DASSAULT SYSTEMES
2015 Third Quarter Conference Call
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Final

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Thank you for joining Bernard Charlès, CEO, and Thibault de Tersant, CFO, to discuss our 2015 third quarter and nine-month financial performance. This conference call follows our webcasted presentation earlier today in London.

For your information:

- Dassault Systèmes' financial results are prepared in accordance with IFRS. We have provided supplemental, non-IFRS financial information and reconciliation tables in our earnings press release.
- Some of the comments on this call will contain forward-looking statements that could differ materially from actual results. Please refer to today's press release and to the Risk Factors section of our 2014 *Document de reference.*
- Revenue growth figures are in constant currencies, unless otherwise noted.

I would now like to introduce Bernard Charlès.

Bernard Charlès
President and Chief Executive Officer

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

Overview

Our third quarter was well in line with our objectives. We had a solid performance – at the top-line, operating margin and bottom-line.

The expansion of our addressable market is translating into a more dynamic set of growth drivers which animate our financial performance.

- This is visible in our industry diversification results with Energy, Process and Utilities, Life Sciences, Marine & Offshore and Consumer Packaged Goods among the leading performers this quarter.
- And it is visible in our brand results, where we are broadening coverage of our customers' key domains and processes. DELMIA, SIMULIA, and ENOVIA, along with BIOVIA, were strong contributors to the quarter.

Deployments are making a significant difference for our clients, reducing program development cycle times, and optimizing product costs or product reliability in a very meaningful manner, for example with

DELMIA. In the broad context of digital manufacturing, we are providing strong support to our clients, helping them to leverage top-line opportunities as well as bottom-line improvement.

2015 Third Quarter Performance Highlights

Looking at the third quarter, total revenue increased 9% in constant currencies. Importantly, new licenses revenue was up 11% in total and 9% on an organic basis in constant currencies on a high base of comparison.

Our non-IFRS operating margin came in at 31.2%, on a strong expense focus, currency benefits and a R&D tax credit adjustment.

In turn, our non-IFRS EPS growth was 29% in total, or 20% before a reversal of tax reserves of 4 cents.

Revenue by Region

Turning to the results in more detail, let me begin first with Asia.

We had a strong base of comparison in Japan, where new licenses had been up 66% in constant currencies in the 2014 third quarter. Meanwhile, China's level of new business activity was negatively impacted by a lengthening of ordering process by customers. In total, revenue was flat in constant currencies for Asia during the third quarter.

In the Americas revenue increased 12%, on the strength of the U.S. and substantial year-over-year improvement in Latin America.

Europe was the best performing region, with all major geos showing good growth. Further, from a sales channel perspective the results were also broad-based, leading to new licenses revenue growth of 32% and total revenue growth of 13% in constant currencies. So, in spite of the unexpected softness in Asia, we delivered well in line with our revenue objectives, thanks to Europe.

On a year-to-date basis, revenue growth is very similar across our three regions.

Brand Performance

Moving to our brands let me begin with CATIA. 2015 is a transition year from a revenue perspective for CATIA, with the rental headwinds we have signaled before. We have also discussed the fact that China is an important component of CATIA's geographic expansion, so with the lengthening of decisions, CATIA's software growth of 3% in constant currencies in the third quarter reflected this additional factor. On a strategic basis, CATIA continues to advance, so we see a significant potential over the mid-term.

SOLIDWORKS software revenue increased 9% in constant currencies led by recurring revenue growth.

ENOVIA delivered a 15% increase in new licenses revenue in Q3 of this year on top of last year's 35% growth in the same quarter. In total, ENOVIA's software revenue increased 8% in constant currencies with important decisions in automotive, oil & gas, and in defense, among others.

Other Software had a number of drivers. DELMIA is benefiting from growing interest from companies looking to increase their manufacturing flexibility through the digitalization of manufacturing. We are also benefiting from good traction in manufacturing operations management with DELMIA Apriso. SIMULIA's growth reflects strong traction in a number of industries and expanded process coverage. After growth restarting in the first half, GEOVIA was hit by further headwinds in the mining sector. For BIOVIA, it has crossed its one year anniversary and I am pleased to see them do so with a strong software performance in all three regions.

Manufacturing Digitalization

Now let’s talk about manufacturing digitalization. For many years, we have highlighted the value of bringing the digital world to manufacturing in a more comprehensive fashion.

The world of manufacturing is going to evolve dramatically in the coming years. In the past it might have been a choice to transform, today that is no longer the case – it is an imperative. As a result we are seeing a high level of interest from companies in a number of industries. Their key issues are how to increase their manufacturing flexibility, in other words to manufacture any product, anywhere; they are focused on increasing the reliability of their products and they are exploring a number of manufacturing initiatives, such as additive manufacturing as we discussed last quarter.

Our results have been very encouraging with a strong momentum developing in multiple industries, including Aerospace, Industrial Equipment, and Energy, Process and Utilities.

We will continue to invest here, and have developed an integrated approach, adding Apriso in manufacturing operations management in 2013.

Vestas Wind Systems Selects DELMIA Apriso

In that regard, the world's largest wind turbine company, Vestas Wind Systems, selected DELMIA Apriso. This was a significant win, demonstrating the competitiveness of our solution over larger, legacy software players.

Benefiting from Industry Diversification

Turning to a review by industries, we are benefiting from the expansion of our activity in target diversification markets. Diversified industries represented 31% of our third quarter software revenue. Energy Process & Utilities, Life Sciences, Marine & Offshore and Consumer Packaged Goods are key industries driving diversification.

And in our core industries, aerospace & defense software revenue increased double-digits excluding currency benefits in the third quarter.

Heavy Industries Digitalization

Let me share a short dive into heavy industries and their move to digitalization. In Energy, Process and Utilities new licenses revenue doubled in constant currencies year-to-date. We have a good dynamic in Power, where we are working with companies ranging from renewable energy, to nuclear plants and to hydroelectric dams. And we are diversifying in Process with Metals & Minerals as well as with Oil & Gas.

Leveraging our 3DEXPERIENCE platform and Industry Solution Experiences

We are meeting with very good success. Why? We are bringing significant business value with our industry solution experiences driving greater sustainability while also driving CAPEX productivity and OPEX savings.

Our industry solutions experiences well-cover three areas:

- First, with a strong connection between engineering and production with our *Sustainable Wind Turbines* and *Integrated Plant Engineering* industry solutions experiences.
- Second, in construction management moving from a paper world to a digital world and in turn helping to deliver complex projects on time and on budget with what we call *Optimized Plant Construction*.
- And third, in ongoing operations by providing a tight connection between digital and real with a solution called *Efficient Plant Operation*.

Now, let me share several customer examples:

- In Finland, a company called Outotec, a global leader in Minerals and Metals, Energy and Water processing technology, adopted our 3DEXPERIENCE platform and two industry solutions, the first one *Single Source for Speed* and the second one *Integrated Plant Engineering* to achieve digital continuity from customer order to delivery & support in operation by their customer.
- A second example is in China where we are working with GUIYANG Hydropower Design & Research Institute to optimize hydropower dam construction.
- And in Russia, NIAEP has expanded its use of our solutions, adopting the 3DEXPERIENCE platform, expanding usage of our *Optimized Plant Construction* industry solution and adding our *Efficient Plant Operation* to manage the complete nuclear power plant lifecycle.

Finally, earlier today during our webcast in London, we ran a video provided by Jaguar Land Rover, highlighting why our 3DEXPERIENCE platform is a game-changer for them in terms of optimizing collaboration and leveraging data intelligence. It is a short video, so I encourage you to take a look at it.

Let me pass the call to Thibault now.

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. In all cases, the reported revenue results were generally significantly higher.

Financial Overview: Q3 and YTD

Let me provide you with a few key highlights before going into a detailed review of our financial performance.

- Our financial performance was well aligned with our third quarter objectives, demonstrating our multiple growth drivers. Thanks to Europe and the Americas we were able to absorb the market volatility in Asia.
- Software revenue increased 9% in total and 7% on an organic basis. Year-to-date, software revenue is higher by 13%, and 8% on an organic basis.

- Turning to our guidance, we are well positioned to achieve our full year financial objectives, so we are confirming them and upgrading for currency and reversal of tax reserves. As our fourth quarter embeds organic, double-digit new licenses revenue growth in constant currencies, we anticipate of course a strong finish to 2015.
- We are also confirming our two financial goals of double-digit organic non-IFRS new licenses revenue growth excluding currency benefits and non-IFRS operating margin expansion of about 100 basis points. Year-to-date, non-IFRS new licenses revenue is up 11% in constant currencies and our organic non-IFRS operating margin progression is of 80 basis points.

Software Revenue

Turning to our software results in greater detail, and excluding currency, new licenses revenue increased 11% in the third quarter, of which 9% was organic. Year-to-date, new licenses revenues growth was 17%, of which 11% was organic.

Recurring and other software revenue increased 8% in the third quarter and 12% year-to-date, thanks to a good dynamic all along the year in terms of maintenance revenue. On an organic basis, recurring and other software revenue increased 7% in both third quarter and year-to-date.

Services and Other Revenue and Gross Margin

Services and other revenue growth of 13% and 23%, in the third quarter and year-to-date, respectively, reflected the addition of acquisitions to our perimeter. In our core services business, we are engaging more with system integrator partners. As a consequence, on an organic basis services revenue growth was flat for the three- and nine-month period.

Operating Margin

Turning now to our non-IFRS operating margin it came in at 31.2% in the quarter. We benefited from an organic improvement of 70 basis points and currency represented 90 basis points offset in part by acquisition dilution of 100 basis points. In addition, we benefited from an R&D tax credit of 90 basis points that we were actually expecting later in the year in the fourth quarter.

Financial Revenue & Other/ New Bank Credit Facility

While most of our operating performance metrics are helping EPS, I wanted to bring our financial revenue to your attention. This is a headwind for us – in the third quarter and most certainly on a year-to-date basis, with financial revenue of 2.7 million euros versus 11 million euros in the 2014 first nine months, simply reflecting lower interest income as rates we earned converged now to current market rates.

While we are on the topic of financial revenue, I also wanted to highlight that we entered into a new bank syndicate credit facility with an initial term of five years, and two one-year renewals. We completed the agreement and fully drew down 650 million euros last week, and through swap arrangements locked in a very favorable borrowing rate for the initial five-year period. Market conditions for borrowings are certainly quote unique at present, so while they might continue, we thought it made good sense to enhance our financial flexibility as we look to the remaining four years of our financial plan and roadmap which includes acquisitions well- fitting our strategy and our purpose.

EPS

Turning now to our earnings, third quarter non-IFRS EPS increased 29% to 58 cents in total. Included within this was a 4-cent reversal of tax reserves related to the completion of prior years' tax audits. Excluding this item, the strong EPS growth was due to top-line growth, currency benefits and operating performance.

On a year-to-date basis, EPS is up 24%.

Operating Cash Flow Evolution

On top of earnings growth our cash flow is also very good, at €113 million in the third quarter and €530 million year-to-date. Our performance through the first nine months is actually understated by the tax reassessment payments we have made totaling €60 million. We believe that these tax reassessments are not legally founded and so we are disputing them of course.

Unearned revenue increased 12% excluding currency impacts.

Our DSOs were 66 days, showing a further improvement over the second quarter.

2015 Financial Objectives

Moving to our financial objectives let me begin with our fourth quarter outlook.

Starting with software, we are targeting a double-digit increase in organic new licenses revenue and solid recurring revenue growth leading to total non-IFRS software revenue growth of about 8% in constant currencies. Our new licenses revenue target for the fourth quarter illustrates that we expect to see a pretty good dynamic – let me remind you that in the 2014 fourth quarter, new licenses revenue increased 24% in total and 12% on an organic basis in constant currencies.

With respect to services revenue in the fourth quarter we expect to see a decrease in constant currencies as we engage more with system integrators in our industry services group.

For the full year, we are reconfirming our 2015 objectives and upgrading for currency with respect to our revenue range and for currency and the one-time tax benefit for our earnings objective.

- For total revenue we are targeting 12% growth in constant currencies, so this is unchanged from the second quarter. On a reported basis, we are upgrading our revenue range by 10 million euros to 2.82 to 2.83 billion euros for the currency upside of the third quarter. With the softer economic climate than in the first half of the year and an ambitious fourth quarter already, we think our 2015 revenue growth objective in constant currencies is more than appropriate.
- We are reconfirming our non-IFRS operating margin objective of about 30%, compared to the 29.8% in 2014.
- For EPS we are adding 1 cent for currency coming from the third quarter and 4 cents for reversal of tax reserves as I already mentioned, bringing us to an earnings per share objective of about €2.20, up 21% year over year.

We are maintaining our assumptions of a US dollar exchange rate of $1.15 per euro and the yen exchange rate of 135.0 yen per euro for the fourth quarter, rates which are very close to the current exchanges rates. For the other currencies we are also very close to current market rates. Adding actual and fourth quarter, leads to full year exchange rate assumptions for the US dollar of 1.12 per euro and for the Japanese yen 134.8 yen per euro.

Let me turn the call back to Bernard.

Bernard Charles
President and CEO

Summary

All in all and in short, our financial results and outlook demonstrate the multiple drivers of our growth.

We also benefit from a good balance in our sales channels and in the different geos animating our three geographic regions.

And we benefit from an ongoing relationship with our large and loyal client base, well evident in our high level of recurring software revenue – representing 75% of our total software revenue in the third quarter and 72% year-to-date.

Importantly, we are pushing to deliver greater value for companies as digitalization takes center stage, with our 3DEXPERIENCE platform as a business platform and as a core enabler to that objective.

Thibault and I are now happy to take any questions and we thank everyone for their participation on this call and earlier today.