrust its deputy statutory auditors mandates to the company Auditex.

Auditex has informed the Company that it belongs to the Ernst & Young network. The amount of the fees received by Ernst & Young is detailed in Chapter 2 of this annual report.

Auditex shall be appointed for the outstanding duration of the mandate of Mr. François Carrega, i.e. until the General Meeting called to rule on the financial statements for the financial year ended December 31, 2009.

Ratification of the transfer of the registered office

In the framework of the move of the DS headquarters in Vélizy, the Board of Directors of September 25, 2008 has decided to transfer the registered office of the Company from 9, quai Marcel Dassault – 92500 Suresnes to 10, rue Marcel Dassault – 78140 Vélizy-Villacoublay.

This decision and the corresponding modification of the by-laws of the Company must be ratified by the General Meeting.

Authorization to purchase shares of the Company

The authorization of purchase shares of the Company granted to the Board of Directors in 2008 will expire in the General Meeting of June 9, 2009 called to rule on the financial statements for the financial year ended December 31, 2008. According to this authorization, the Board may purchase shares of the Company in case of public offer. Pursuant to this authorization, purchases of shares of the Company have been made in February, March, September, October and November 2008. These operations are described in paragraph 21.1.4 of this annual report. Additional purchases may be made until the date of the General Meeting. Those operations will be described in the management report of the Board of Directors as the case may be.

We invite you to authorize again the Board of Directors to purchase shares of the Company according to the conditions set forth in Articles L. 225-209 and following of the French Code de commerce, within the limit of 10% of the share capital of the Company at the date of the General Meeting.

Should you approve this proposal, the authorization shall be valid until the annual General Meeting called to rule on the financial statements for the financial year ended December 31, 2009, for a maximum purchase price of €50 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 millions.

This authorization could be used by the Board of Directors for the objectives indicated hereafter:

1° To cancel shares for the purpose of increasing the profitability of shareholders' equity and earnings per share, subject to ratification by the General Meeting of the resolution below,

2° To grant securities in payment or in exchange, including but not limited to external growth transactions, within the limit of 5% of the share capital of the Company,

3° To animate the market and the liquidity of the shares through the intermediary of investment services provider by means of a liquidity contract complying with an ethics chart agreed upon by the Autorité des Marchés Financiers,

4° To implement all obligations in relation with stock options plans or other allocation of shares to employees or executive officers of the Company and its affiliates,

5° To ensure the 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 remit shares upon exercise of rights attached to securities giving right to shares of the Company,

7° To implement any stock exchange market practice which could happened to be recognized by law or by the Autorité des Marchés Financiers.

The buy-back program is described in paragraph 21.1.4 of this annual report, where all relevant information relating to this buy-back program is presented.

In view of the cancellation of previously repurchased shares, we invite you to authorize the Board of Directors to cancel as the case may be for the same duration all or part of the previously repurchased shares and consequently to reduce the share capital within the limit of 10% of its amount. In the framework of the authorization previously granted by the General Meeting to cancel previously repurchased shares, 661,986 shares have been cancelled on September 25, 2008 and 1,000,000 on March 27, 2009.

Delegation to the Board of Directors to increase the share capital

The delegations to increase the share capital granted by the General Meeting of June 6, 2007 will expire in August 2009. Therefore we invite you to delegate again to the Board of Directors the increase in 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 preferential subscription right of shareholders, the financing the most appropriate for the development of the DS 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 6, 2007 which have not been used by the Board of Directors in 2008 and 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 preferential subscription right of shareholders (we propose to use the recently opportunity 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 number of securities to be issued in case of a capital increase with or without preferential subscription right of shareholders 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 delegate to the Board of Directors the increase in share capital to the benefit of employees Dassault Systèmes SA and its related companies who are members to a *plan d'épargne d'entreprise*. The maximum nominal amount of such capital increases would be of €10 million. This new delegation will cancel and replace the authorization granted by the General Meeting of May 22, 2008.

You will find 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 June 9, 2009

ORDINARY GENERAL MEETING

FIRST RESOLUTION

Approval of the financial statements

The General Meeting, after reading of the management report of the Board of Directors and the general report of the Statutory Auditors, in addition to complementary explanations made orally, hereby approves in all parts the report of the Board and the financial statements for the financial year ended December 31st, 2008 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 amounted to €225,380 and which resulted in a corporate tax of €77,598.

SECOND RESOLUTION

Approval of the consolidated financial statements

The General Meeting, after reading of the report of the Board of Directors with respect to management of the group 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 parts the report of the Board and the consolidated financial statements for the financial year ended December 31, 2008 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 proposal by the Board of Directors, hereby resolves to allocate the profit of the financial year amounting to €115,307,017.12(1) as follows:

• allocation to the legal reserve (restricted retained earnings) (in order to comply with the minimum of 10% of the share capital required by law)	€125,777.59
• for distribution to the 118,862,326 shares constituting the share capital as of December 31, 2008, of a dividend of (€0.46 × 118,862,326 shares)	€54,676,669.96
• to be retained	€60,504,569.57
Which, increased by the retained earning from the prior financial years (€948,208,913.39) credits the amount to be retained to	€1,008,713,482.96

(1) This profit, increased by the retained earning from the prior financial years (€948,208,913.39) and decreased by the allocation to the legal reserve (€125,777.59), results in a profit to be allocated amounting to €1,063,390,152.93.

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 retained.

For individuals tax residents in France the amount allocated amongst shareholders shall be wholly eligible at their option either to the rebate of 40% (as provided by Article 158-3-2° of the French Tax code), or to the 18% levy in discharge (*prélèvement libératoire*) excluding social security charges (as provided by Article 117 quarter of the French Tax code). Since January 1st, 2008 French Tax law provides for a withholding payment of social security charges due by individuals complying with the above conditions except where shares benefiting from a dividend payment are registered in a *Plan d'épargne en actions*.

Pursuant to Article 243 bis of the French Tax code, it is reminded that dividends per share paid over the last three financial years have been as follows:

	2007	2006	2005
Dividend	€0.46	€0.44	€0.42
Number of shares eligible to dividends	117,604,553	115,770,290	115,038,378

FOURTH RESOLUTION

Regulated agreements (conventions réglementées)

The General Meeting, after reading of the special report of the Statutory Auditors on the agreements governed by articles L. 225-38 and followings of the French Code of commerce, hereby acknowledges that no such non-authorized agreement was entered into during the financial year ended December 31, 2008, and approves the continuation of the agreements previously approved and which continued during the financial year ended December 31, 2008.

FIFTH RESOLUTION

Regulated agreement (convention réglementée) entered into between the Company and Mr. Bernard Charlès

The General Meeting, after reading the special report of the Statutory Auditors on the agreements governed by articles L. 225-38 of the French Code of commerce and pursuant to Article L. 225-42-1 of the French Code of commerce, hereby approves the agreement referred to therein relating to the amendment of the undertakings taken by Dassault Systèmes SA towards its Chief Executive Officer (*Directeur général*), Mr. Bernard Charlès, with respect to the indemnities due in case of termination of his functions as Chief Executive Officer.

SIXTH RESOLUTION

Appointment of a new deputy statutory auditor, AUDITEX, in place of Mr. François Carrega who is resigning

The General Meeting, after reading the report of the Board of Directors, acknowledges the resignation of Mr. François Carrega, deputy statutory auditor of Ernst & Young Audit, as from this General Meeting and decides to appoint, in replacement of Mr. François Carrega and for the outstanding duration of his mandate, i.e. until the General Meeting called to rule on the financial statements for the financial year ended December 31, 2009, the company AUDITEX, whose registered office is 11, allée de l'Arche – Faubourg de l'Arche – 92400 Courbevoie.

The company AUDITEX has already informed the Company that it accepted the mandate granted by the General Meeting.

SEVENTH RESOLUTION

Ratification of the transfer of the registered office decided by the Board of Directors of September 25, 2008

The General Meeting, after reading of the report of the Board of Directors, ruling in accordance with Article L. 225-36 of the French Code de commerce, ratifies the decision of transfer of the registered office of the Company from 9, quai Marcel Dassault – 92500 Suresnes to 10, rue Marcel Dassault – 78140 Vélizy-Villacoublay, taken by the Board of Directors of September 25, 2008 and the corresponding modification of section 4 of the by-laws of the Company.

EIGHTH RESOLUTION

Authorization to purchase shares of the Company

The General Meeting, after reading of the report of the Board of Directors authorizes the Board of Directors to purchase 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 and. seq. of the French Code of commerce.

This authorization may be used by the Board of directors for the objectives indicated hereafter:

1° To cancel shares for the purpose of increasing the profitability of shareholders' equity and earnings per share, subject to ratification by the General Meeting of the ninth resolution below,

2° To grant securities in payment or in exchange, including but not limited to external growth transactions, within the limit of 5% of the share capital of the Company,

3° To animate the market and the liquidity of the shares through the intermediary of investment services provider by means of a liquidity contract complying with an ethics chart agreed upon by the Autorité des Marchés Financiers,

4° To implement all obligations in relation with stock options plans or other allocation of shares to employees or executive officers of the Company and its affiliates,

5° To ensure the 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 remit shares upon exercise of rights attached to securities giving right to shares of the Company,

7° To implement any stock exchange market practice which could happened to 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 (regulated or not), 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 (regulated or not), multilateral trade facilities (MTF) or though 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 millions, this condition being cumulative with the cap of 10% of the capital of the Company.

The Company may not purchase shares at a unit price which exceeds €50 (excluding acquisition costs), and in any case 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, 2009.

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 markets, 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 buy-back 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 buy-back program authorized by the Joint General Meeting of shareholders of May 22, 2008 in its sixth resolution.

EXTRAORDINARY GENERAL MEETING

NINTH 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 buy-back program

The General Meeting, after 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 purchased by the Company pursuant to its share buy-back program, up to a limit of 10% of the share capital, by 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 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 rule on the financial statements for the financial year ending December 31, 2009.

TENTH RESOLUTION

Modification of Article 14-2 of the by-laws

The General Meeting, after review of the report of the Board of Directors, modifies Article 14-2 of the by-laws of the Company which will provide the following from now on:

"At no time may the number of Directors who have passed the age of seventy years exceed one half of the members of the Board of Directors. If that limit is reached, the eldest Director other than the Chairman of the Board of Directors shall be considered to have resigned automatically.

Directors' mandates shall have a term of four years. However, Directors' mandates which are on-going at the date of the General Meeting of June 9, 2009, shall continue until the expiration of their initial term of six years.

The term of the office of Directors shall expire at the end of the shareholders meeting that approves the accounts of the previous fiscal year, held in the year during which their mandate expires.

Directors may always be reelected."

ELEVENTH 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 millions 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 this delegation shall replace and supersede the previous delegation of the same nature granted by the General Meeting of the shareholders dated June 6, 2007 in its tenth 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.

TWELFTH 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 by an offering set forth in section II of Article L. 411-2 of the French Code monétaire et financier, 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.

    The issuance of shares of the Company further to transactions mentioned under 1 b) shall not have in any case the effect to increase the nominal amount of the capital of the Company by an amount of more than 15 millions € or the corresponding value of such amount in foreign currency or in account units set in reference to several currencies, which shall be deducted from the global maximum amount indicated below in paragraph 2, and to which may be added the amount corresponding to shares to be issued 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;

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 eleventh 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 millions 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 eleventh 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 this delegation shall replace and supersede the previous delegation of the same nature granted by the General Meeting of the shareholders dated June 6, 2007 in its eleventh 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.

THIRTEENTH 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, any and all powers to increase the number of securities to be issued for each of the issuances with or without preferential subscription right decided pursuant to the eleventh and twelfth 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 eleventh resolution of this Meeting.

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 6, 2007 in its twelfth 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.

FOURTEENTH 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 eleventh or twelfth resolution of this Meeting, by issuing and granting gratuitously new 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 millions;

3. resolves that the nominal maximum amount will be deducted from the nominal aggregate maximum of share capital increases likely to be realized pursuant to the eleventh 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 this delegation shall replace and supersede the previous delegation of the same nature granted by the General Meeting of the shareholders dated June 6, 2007 in its thirteenth 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.

FIFTEENTH 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 6, 2007 in its fourteenth resolution.

This delegation to the Board of Directors is valid for a period of 26 months from the date of this Meeting.

SIXTEENTH RESOLUTION

Delegation to the Board of Directors to increase the share capital to the benefit of members to a plan d’épargne

The General Meeting, after reading of the report of the Board of Directors and the special report of the Statutory Auditors, ruling in accordance with the provisions of Articles L. 3332-1 and followings of the French Labour code and Articles L. 225-138-1 and L. 225-129-6 first and second paragraphs 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, of a nominal amount not exceeding €10 millions, through the issue of new shares or other securities giving access to the share capital of the Company in the conditions set forth by the law, reserved to the employees of Dassault Systèmes and/or to 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 to a *plan d’épargne d’entreprise*.

2. Resolves to suppress the shareholders’ preferential subscription rights to the new shares to be issued or other securities giving access to the capital and to the securities which shall result from the securities issued in accordance with this resolution in favour of the members of the plans defined in the preceding paragraph and to reserve the right to subscribe these shares or other securities to the members of the plans defined in the preceding paragraph.

3. Resolves that the maximum nominal amount which may be issued under this delegation will be deducted from the aggregate nominal maximum of €15 millions referred to in the eleventh 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 (20) 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 lower to ten years, and to 70% when this time period of non-availability is higher or equal to ten years. However, the General Meeting expressly authorizes the Board of Directors, if need be, to decrease or suppress 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 the allocation of free shares or other securities giving access to the capital of the Company, existing or to be issued, the total advantage resulting from this allocation and, if need be, of the above-mentioned discount, without being higher than the total advantage that would have benefit the members to the *plan d’épargne* if this difference would have been of 20% or 30%, depending on whether the period of non-availability as provided by the plan is higher or equal to 10 years;

6. Resolves that the Board of Directors may allocate, pursuant to Article L. 3332-21 of the French Labour code, gratuitously, shares or other securities giving access to the capital of the Company, it being understood that the total advantage resulting from this allocation

under the employer contribution or, where applicable, the discount on the subscription price, may not exceed the legal or regulatory limits.

7. Resolves that the characteristics of the other securities giving access to the capital of the Company shall be determined by the Board of Directors in accordance with the conditions set out by the legislation.

8. Resolves that the Board of Directors shall have any and all powers and, where authorized by law, the option of delegation or sub-delegation, in accordance with applicable legal and regulatory provisions, within the limits and in accordance with the conditions set forth above, to determine all terms and conditions of the transactions, including but not limited to, the volume to be issued, the price of issue, the modalities of each issue, to decide and determine the modalities for granting gratuitous shares or other securities giving access to the capital, pursuant to the authorization given above, to determine the dates for opening and closing of the subscriptions, determine the period awarded to the subscribers for the payment of their securities, which shall not exceed three years, determine maturity dates, with or without retroactive effect, of securities to be issued, request the quotation wherever it will decide, acknowledge the completion of the capital increase up to the amount of the shares actually paid for or decide to increase the amount of the said capital increase in order for all subscription to be allocated, take all measures in order to duly complete the issues envisaged and to record increases in the share capital resulting from any issue completed pursuant to this delegation and to carry out any corresponding amendments to the company by-laws, and upon its sole discretion and if it considers it appropriate, deduct the expenses resulting from these increases of capital from the amount of the premium relating to these transactions and deduct from this amount the sum necessary to bring the legal reserve to one-tenth of the new share capital after each increase.

9. Resolves that this delegation shall replace and supersede any previous delegation of the same nature granted by the General Meeting and in particular the delegation granted by the General Meeting of the shareholders dated May 22, 2008 in its ninth resolution.

10. This delegation shall be valid for a term of 26 months from the date of this Meeting.

ORDINARY AND EXTRAORDINARY GENERAL MEETING

SEVENTEENTH RESOLUTION

Powers for formalities

The General Meeting hereby grants any and all powers to the bearer of an original copy or excerpt of the minutes of these deliberations for the purpose of carrying out any legal or registration formalities.