

**DASSAULT SYSTEMES**  
**2012 Fourth Quarter and Full Year Conference Call**  
**Thursday, February 7, 2013**  
**FINAL**

**François-José Bordonado**  
**Vice President, Investor Relations**

Thank you for joining Bernard Charles, CEO, and Thibault de Tersant, CFO, on this conference call to discuss our fourth quarter and full year 2012. In addition, earlier today we held a webcasted presentation in Paris which is also available on our website.

Two brief reminders: First, Dassault Systèmes' financial results are prepared in accordance with IFRS. We have provided supplemental non-IFRS financial information which is explained in the IFRS and non-IFRS reconciliation tables included in our earnings press release. And second, some of the comments we will make on this call will contain forward-looking statements, which could differ materially from actual results. Please refer to our risk factors in today's press release and in our 2011 *Document de reference* and 2012 Half Year Report.

Let me turn the call over to Bernard Charles.

**Bernard Charles**  
**President and Chief Executive Officer**

Thank you for joining us today and for your interest in Dassault Systèmes.

**Summary**

2012 was truly a unique year, with the unveiling of the new Dassault Systèmes, the **3DEXPERIENCE** company, the launching of our Social Industry Experience strategy and the introduction of our first 12 Industry Solution Experiences.

It was a year of unprecedented transformation within Dassault Systèmes with **3DEXPERIENCE** driving our strategy, our product roadmap and organizational and operational structure.

And it was a year of record financial figures - for revenue, earnings, operating profitability and cash flow.

**Delivering on our Key Objectives**

Looking at our financial and business results during 2012, I believe they position us well for our future expansion.

## **Growth:**

- ✓ We delivered 10% software revenue growth in constant currencies, with a pretty good dynamic all along the year in our largest industries and excellent progress in target verticals.
- ✓ As expected, we crossed a new milestone, two billion euros in revenues, doubling our revenues in six years.
- ✓ Earnings per share increased 15% to €3.37, thanks to both increasing revenue and operating profitability.
- ✓ Our operating margin expanded 120 basis points to 31.6%, benefiting from revenue growth and operational improvements. We continue to apply best practices everywhere in the Company. As we grow our revenue base and reach key milestones, the improvements we are making throughout the Company will be important levers.

I like to insist on one point - we continued to make important investments in our business – growing our industry capacities, Research and Development, sales channels and other critical resources during 2012 in order to support the expansion of our addressable market to 32 billion dollars.

## **Expansion & Diversification:**

Expansion and diversification of our business progressed very well during 2012.

- ✓ We are enhancing our future opportunities with 20,000 new customers thanks to our indirect channels capacity growth.
- ✓ We are also increasing our touch points with 10 million users among business, educational and consumers interacting with our software applications thanks to our brands.
- ✓ Our market footprint in high growth countries is growing with our revenue increasing 16% in constant currencies during 2012.
- ✓ And we continued to expand in our target verticals, which contributed nearly one-quarter of our end-user revenue in 2012. At the same time, our results in our core industries demonstrated good growth, so we are diversifying from strength.
- ✓ Our fast growing portfolio of Industry Solution Experiences will further our vertical diversification and accelerate roll-outs for customers.

### **2012: Opening a New Horizon with 3DEXPERIENCE**

One year ago, on February 9<sup>th</sup> 2012, we unveiled for Dassault Systèmes a new Horizon with **3DEXPERIENCE** and it is about placing the end-consumer experience at the heart of the innovation process. Whatever product or service you are buying your ultimate opinion of that product or

service is the experience you have with it. **3DEXPERIENCE** represents an addressable market which should approximately double that we have been serving to date. We believe this market enables us to expand the domains we address and the users we serve and this strategy also reinforces the meaning of what we do in 3D and 3D PLM.

In conjunction, we expanded our mission with the purpose to provide businesses and people with **3DEXPERIENCE** universes to imagine sustainable innovations capable of harmonizing product, nature and life.

Our observation is that our customers no longer want to simply bring features and functions improvements to their products. They want to place their own customers at the heart of the innovation process, and deliver to them delightful experiences, which will truly make a difference.

So, what does that mean? And how did we start to transform ourselves to become the **3DEXPERIENCE** company?

- First of all, it means that we begin with the industries themselves, what are their key value drivers? How might they evolve in the years ahead? How do we help industries and companies within those industries deliver on the most important business value drivers of their own customers?

- Second, internally, Industry, Research & Development and Marketing are closely connected in terms of building value-driven industry solutions, leveraging our significant brands applications portfolio, and embedding what is most critical for each targeted Industry.
- Third, it means that we need to support the complete value chain to deliver **3DEXPERIENCES**.
- Fourth, to ensure this value chain integration, we need to have one single platform, the **3DEXPERIENCE** business platform. This is the business platform for our customers, architected to be on premise, online, in a public cloud or in a private cloud. Designed in the form of a compass, it will become the user interface to access all our applications. Thanks to the Version 6 architecture, it will leverage the IP created for a given customer process, ensuring value chain consistency with all other processes it will support.
- And finally, as we outlined last February we bring significant strategic assets and key differentiators already to help drive our strategy forward.

So, I think you have an understanding of where we are going, so the question becomes how are customers receiving it? Well, I think very well so far the reception and the discussions have been very good, in each of the 12 Industries we target. We have some key customer wins to illustrate this later.

### **Launching 12 Industry Solution Experiences During 2012**

During 2012 we introduced our first Industry Solution Experiences. As we have discussed together, these offers help companies take full value from our brands in a very easy manner as we do all the work for them to bring together the appropriate applications and technologies into a powerful solution, but one that is easy to deploy and use with visible reduction in implementation time, and therefore, bringing value faster.

By doing so, we simplify deployments and in turn, help achieve a better experience.

Last quarter I highlighted three of them: Our Smart, Safe and Connected solution for Transportation and Mobility, Perfect Shelf for Consumer Packaged Goods and Optimized Plant Construction for AEC.

Let me share some more with you:

- Our ‘Winning Program’ **3DEXPERIENCE** solution enables innovative Aerospace & Defense companies, through integrated conceptual design, to identify the milestones and challenges of a new program in order to ensure that all will be properly planned and will be delivered on time and will meet its commitments. This is of course very useful to win a new program.
- Our ‘Perfect Package’ Industry solution helps Consumer Packaged Goods companies rethink package design for better, faster innovation and to manage all the information among the various participants. It provides true concurrent package design by connecting the entire ecosystem of package design. Perfect Package combines apps from CATIA, ENOVIA, SIMULIA, NETVIBES and 3DSWYM.
- And in the energy sector, we have introduced ‘Sustainable Wind Turbines’. In order to improve competitiveness and development of the Wind energy industry, companies need to improve wind turbine efficiency, quality and reliability in diverse operating conditions and also to lower manufacturing costs and environmental footprint. Using our Sustainable Wind Turbines solution, customers can find efficient solutions to lower cost of production and have a complete

solution from design to simulation and manufacturing, including composites.

### **SquareClock Acquisition**

Now, let me introduce you to a recent acquisition. In December we acquired SquareClock, an innovative start-up. Interestingly, it was formed by Dassault Systèmes employees who wanted to spin-off to create the most intuitive and simple 3D experience to design the lay-out of an apartment or a shop without any training. They have done a great job, needless to say, and are now pleased to join us to take their application to the international markets.

SquareClock, which will naturally be placed inside the 3DVIA Brand, provides Cloud-based Social **3D**Experience product configuration and space planning solutions for retail, professional and residential.

### **Expansion and Diversification during 2012**

Today more markets are driving our business than ever thanks to expansion and diversification. During 2012 we continued to strengthen and extend relationships with customers in our core industries, reached more companies and users in other target industries and broadened our industry coverage to natural resources.

- We are working with our largest clients within a global framework, leading to stronger, expanded partnerships.
- We are enlarging our market footprint and opening new strategic relationships with companies in a number of industries and geographic markets.

The expansion of our customer base and customer relationships reflect our goal to provide solutions that deliver important values for our customers – helping drive their innovation and helping drive their global efficiency while at the same time packaged in a manner offering a quick Return on investment.

### **Customer expansion**

More broadly, during 2012 Dassault Systèmes welcomed over 20,000 new customers. A large portion of this was driven by our indirect channels, first with our Professional channel focused on the volume market, and with our Value Solutions channel as we added more partners expanding our reach into target industries.

At the same time, our direct channel for large accounts has had important, multi-brand competitive wins thanks to the **3DEXPERIENCE** solutions packaging.

Pratt and Whitney Canada's selection for Process Planning, Requirements management and quality is very significant to help increase the product value while decreasing its service cost.

Haitec in Taiwan focused on global efficiency from styling to engineering and IP protection as its key challenges to be addressed with our software solutions.

Nokia's decision to select Dassault Systèmes was based on its objectives to improve its collaboration, both internally and externally while also enhancing the protection of its IP. Nokia will use our **3DEXPERIENCE** platform for global collaboration across its design, production and supply chain with CATIA, ENOVIA and DELMIA and the V6 architecture. In addition, Nokia has adopted EXALEAD for information intelligence.

### **User expansion**

We are also increasing our touch points, providing opportunity for us now and into the future.

We estimate that our software applications are reaching over 10 million users, - business, educational and consumers. Through our sales channels our commercial activity is well understood. Education is a very important area of focus, and here, as a Company we continue to broaden our presence at all levels of education. And the consumer we are now accessing them with our different applications, particularly Exalead, 3DVIA and Netvibes in addition to the business users of these three software applications.

### **Geographic Expansion**

We are seeing good traction for our software in all of the high growth countries, where total revenue increased 16% in constant currencies in 2012. These results reflect the work we have done in expanding our presence with our different channels – adding sales coverage in key industries important to our development in the specific countries. High growth countries accounted for 12% of the total revenue in 2012, up about 1 percentage point.

### **Industry Diversification**

Looking at our results by industry, we are benefiting from solid demand in our core industries and expansion in our other target markets. Target

verticals, which we call new industries on our charts, represented about 24% of our total end-user revenue in 2012.

During this past year companies in the transportation and mobility and industrial equipment verticals displayed a healthy level of demand with software revenue growth increasing double-digits.

In addition, we also saw good traction in Consumer Packaged Goods, Energy and Construction. With the acquisition of Gemcom, under the brand GEOVIA, we are now serving the natural resources industry.

With that, let me turn the call to Thibault now.

**Thibault de Tersant**  
**Senior EVP and CFO**

Good afternoon and good morning to all of you.

**IFRS/non-IFRS Differences and  
Constant Currency Revenue Growth Comparisons**

My comments today are based upon our non-IFRS financial results. In our press release tables you can find the reconciliation of our non-IFRS to IFRS data. In addition, revenue growth rates are stated in constant currencies.

**2012 Fourth Quarter and Full Year Summary Highlights**

Our fourth quarter revenue and earnings results were well in line with our financial objectives, coming in at the high end. Total revenue was €568 million compared to our guidance of €550 to €560 million. Our non-IFRS EPS was €1.02, compared to our objective of €0.95 to €1.00.

Looking now at the year in total:

- Total revenue growth was 9% for the year and would have been 8% excluding the Gemcom acquisition and the Transcat divestiture.
- We posted record revenues thanks to the double-digit software revenue growth. With our software licensing model, customers have the flexibility to choose either new licenses or rentals or a

combination of both. For the year, new licenses revenue increased 9% and rental revenue increased about 17% in constant currencies.

- We delivered record earnings per share of €3.37, up 15%, with operating margin expansion of 120 basis points.
- During 2012 we have been carefully investing in our businesses, adding people in research and development, marketing and industry solutions and others among key areas.
- We have also been expanding our indirect sales capacity during 2012 in both the Value Solutions and Professional sales channels.
- Turning to our cash flow and balance sheet we had a strong increase in net operating cash flow during 2012.

Now, let me share some more details.

### **Software Revenue Review: New Licenses and Rental Licensing**

Overall, fourth quarter software revenue growth of 9% in constant currencies slowed a little from our full year growth of 10%. However, looking at the components you see some marked differences which point to further weakening of the environment.

As anticipated, we did see more of an impact on new licenses revenue, first due to the customer hesitancy and also because more companies

elected to proceed on a rental basis. For recurring software revenue, we are seeing good renewal levels and historical attach rates.

Our new licenses revenue increased 3% in the fourth quarter, compared to 9% for the full year. We saw a lower level of seasonality in new licenses revenue compared to our historic average, and in comparison to the fourth quarter of 2011, where you may recall we were above our historic average.

Rental licensing, also reflecting new business activity increased about 20% in the fourth quarter and around 17% in 2012. Rentals were up 29% for CATIA and ENOVIA in Q4.

Taking this further strengthening of rentals into account, we estimate that our new license activity in Q4 was in fact in the neighborhood of about 8 to 9%.

We did see some regional differences with respect to new licenses or rentals, with Asia seeing good new licenses revenue activity. Regionally, the highest growth in rental came from Europe and the Americas.

### **Recurring Revenue Growth**

Turning to recurring software revenue, it was a good quarter and year.

Recurring software revenue increased 11% in the Q4 and 10% for the full year benefiting from our new licensing activity, solid trends across the Company with respect to maintenance renewal rates and good growth as we discussed in rental licensing.

### **Services Revenue and Gross Margin**

As anticipated, Services and other revenue growth slowed in the fourth quarter to 3% compared to earlier in the year, largely reflecting the spin-off of Transcat.

For the full year revenue growth was 7%. We saw a very nice margin progression for the year, finishing at 5.7%, reversing a negative result for 2011 with an improvement of 7 points of margin.

### **Regional Review**

Turning now to a regional review, Asia has been showing good comparisons all year and this continued in the fourth quarter, leading to total revenue growth of 14% for both the fourth quarter and full year. Asia's results reflect two key dynamics, first Japanese customers resuming investing following the natural disasters in 2011 and second, strong demand from companies in Korea and China.

In the Americas, total revenue increased 9% in constant currencies in the fourth quarter, with double-digit software growth for several brands not fully visible including ENOVIA. For the year, the Americas total revenue increased 7%. All in all, Americas' growth strengthened in the second half of 2012.

In Europe we have seen a softening of the environment in the third and fourth quarters, with revenues increasing 5% in the fourth quarter. Our strongest performances came from our two largest markets, Germany and France. For the full year, revenue increased 8%, so a pretty solid result.

### **Revenue by Product Line**

Moving now to our brands:

- Our PLM businesses grew 8 percent in the fourth quarter and 9 percent overall for the full year. The stand-out performance for the year was in our simulation business, with SIMULIA, with strong demand across a number of industries, well balanced growth across our three regions and strong interest by large customers and also now by SMB customers.
- CATIA showed a good dynamic through most of the year, leading to new licenses revenue up 8% in 2012 and a very good dynamic on rental as well as maintenance renewals.
- DELMIA ended the year with a record quarter.

- As anticipated, ENOVIA was more impacted by the weakening of the macro-environment during the second half of the year with software revenue in Q4 which was flat. However, we did see a strong increase in rental licensing, up 29%, so some of the new business activity is not entirely visible. For the full year, software revenue increased 7%. Some key points I would like to highlight are our strengthening position in Consumer Goods - Retail with key wins and major ENOVIA installations performing well.
- SOLIDWORKS, software revenue increased 11% in the quarter and seat growth was higher by 13%. We continue to see hesitancy in the market, with the quarter benefiting in part from some special programs, and a favorable comparison to Q4 last year, where recognition of late quarter activity shifted to the first quarter. For the full year, SOLIDWORKS software revenue increased 12% with new seats increasing 11%.

### **Operating Expenses**

Turning to our operating expenses, the increases are principally tracking the growth in employees and also higher marketing investments. The average headcount increased about 6% compared to last year. And we invested in raising our visibility with our global advertising campaign.

## Cash Flow and Balance Sheet

Moving now to our cash flow and balance sheet, some key points I would like to share:

- It was a record year with net operating cash flow increasing 26% during 2012 to €566 million, thanks to our net earnings and working capital improvement. Net operating cash flow represented 133% of our non-IFRS net income.
- During the year, we used cash to expand into a new industry, natural resources with the Gemcom acquisition; to add dashboard intelligence with Netvibes, and to bring intuitive room and store lay-out designs with SquareClock. In total net cash used for acquisitions amounted to €282 million.
- We also repaid our €200 million debt facility in December.
- Dividends paid this year increased 33% to €88 million.
- Cash received for stock options and share repurchases were much lower in 2012 compared to 2011 when at that time several ten year stock option programs were reaching maturity. The number of shares repurchased was slightly about 1 million.
- Unearned revenue totaled €485 million, representing a decrease of about 1% compared to last year. However, looking more closely at the changes due to activity, currency exchange rates and the spin-out of Transcat, unearned revenue was higher by about €32 million,

so pretty much where we would expect it to be at this time of the year.

### **2013 Financial Objectives**

Now, let's discuss our initial financial objectives for 2013.

As a company we enter 2013 very well positioned. As Bernard outlined we are pleased with the reception of our new horizon, **3DEXPERIENCE**, and also by the reception of our Industry Solution Experiences. Customer response has been excellent. Our operational initiatives during 2012 have strengthened the entire organization. And our expansion initiatives, particularly with respect to growing capacity in our indirect channels, have also strengthened our partner network.

While we were improving, however, the macro-environment has been softening and we saw in the second half. Therefore, in constructing our initial 2013 outlook, we looked to the current business environment as the basis. In addition, we are assuming significant currency headwinds in 2013 based upon what we see right now.

These different factors lead us to set an initial revenue growth objective of 5 to 7% in constant currencies for 2013, similar to our initial objectives last year despite the softening of the macro-environment. We anticipate a

good level of recurring software revenue growth, just slightly offset by lower anticipated growth for new licenses and services.

With respect to our margin outlook, we will continue to invest organically despite the environment as we look to our mid-term growth objectives for our business. Thanks to our ongoing focus on operating efficiency, these investments will be made while also maintaining a stable, in fact actually slightly increasing operating margin at around 32%.

Our earnings outlook for growth of 2 to 7% reflects our revenue picture as well as it assumes important currency headwinds all along the year.

For the 2013 first quarter, our objectives are for revenue growth of 5 to 7% in constant currencies on growth in recurring software revenue; an operating margin of 28 to 29%, and earnings per share growth of between flat and 7% growth.

Importantly, we have also assumed a US dollar exchange rate of 1.40 per euro and for the yen 120.0 per euro for the whole year 2013.

Let me now turn the call back to Bernard.

**Bernard Charles**  
**President and CEO**

Thank you, Thibault.

### **Summary**

During 2012 we strengthened the Company in all areas. Today we are reaching more industries, customers and users who are likely to enhance our future growth opportunities over the mid-term. And we are becoming even more global, developing a leading market presence in faster growing countries while extending and improving our presence in all key geographic regions.

Over the next decade, we see further opportunity for important growth thanks to our **3DEXPERIENCE** strategy. We are rapidly launching our Industry Solution Experiences and investing significant time internally, with partners and with customers to ensure we execute on this ambitious roadmap.

Thibault and I would be happy to take your questions now.