DASSAULT SYSTEMES
2013 First Quarter Conference Call
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Final

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Thank you for joining Bernard Charles, CEO, and Thibault de Tersant, CFO, for our 2013 first quarter conference call. We held our webcasted presentation in London earlier today and have placed the presentation on our website.

Two brief reminders before we begin. 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. 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 2012 *Document de référence*.

I would now like to turn the call over to Bernard Charles.

Bernard Charlès
President and Chief Executive Officer

Introduction

Thank you for joining us here and on the webcast held earlier today.

This morning we reported first quarter financial results well in line with our objectives and reconfirmed our full year financial objectives. I think we set realistic goals and we achieved them.

Our business focus is on expanding our addressable market and advancing our purpose with our **3D**EXPERIENCE strategy. Over the course of the first quarter I traveled extensively and met with a number of customers and partners. Through our discussions it is clear that they perceive high value of **3D**EXPERIENCE in its ability to help them manage the complexity of their business in a comprehensive manner – connecting all areas.

We are also making selective acquisitions of companies well aligned with our addressable market expansion, and complementing our industry solution experiences. This morning we announced two small but important technology acquisitions.

In summary, we are working to deliver on our market strategy and expansion of our purpose and this will be visible to you during 2013 in our research and development deliverables with our ambitious roadmap. So stay tuned here.

Let me turn briefly to the first quarter performance. I will leave most of the financial comments for Thibault.

First Quarter Performance

Unsurprisingly, the market environment remained soft. Customers' visibility is reduced and this results in uncertainty and hesitation. So within this context, our non-IFRS results were satisfactory although our ambitions remain higher - software revenue increased 8% in constant currencies, our operating margin was stable and earnings per share increased 10% fully benefiting from revenue growth.

Regional Performance

Turning to our regional performance, there were bright spots and areas of weakness. Asia was higher by 8%, followed by the Americas at 7% and Europe with 6% revenue growth in constant currencies. Looking at software alone, software revenue growth was highest in the Americas followed by Asia and Europe.

In Asia the results were mixed. India had a particularly good quarter. We have strong relationships with both OEMs and engineering service firms working with multi-nationals and this helped drive our results this quarter. In addition, we are strengthening our coverage through our indirect channels, building our VAR networks. Korea was also an area where we had a strong quarter. On the softer side was China but it represents a very good potential for us, so we continue to strengthen our resources. Finally, our results in Japan came in pretty well aligned with our plans, so here again, not an area of concern.

In the Americas, software revenue increased double-digits in constant currencies. We are seeing good progress in some of our businesses but we remained focused on strengthening our coverage in total.

In Europe, the slow start to the year was evident. At the same time, we did observe some bright spots. The UK had a very good performance and Germany, our largest country in Europe, delivered solid results. I think we are very well positioned here too.

Performance by Software Applications

Looking at our growth by software applications there were no surprises. SOLIDWORKS delivered growth of 7% in constant currencies, driven largely by recurring software revenue. While it did show stronger new seat growth in the fourth quarter, results in the first quarter and over the last few quarters in total are a clear indicator of the weakening economic backdrop.

During the first quarter our specialized applications performed well. The manufacturing sector, where DELMIA is, has begun to show more opportunities for growth, in particular thanks to our DELMIA applications based on our V6 architecture. And in the simulation space, traction for SIMULIA remains strong and is visible across a number of industries and in the growing size of relationships with customers.

Some examples of recent new business include Mazda's adoption of SIMULIA to enable them to better balance performance and weight of an all-steel car with our Isight technology, part of the SIMULIA portfolio. This morning's acquisition in simulation furthers our expertise in this space.

In Sweden, Autoliv, a manufacturer of safety systems, has adopted our **3D**EXPERIENCE platform and is using ENOVIA applications to improve efficiency with over 9,000 users on a global basis.

O'STIN, Russia's largest apparel retailer in terms of sales, has selected our **3D**EXPERIENCE platform to support their rapid growth by providing them with a unified environment for design, sourcing and supply chain management.

My final example is SFR, a part of the Vivendi Group and a leading telecom provider. They are using our SquareClock solution, now called 3DVIA Store, to help them set up new merchandising campaigns in their stores quickly and frequently by giving to the local teams in the stores the ability and empowerment to design their stores themselves. As a result, SFR is now able to virtually manage in 3D 850 point of sales and achieve significant improvements in its operations – first in the planning, with a 25% reduction in the cost of merchandising production and logistics, and then secondly, in getting these point of sales operational in a shorter timeframe thanks to a 50% reduction in deployment time for the users in the stores.

Energy, Process and Utilities Industry Highlight

Now today, I would like to spend a few minutes illustrating what we are doing with Energy, Process and Utilities (EPU) companies.

As we know natural resources are not unlimited, while users' demands for energy keep rising. Adding to this complexity are concerns about costs, safety and the environment. For EPU companies, in addition to what is of importance to their end customers' experience, they have critical challenges to manage such as peaks in demand, cost reduction of operations, compliancy and other complex issues and to do all this within the context of ever increasing energy consumption.

So how can we help them change the game? In the last year we have introduced two industry solutions experiences – Optimized Plant Construction and Sustainable Wind Turbines. With the demand for energy expected to rise very significantly over the coming decades, there is the need to bring energy plants on faster, on budget and safely. With our optimized plant construction industry solution experience companies are able to reduce time to start-up and cost using digital plant construction planning. Similarly, wind turbine operations need to improve in order to have wind energy take its place among key energy sources. Our Sustainable Wind Turbines industry solution experience is designed to help customers speed time to market with improved reliability and lower costs.

Looking at our customers let me share some examples:

- The first example is Nuvia, a nuclear specialist in the United Kingdom. Working with our partner, Tata Technologies, they are implementing our Optimized Plant Construction industry solution and our **3D**EXPERIENCE platform and ENOVIA software applications. Their business objectives are around managing vast amounts of data for design and construction as well as having complete comprehensive information for compliancy and governance.
- Moving to China, the leading engineering procurement and construction company in hydro power, CHIDI, is using our industry solution as well as a number of our brands to enable it to deliver plants on-time and on budget and to enable a massive collaboration effort across projects and departments.
- Envision, a leading wind power company also in China, is using our wind turbine industry solution experience to enable design process optimization and to be able to use the knowledge to support wind energy on-shore as well as off-shore. As you may know, off-shore is much more complex.

More broadly, our software solutions play to the heart of the needs of the wind power sector. First, the blades require very sophisticated surface design which is a key strength of CATIA. Secondly, the blades are done in composites which also require specialized design software which

CATIA offers and finally these products require very sophisticated simulation analysis that is sufficiently robust to do the complex analysis, which we bring also, with our SIMULIA portfolio.

- My final example is in India where we are working in partnership with Puducherry City to develop a 3D power grid – an innovative project with the goal of designing, simulating and visualizing a complete power grid of a city for energy, water, waste management, traffic management and more.

Acquisitions

Now, let me briefly touch on two acquisitions we announced earlier this morning. First, we acquired Archivideo whose technology enables a very complete and accurate representation of a city. So it expands our capabilities to plan and manage urban developments. Archivideo has a strong relationship with IGN, the French National Geographic Institute. We welcome the team under the GEOVIA brand, with its mission around natural resources and the modeling of the planet.

The second acquisition, FE-DESIGN, is an innovator in design optimization for early-stage product development. It is a very interesting acquisition with a company we already have an OEM relationship with as we embed some of their technology in SIMULIA already. Among its customers are General Motors, BMW, SIEMENS, and Suzlon. In our opinion it is the technology leader for non-parametric optimization solutions and is complementary to our parametric optimization capabilities.

At this point, let me turn the call to Thibault.

Thibault de Tersant
Senior EVP and CFO

Good afternoon and good morning to all.

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.

Snapshot

First quarter revenue results were solid and well in line with our financial objectives, coming in at the high end of our growth range of 5% to 7% in constant currencies. New licenses revenue results illustrate the slow start to the year, as anticipated. It is quite understandable in the current environment for customers to take their time at the beginning of the year.

Software Revenue Review

Turning to our software results, the growth was 8% in constant currencies. On an organic basis, software revenue increased 6%, taking into account the Transcat divestiture and the Gemcom and SquareClock acquisitions.

New licenses revenue decreased 2% in constant currencies reflecting the soft environment as well as a strong base of comparison to last year where new licenses revenue increased 18% in the 2012 first quarter.

Recurring software revenue evolution reflected high renewals rates, continued rental activity and new seats added to maintenance. In addition, we benefited from a somewhat easier comparison base. If you recall, in the first quarter of last year a portion of renewals normally recognized in that period was pushed out to the second quarter, leading to this year's favorable comparison base. In total recurring software revenue increased 13% in constant currencies this past quarter and we anticipate it normalizing to about 9% in the second quarter.

Services Revenue and Gross Margin

As I highlighted in February at year-end earnings results, we were anticipating a weak Q1 for services and that is what we saw. We had a lower level of new engagements, with ongoing service work relatively stable. The gross margin as a consequence was slightly negative.

Operating Income, Operating Margin and Earnings

Turning to our profitability, here the results are somewhat satisfactory as we delivered double-digit earnings per share growth, up 10%, and the operating margin was 29%, essentially stable.

Cash Flow and Balance Sheet

Turning to our cash flow and balance sheet statements, I would like to make just a brief comment.

First quarter cash flow increased 12% to €185 million principally reflecting working capital improvements of €81 million and non-cash P&L items of €29 million. The main components of non-cash P&L items were amortization of intangible assets and depreciation of property and equipment.

DSOs improved to 79 days, slightly higher than Q4 but much improved from the year-ago period of 90 days. In light of the environment I think this represents good progress and a good performance on receivables management.

Turning to our unearned revenue the evolution here is well in line with our expectations and is largely organic. In comparison to the end of 2012, unearned revenue is higher by 15%.

Reconfirming Full Year Financial Objectives

Turning to our financial objectives, let me begin with our second quarter. Here we are setting a revenue objective of about €515 million, representing growth of about 7% in constant currencies, which is quite similar to the first quarter, a stable margin of about 29% and earnings per share of about 80 cents or 5% growth. Importantly, we do expect to see a positive growth evolution of new licenses revenue and we also anticipate that recurring software revenue should normalize to a growth rate of about 9% in constant currencies in the second quarter, as I mentioned earlier in my remarks.

With respect to currency assumptions we are increasing our Japanese yen to euro exchange rate to 125 yen to euro from our former assumption of 120 reflecting the further weakening of the yen. Today the yen is above this rate. We are leaving our US dollar exchange rate assumption unchanged at 1.40 US dollars per euro.

For the full year, we are reconfirming our financial objectives which reflect the fact that our first quarter results were well aligned with our objectives. We are fine-tuning the revenue range, adding about €10 million euros, with €2 million coming from activity, €4 million from M&A, and €4 million from currency. This increase in reported revenue does not change our growth objectives in constant currencies. It simply tightens the range from the former 5% to 7% range to now 6% to 7% total revenue growth in constant currencies. From an earnings perspective, these changes are absorbed by an assumption of a higher tax rate and a higher exchange rate for the Yen for the next three quarters, so our EPS target growth of 2% to 7% remains unchanged as does our operating margin goal of 32% on a non-IFRS basis. The first quarter non-IFRS effective tax rate was 32.4% but for the full year we expect a tax rate of between 33.5% and 34%.

Cash Dividend Increase

Finally, we also reported this morning that the Board of Directors is proposing an increase in the annual cash dividend of 14%, subject to shareholders' approval, and this is following two years of double-digit increases in dividends.

Let me turn the call back to Bernard now.

Bernard Charles
President and CEO

Summary

Looking ahead we see a year of significant research and development deliverables as we advance our market with **3D**EXPERIENCE and work to realize our purpose of enabling sustainable innovations to harmonize product, nature and life.

And we see a year of solid financial performance even in a soft economic environment.

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