

DASSAULT SYSTEMES
2012 Third Quarter Conference Call
Thursday, October 25, 2012

François-José Bordonado
Vice President, Investor Relations

Thank you for joining Bernard Charles, CEO, and Thibault de Tersant, CFO, for our 2012 third quarter conference call. We held our webcasted presentation in London earlier today and have placed the presentation 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 référence* and 2012 Half Year Report.

Let me turn the call over to Bernard Charles.

Bernard Charles
President and Chief Executive Officer

Introduction

Thank you for joining us on this call. As always we thank you for your interest in Dassault Systèmes.

Summary

2012: Launch of Industry Solution Experiences Strategy

2012 represents an important juncture, the beginning of our next decade with 3DEXPERIENCE driving much of what we are doing as a Company. People have asked me if this a major transformation? Like product lifecycle management when we introduced it in 1999 I believe 3DEXPERIENCE will represent a major inflection point for our industry.

Our vision is sustainable innovation harmonizing product, nature and life. With the addition of Gemcom International under the new brand, GEOVIA, we are firmly touching nature.

2012 is as well the launch of our Industry Solution Experiences strategy. We have two principle goals: first, to bring more value to customers by targeting very precisely their key priorities and we want to do this by offering a multi-brand approach where we have done all the work to

combine the appropriate capabilities and technologies together. By doing so, we simplify deployments and in turn, help them achieve a faster return on their investment and a better experience. This year we are unveiling a number of industry solutions – for transportation and mobility, consumer packaged goods- retail, in AEC and others that we are rolling out.

Turning to our results, we reported a 16% increase in non-IFRS earnings per share, and 15% year-to-date. While we have clearly seen signs of the macroeconomic slowing in our own businesses, we also see good interest from companies in key areas as I will discuss very shortly, so we are upgrading our guidance for the fourth quarter and the full year in turn.

If Thibault and I are correct, we will cross the 2 billion euro revenue milestone this year thanks to the work of our 10,000 employees & colleagues and our already large and fast-growing network of partners around the globe, a very unique asset to Dassault Systèmes. So it has taken us six years to double our revenue. Let's see how much time it takes us to reach the next double.

Q3 2012 Business & Strategy Review

Turning now to a business review, I would like to share some examples of what we are doing with customers:

- These examples illustrate clients continuing interest in investing to drive innovation, extend their global efficiency, and on projects of varying types, providing a quick return on investment – a proven payback, helping de-risk some of the uncertainty of the macro environment.

My first customer example is from Russia. In fact I just returned from our 3DEXPERIENCE Forum in Moscow, where more than 700 customers across seven industries from Russia and CIS, were present. This year, Alexey Rakhmanov, Deputy Minister of Industry and Trade, was there and spoke about the importance of innovation in manufacturing transformation.

We are pleased that AVTOVAZ has selected CATIA to help accelerate its transformation – by enabling multiple car production programs at the same time and by improving its car design and engineering processes with CATIA's digital mock-up capabilities.

In high tech, Pegatron has select CATIA and ENOVIA V6 to increase its global efficiency by reducing the cycle time for design and manufacturing – very critical issues given its role as one of the largest providers of design and manufacturing services to the world’s leading high tech companies.

In the retail industry, Fossil, a well-known American clothing and accessories retailer, is using ENOVIA V6 to drive innovation and global efficiency.

And in mobile phones, Samsung is using SIMULIA to simulate finger touch usage on its phones to better understand the ergonomics and human-device interaction. And this illustrates very clearly what we are saying with 3DEXPERIENCE.

Coming back to Russia, let me share a final customer showcase involving three of our brands. NIAEP, the leading Russian nuclear power plant, and construction company has selected DELMIA, CATIA and ENOVIA V6 to reduce plant construction time and costs and improve quality and safety.

The third quarter was also the introduction of SOLIDWORKS 2013. The buzz on this latest release is that it is one of SOLIDWORKS best – delivering faster model creation, great performance and enhanced collaboration. Congratulations to the team. I am confident that SOLIDWORKS will soon reach its next milestone – two million commercial and educational users.

**Harmonizing Products with NATURE and Life:
GEOVIA: Expanding to the Natural Resources Industry**

As we have discussed, one of the three elements of our purpose is nature, to be able to model and simulate the planet by mastering geophysics. We are beginning in mining with Gemcom. I had my first opportunity to attend MINExpo in Las Vegas with Rick Moignard and several executives in September. This is the world's largest mining tradeshow. During the event we met with over 100 companies, introducing Dassault Systèmes and unveiling our plans to provide end-to-end solutions, from first analysis to delivery to the end-customer.

In conjunction with this event, we introduced new capabilities for GEOVIA's five key mining applications: exploration, evaluation, planning, optimization and mine planning management. These new releases already have some of CATIA's visualization technology

embedded in them. And we anticipate quickly leveraging our modeling and simulation technologies, as well as ENOVIA's capabilities in project management, asset management, compliance and collaboration, with Gemcom's technologies to bring further value to the mining industry.

Improving the Real World with Realistic Simulation

Moving to life, we touch it in many ways, in design and simulation of medical devices with our software, and in molecule simulation. One of the projects we are involved in is with Brown University in Providence, Rhode Island, where SIMULIA is headquartered. We are able to model the potential impact to the brain from physical interactions – in order to determine the possibility of traumatic brain injury and then assess, for example, how various types of sports safety equipment could prevent these injuries among other applications.

2012, Launch of our Industry Solutions Experience Strategy

As I mentioned earlier this year we unveiled our industry solution experiences strategy and since that time we have been introducing a number of solutions.

- Our Smart, Safe and Connected for Transportation and Mobility is a multi-brand solution including CATIA, SIMULIA, EXALEAD, Netvibes, ENOVIA and 3DSwYm;

- Our Perfect Shelf for Consumer Packaged Goods – Retail combines together 3DVIA, ENOVIA and 3DSwYm;
- In AEC, our Optimized Plant Construction solution enables on-time and on-budget projects thanks to a multi-brand solution of 3DVIA, DELMIA and ENOVIA;

And there are more industry solutions experiences to come.

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 a powerful solution but one that is easy to deploy and use with visible reduction in implementation time and expense. Importantly, they enable companies to bring together product, process and end-consumer experiences.

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.

Summary Highlights: Third Quarter and Year-to-date

All in all we had a solid third quarter with a good evolution of revenue, earnings and operating margin.

- Revenue increased 10% in constant currencies.
- Non-IFRS earnings per share increased 16% and our non-IFRS operating margin expanded 60 basis points. And the growth in EPS is after a 200 basis point increase in our effective tax rate as well as higher taxes more broadly in different categories of our expenses.

Excluding currency effects, revenue results in the third quarter were at the high end of our guidance, illustrating our cautious but realistic assessment of the quarter.

As a reminder our third quarter results include the acquisition of Gemcom, and the divestiture of Transcat PLM, one of our business partner operations. Excluding these changes to the scope, software revenue increased about 8% in constant currencies.

Similar to last quarter the new business dynamic is evident in the growth of our new licenses revenue as well as rental revenue growth.

We are investing in our businesses, adding people in research and development, marketing and industry solutions among key areas. The average headcount increased about 6% compared to last year.

At the same time, we have been able to expand our operating margin, showing the continued progress we are making in our business operations.

Turning to our cash flow and balance sheet we had a strong increase in net operating cash flow of 23% year to date and we are seeing an

improvement in our receivables management as demonstrated by our DSOs trends.

Now, let me share some details.

Software Revenue Review

In the third quarter, new licenses revenue increased 10% in constant currencies, with double-digit growth in both the Americas and Asia. Rental revenue also had a good dynamic increasing 14% with several of our brands contributing to this growth.

On a year-to-date basis, new licenses revenue was up 12%, with a good level of contributions from all three regions led by Asia. Rental revenue was higher by about 15% for the first nine months of the year.

As we had been anticipating, softening of the macro environment was evident this quarter and showed up with SOLIDWORKS. Overall SOLIDWORKS reported software revenue growth of 9%. However, new seats licensed were much lower at 2% growth in the quarter versus 13% in the First Half. The change in activity was visible across our three geographic reporting regions. While volume was down, pricing was relatively stable, lower by about 1% or so in constant currencies year-to-date.

Recurring Software Revenue

We have had a very good evolution of recurring software revenue this year – up 10% in the third quarter and 9% year-to-date. And the performance was relatively consistent across our three regions.

Maintenance growth has been fueled by the good level of increase in new licenses revenue. In addition, we continue to see stable maintenance renewal rates which remain pretty high on an historical basis. And as I indicated our rental revenue growth was also quite healthy.

Regional Review

Turning to a regional review, Asia continued its trajectory of good performance, with its revenues increasing 16% in the quarter and 13% year-to-date. Asia is benefiting from both a more dynamic Japan compared to 2011 and growth across several countries, led by China. In addition, we did see a better quarter in India after a weak Q2. Just as a reminder, the largest portion of Gemcom's revenue originates in Asia.

Looking at higher growth countries globally for just a moment, the growth was 20% in the third quarter. Again all my comments on revenue growth are in constant currencies.

In the Americas, we are on a better trend but a sustainable improvement here can take time, so I anticipate that the results may still be uneven from one quarter to another for some period of time. Software revenue was up 15% in the quarter, with services bringing the total revenue growth rate to 13%. A number of brands contributed to the growth. Year-to-date, revenue in the Americas is higher by 7%.

As you know Europe has had strong growth for several years and for a number of quarters. Looking at the growth in the quarter of 3%, in part it reflects the strong year-ago comparison, but we also saw some softness in different regional markets, most notably Southern Europe. Russia had a good quarter. Year-to-date Europe is up 10%, so very good results certainly given the well-known issues European governments are dealing with.

Service Revenue and Margin

Turning to service and other revenue it is up 9% for both the quarter and year-to-date.

On services, I would like to point out that we are seeing an improvement in our services margin. Looking at the year-to-date progression, there is a positive shift of about 13 points from a negative gross margin last year to about 4% year-to-date.

Operating Expenses

Turning to our operating expenses, the increases are principally tracking the growth in employees and year-to-date also higher marketing investments. We added over 430 people with the Gemcom acquisition.

Cash Flow and Balance Sheet

Looking briefly at our cash flow and balance sheet statements:

- Net operating cash flow is up 23% year-to-date to €469 million, so a very healthy increase coming from net income and working capital with a very positive evolution of our non-cash P&L items.
- DSOs came in at 64 days, a nice metric as we continue to work on improving our receivables collections.
- Unearned revenues totaled €502 million, representing an increase of 10% year to date, and excluding a small currency effect, increased probably 8% to 9%. Quarter to quarter variations reflected normal seasonality and a steep increase in unearned revenues in the former quarters.
- And our change in cash during the quarter reflected the completion of the Gemcom acquisition with total cash expended of about €280 million.

2012 Financial Objectives

Now, let me spend a few minutes on our 2012 financial objectives. As we indicated in our earnings press release we are raising our full year guidance to reflect the third quarter over-performance and also currency fluctuations, as well as an improved view of our fourth quarter, particularly with respect to new licenses revenue. We are leaving unchanged our prior currency exchange rate assumptions for Q4.

- From a revenue perspective, we are increasing our expected revenue growth rate to a range of 9 to 10% in constant currencies from 8 to 9% formerly;
- For earnings per share, we are increasing the growth range to 13 to 15%;
- And with respect to our operating margin, we are targeting 31.4%, which would represent operating margin growth of about 100 basis points compared to 2011. These figures as a reminder are all non-IFRS.

We have provided a bridge in our quarterly presentation, but essentially we are moving the mid-point of our 2012 revenue range by €25 million: of which €15 million is coming from currency and about €10 million from activity, split evenly between Q3 and Q4. So for the full year, this leads to a revenue range of €2.02 to €2.03 billion.

As we mentioned last quarter Gemcom's contribution to revenue this year is expected to be about €35 million on a non-IFRS basis. We have done a preliminary purchase accounting acquisition review and have estimated deferred revenue write-downs of about €10 million for 2012, with the €5.5 million recorded in Q3 and a similar level in Q4. The preliminary analysis is subject to final confirmation in the fourth quarter.

With respect to earnings, we are increasing the mid-point of the range by 8 cents with essentially 7 cents from activity. We estimate about 3 cents from currency is virtually all offset by a higher tax rate and share count. I would assume a share count of 125.8 million.

So for the fourth quarter, we are estimating revenue growth of 6 to 8% in constant currencies, operating margin of 34 to 35% and earnings per share of about 95 cents to 1 euro, representing growth between 9 to 15%. We anticipate a lower contribution from services year over year, so our guidance implies a software revenue increase of about 8 to 10%, so this high end is quite similar to the third quarter. (All revenue figures in constant currencies.)

From a currency exchange rate perspective, our fourth quarter assumes a US dollar exchange rate of €1.30 per euro and 110.0 yen per euro. For the full year, these figures are €1.29 per euro and 104 yen per euro.

Let me turn the call back to Bernard now.

Bernard Charles
President and CEO

Thank you, Thibault.

Summary

During 2012 we have been carefully investing in our businesses, adding people in research and development, marketing and industry solutions among key areas. In fact, in September we crossed the 10,000 employee milestone. We have an enormous talent focused on helping drive our purpose of sustainable innovation harmonizing product, nature and life. And this talent extends to our large network of partners which we are continuing to grow in 2012 and 2013.

We were pleased to have our focus on innovation recognized by Forbes Magazine where we were listed 40 among the top 100 most innovative global companies. Among software companies we were ranked fourth.

As we discussed, 2012 is the launch of our Industry Solution Experiences. While we are just at the beginning, we believe our focus on addressing our customers' most critical processes and doing so by combining together the appropriate functionalities and technologies of our different brands will bring them significant value in simplification, enterprise integration and return on investment.

Awareness and interest around 3DEXPERIENCE is visible and growing. We do think that our addressable market opportunity is sizeable, are working hard to turn it from strategy to reality and believe our Industry Solution Experiences will be an integral and important part of our progress.

And finally, in the very short-term, we believe Dassault Systèmes is very well positioned to deliver a good financial performance for 2012.

Thibault and I would be happy to take any questions.