

DASSAULT SYSTEMES SA  
Form 6-K  
October 27, 2006

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 6-K**

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated October 27, 2006

Commission File No. 0-28578

**DASSAULT SYSTEMES S.A.**  
(Name of Registrant)

9, Quai Marcel Dassault, B.P. 310, 92156 Suresnes Cedex, France  
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F  
or Form 40-F

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation  
S-T Rule 101(b)(1):

Yes  No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation  
S-T Rule 101(b)(7):

Yes  No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is  
also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the  
Securities Exchange Act of 1934:

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule  
12g3-2(b): 82- \_\_\_\_\_

**ENCLOSURES:**

Dassault Systemes S.A. is furnishing under cover of Form 6-K a press release dated October 26, 2006, reporting financial results for the third quarter and nine months ended September 30, 2006.

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## **Dassault Systèmes Delivers Strong Revenue and Earnings in the 2006 Third Quarter**

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**Paris, France, October 26, 2006** Dassault Systèmes (DS) (Nasdaq: DASTY; Euronext Paris: #13065, DSY.PA), a world leader in 3D and Product Lifecycle Management (PLM) solutions, reported financial results for the third quarter and nine months ended September 30, 2006.

### Third Quarter Highlights

GAAP total revenue up 29% to 276.3 million (34% in constant currencies) and EPS of 0.34  
Non-GAAP total revenue up 32% to 282.3 million (up 36% in constant currencies)  
Non-GAAP EPS of 0.40, up 25%  
DS updates 2006 objectives and provides initial 2007 objectives

*Bernard Charlès, Dassault Systèmes President and Chief Executive Officer, commented, "DS is focused on delivering a high level of performance as we advance important strategic initiatives. Our financial and business achievements this quarter and year-to-date demonstrate that we are well on track."*

*In particular, we are very pleased with how well our two major acquisitions have performed. Abaqus has had an excellent first year with four consecutive quarters of solid execution, revenue growth and operating margin contribution. As a core component of our SIMULIA brand, Abaqus' strong results confirm the importance of virtual testing for customers around the world. MatrixOne is continuing to exceed financial targets and to demonstrate good momentum with its wins in high tech, semiconductors and other key industries. Our teams, both within ENOVIA and across the DS organization, are working closely together, with promising business opportunities already emerging."*

*In summary, based upon our outlook for the fourth quarter, we believe that DS is poised to increase its market share and further extend its leadership of the overall PLM market for 2006. Moreover, our work and investments in our growth drivers are strengthening our performance this year and are enhancing our market position and growth opportunities for the future."*

### Third Quarter Financial Results

Dassault Systèmes completed the acquisition of Abaqus Inc. in October, 2005 and MatrixOne Inc. in May, 2006 and has accounted for these acquisitions pursuant to U.S. GAAP ( GAAP ) purchase accounting rules. In addition to GAAP information, this press release presents supplemental non-GAAP financial information which reflects certain adjustments to our GAAP information. The supplemental non-GAAP financial information adjusts our GAAP financial information to exclude: (i) deferred revenue adjustments, (ii) amortization of acquired intangibles, (iii) share-based compensation expenses and (iv) one-time tax restructuring effects. See Attachment A of this press release for an explanation of these adjustments, and tables which set forth the most comparable GAAP financial measures and a reconciliation of the GAAP and non-GAAP financial data.

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#### Revenue

GAAP total revenue increased 29% to 276.3 million (34% in constant currencies) for the 2006 third quarter, up from 213.8 million in the year-ago period. In the 2006 third quarter GAAP software revenue increased 23% to 225.4 million, compared to 183.3 million in the year-ago quarter. GAAP service and other revenue increased 67% to 50.9 million in the 2006 third quarter, compared to 30.5 million in the year-ago period.

Non-GAAP revenue increased 32% to 282.3 million (36% in constant currencies) in the 2006 third quarter, compared to 213.8 million in the year-ago period. Non-GAAP software revenue increased 26% to 231.4 million (30% in constant currencies), compared to 183.3 million in the 2005 third quarter. New CATIA and SolidWorks seats licensed increased 8% to 16,975 seats in the 2006 third quarter, compared to 15,717 in the 2005 third quarter.

Non-GAAP PLM revenue increased 36% to 231.9 million (41% in constant currencies) in the 2006 third quarter, up from 170.4 million in the year-ago quarter. Non-GAAP ENOVIA revenue increased 105% (112% in constant currencies) to 54.4 million and included MatrixOne non-GAAP revenue of 26.3 million. New CATIA seats licensed decreased from the year-ago period by 4% to 7,431. Year-to-date, new CATIA seats licensed have increased 4% to 24,204.

SolidWorks non-GAAP revenue increased 16% to 50.4 million (20% in constant currencies) in the 2006 third quarter, compared to 43.4 million in the 2005 third quarter. SolidWorks seats licensed increased 19% year over year to 9,544 licenses for the 2006 third quarter. Year-to-date SolidWorks seats licensed also increased 19% to 31,200.

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From a regional perspective, 2006 third quarter non-GAAP revenue increased 48% in Europe, 27% in the Americas (33% in constant currencies) and 14% in Asia (24% in constant currencies).

### EPS and Operating Income and Margin

GAAP earnings per diluted share increased 6% to 0.34 in the 2006 third quarter, compared to 0.32 in the year-ago period. GAAP operating income decreased 11% to 44.7 million (16.2% operating margin) in the 2006 third quarter, compared to 50.5 million in the 2005 third quarter (23.6% operating margin). The decrease in GAAP operating income and operating margin largely reflected the impact of amortization of acquired intangibles in connection with recent acquisitions.

Non-GAAP earnings per diluted share increased 25% to 0.40 in the 2006 third quarter, up from 0.32 in the year-ago quarter. Non-GAAP operating income increased 27% to 64.4 million in the 2006 third quarter, compared to 50.8 million in the 2005 third quarter. The non-GAAP operating margin was 22.8% in the 2006 third quarter.

### Other financial highlights

Net operating cash flow was 59.7 million and 224.6 million for the third quarter and nine months ended September 30, 2006, respectively. Cash and short-term investments totaled 455.3 million and long-term debt was 202.6 million at September 30, 2006.

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### Strategy, Technology, Customers and Partnerships

**DS launches CATIA PLM Express, a scalable solution that provides CATIA design excellence at an affordable price for companies of all sizes.** CATIA PLM Express includes flexible solutions tailored to meet existing and future customers' day-to-day business needs. CATIA Team PLM is the core configuration of CATIA PLM Express, giving customers the CATIA modeler for product design, knowledge capture and re-use in a collaborative environment. It also delivers core collaborative PDM functionality via ENOVIA SmarTeam, providing optimized CATIA design management and collaboration, and a solid foundation primed for PLM solution scaling.

**DS announced Version 5 Release 17 (V5R17) of its Product Lifecycle Management portfolio. This newest release provides further enhancements for business process optimization, value chain innovation, engineering to manufacturing cycle streamlining, intellectual capital growth, and standards adoption.** V5R17 is comprised of CATIA for collaborative product development, ENOVIA VPLM and ENOVIA SmarTeam for collaborative lifecycle management, DELMIA for virtual production and PLM sourcing solutions (Collaborative Enterprise Sourcing - CES) for ENOVIA VPLM.

**DS announced key enhancements to ENOVIA MatrixOne PLM solutions with extended Business Process coverage across multiple industries.** ENOVIA MatrixOne® Matrix 10 updates include enhanced support for environmental/material compliance; improved industry-specific solutions for the apparel, medical device and automotive industries; solutions enabling concurrent printed circuit board development and for distributing product development data throughout the extended enterprise including non-traditional PLM users. By helping companies reduce development costs, gain access to real-time data and speed product introductions, ENOVIA MatrixOne PLM is enabling companies to increase the potential return on their new product innovations.

### Nine-Month 2006 Financial Summary

GAAP total revenue of 808.4 million, up 28% (29% in constant currencies)

Non-GAAP total revenue of 824.3 million, up 31% (31% in constant currencies)

GAAP EPS of 0.85

Non-GAAP EPS up 21% to 1.11 with non-GAAP operating margin of 23.7%

Seats licensed up 12% to 55,404 in total, with CATIA seats up 4% and SolidWorks seats up 19%

## Business Outlook

*Thibault de Tersant, Executive Vice President and CFO, stated, "Based upon our year-to-date results and outlook with respect to the fourth quarter, we are updating our 2006 financial objectives. Specifically, we are reconfirming our revenue growth objective in constant currencies and our operating margin objective. We are raising our EPS objective, leading to a 2006 EPS growth objective of about 12% to 13% on a non-GAAP basis."*

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*While we have observed some softening of the economic environment as the second half of this year has progressed, and have noted that current 2007 economic forecasts are estimating a lower level of industrial investment growth compared to 2006, we continue to see a good level of demand for our solutions. Combining these factors, we are setting our initial revenue growth objective in constant currencies at about 11% to 12%."*

The Company's objectives are prepared and communicated only on a non-GAAP basis and are subject to the cautionary statement set forth below.

Fourth quarter non-GAAP total revenue of about 350-355 million, non-GAAP EPS of about 0.67-0.69 and non-GAAP operating margin of about 34-35%  
2006 non-GAAP total revenue objective of about 1.175-1.180 billion, representing about 27% growth in constant currencies  
2006 non-GAAP operating margin of about 27.0%  
2006 non-GAAP EPS of about 1.78-1.80, 12-13% growth  
Objectives based upon exchange rate assumptions for the fourth quarter of US\$1.30 per 1.00 (unchanged) and JPY 150 (previously JPY 145) per 1.00  
2007 non-GAAP total revenue growth objective of about 11-12% in constant currencies

The non-GAAP objectives set forth above do not take into account the following accounting elements: deferred revenue write-downs estimated at approximately 19 million for 2006; adoption of SFAS 123R, share-based compensation expense as of January 1, 2006, estimated at approximately 13 million for 2006; amortization expenses for acquired intangibles estimated at approximately 11 million per quarter; positive one-time tax restructuring effects of approximately 7 million for 2006; and deferred revenue write-downs estimated at approximately 6 million for 2007.

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### Conference call information

Dassault Systèmes will host a teleconference call today, Thursday, October 26, 2006 at 3:00 PM CET/2:00 PM London/9:00 AM New York. The conference call will be available via the Internet by accessing <http://www.3ds.com/corporate/investors/>. Please go to the website at least fifteen minutes prior to the call to register, download and install any necessary audio software. The webcast teleconference will be archived for 30 days. Financial information to be discussed in the call will be available on the Company's website prior to commencement of the teleconference at <http://www.3ds.com/corporate/investors/>. Additional investor information can be accessed at <http://www.3ds.com/corporate/investors/> or by calling Dassault Systèmes Investor Relations at 33.1.40.99.69.24.

*Cautionary statement regarding forward-looking statements: Statements above that are not historical facts but express expectations or objectives for the future, including but not limited to statements regarding our financial performance objectives are forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended). 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, among other factors: (i) currency fluctuations, particularly the value of the U.S. dollar or Japanese yen with respect to the euro; (ii) reduced corporate spending on information technology as a result of changing economic or business conditions that could negatively affect market demand for our products and services; (iii) difficulties or adverse changes affecting our partners or our relationships with our partners, including our longstanding, strategic partner, IBM; (iv) new product developments and technological changes; (v) errors or defects in our products; (vi) growth in market share by our competitors; and (vii) the realization of any risks related to the integrations of Abaqus and MatrixOne or any other newly acquired company and internal reorganizations. Unfavorable changes in any of the above or other factors described in the Company's SEC reports, including the Form 20-F for the year ended December 31, 2005, which was filed with the SEC on June 30, 2006, could materially affect the Company's financial position or results of operations.*

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**About Dassault Systèmes**

As a world leader in 3D and Product Lifecycle Management (PLM) solutions, Dassault Systèmes brings value to more than 90,000 customers in 80 countries. A pioneer in the 3D software market since 1981, Dassault Systèmes develops and markets PLM application software and services that support industrial processes and provide a 3D vision of the entire life cycle of products from conception to maintenance. The Dassault Systèmes portfolio consists of CATIA for designing the virtual product SolidWorks for 3D mechanical design DELMIA for virtual production SIMULIA for virtual testing and ENOVIA for global collaborative lifecycle management, including ENOVIA VPLM, ENOVIA MatrixOne and ENOVIA SmarTeam. Dassault Systèmes is listed on the Nasdaq (DASTY) and Euronext Paris (#13065, DSY.PA) stock exchanges. For more information, visit: <http://www.3ds.com>

*CATIA, DELMIA, ENOVIA, SIMULIA and SolidWorks are registered trademarks of Dassault Systèmes or its subsidiaries in the US and/or other countries.*

(Tables to follow)

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**DASSAULT SYSTEMES**  
**CONSOLIDATED STATEMENT OF INCOME (U.S. GAAP)**  
(in millions of Euro, except per share data)

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
New licenses revenue	94.7	85.8	297.9	241.4
Recurring licenses and product development revenue	130.7	97.5	378.6	290.0
Software revenue	225.4	183.3	676.5	531.4
Service and other revenue	50.9	30.5	131.9	98.9
<b>Total Revenue</b>	<b>276.3</b>	<b>213.8</b>	<b>808.4</b>	<b>630.3</b>
Cost of software revenue	13.1	5.9	36.2	18.5
Cost of service and other revenue	36.6	26.9	104.4	82.3
Research and development	77.0	62.0	224.8	179.9
Marketing and sales	73.0	54.1	211.7	156.5
General and administrative	20.9	14.1	59.3	41.7
Amortization of acquired intangibles	11.0	0.3	30.4	1.1
Total Operating Expenses	231.6	163.3	666.8	480.0
<b>Operating Income</b>	<b>44.7</b>	<b>50.5</b>	<b>141.6</b>	<b>150.3</b>
Financial revenue and other, net	1.6	6.9	(0.8)	12.7

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	Three months ended		Nine months ended	
Income before income taxes	46.3	57.4	140.8	163.0
Income tax expense	(5.4)	(19.6)	(39.2)	(56.5)
<b>Net Income</b>	<b>40.9</b>	<b>37.8</b>	<b>101.6</b>	<b>106.5</b>
Basic net income per share	0.35	0.33	0.88	0.94
<b>Diluted net income per share</b>	<b>0.34</b>	<b>0.32</b>	<b>0.85</b>	<b>0.91</b>
Basic weighted average shares outstanding (in millions)	115.3	114.1	115.1	113.8
Diluted weighted average shares outstanding (in millions)	118.9	118.0	119.1	117.1

**DASSAULT SYSTEMES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (U.S. GAAP)**

(in millions of Euro)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and short-term investments	455.3	379.9
Accounts receivable, net	211.6	287.8
Other assets	1,062.2	745.6
<b>Total assets</b>	<b>1,729.1</b>	<b>1,413.3</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Long-term debt	202.6	1.5
Other liabilities	479.2	425.7
Shareholders' equity	1,047.3	986.1
<b>Total liabilities and shareholders' equity</b>	<b>1,729.1</b>	<b>1,413.3</b>

**DASSAULT SYSTEMES**  
**CONDENSED CASH FLOW STATEMENT (U.S. GAAP)**  
(in millions of Euro)

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	Three Months ended			Nine Months ended		
	September 30, 2006	September 30, 2005	Variation	September 30, 2006	September 30, 2005	Variation
Net Profit	40.9	37.8	3.1	101.6	106.5	(4.9)
Changes in working capital and non-cash P&L items	18.8	3.4	15.4	123.0	53.1	69.9
<b>Net Cash provided by (used in) operating activities</b>	<b>59.7</b>	<b>41.2</b>	<b>18.5</b>	<b>224.6</b>	<b>159.6</b>	<b>65.0</b>
Acquisition and sale of assets	(5.3)	(6.9)	1.6	(19.2)	(22.2)	3.0
Acquisitions net of cash	2.3	(1.4)	3.7	(261.1)	(24.4)	(236.7)
Loans and others	0.0	(1.0)	1.0	1.8	(1.9)	3.7
<b>Net Cash provided by (used in) investing activities</b>	<b>(3.0)</b>	<b>(9.3)</b>	<b>6.3</b>	<b>(278.5)</b>	<b>(48.5)</b>	<b>(230.0)</b>
Borrowing	0.0	0.0	0.0	200.0	0.0	200.0
Share repurchase and proceeds from stock option exercise, net	(28.3)	(12.3)	(16.0)	(5.6)	3.1	(8.7)
Payments on capital lease obligations	(0.4)	0.0	(0.4)	(1.3)	0.0	(1.3)
Dividend	(48.2)	0.0	(48.2)	(48.2)	(43.1)	(5.1)
<b>Net Cash provided by (used in) financing activities<sup>(1)</sup></b>	<b>(76.9)</b>	<b>(12.3)</b>	<b>(64.6)</b>	<b>144.9</b>	<b>(40.0)</b>	<b>184.9</b>
<b>Effect of exchange rate changes on treasury<sup>(2)</sup></b>	<b>2.0</b>	<b>(0.5)</b>	<b>2.5</b>	<b>(15.6)</b>	<b>27.5</b>	<b>(43.1)</b>
<b>Increase (Decrease) in treasury<sup>(2)</sup></b>	<b>(18.2)</b>	<b>19.1</b>	<b>(37.3)</b>	<b>75.4</b>	<b>98.6</b>	<b>(23.2)</b>