

DASSAULT SYSTEMES
2011 First Quarter Conference Call
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Final

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Vice President, Investor Relations

Thank you for joining Bernard Charles, our CEO, and Thibault de Tersant, our CFO, for a review of our 2011 first quarter.

Dassault Systemes' financial results are prepared in accordance with IFRS. In addition, we have provided supplemental non-IFRS financial information. For an understanding of the differences between the two please see the 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 2010 *Document de reference* which we filed with the AMF on April 1st.

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

Bernard Charles
President and Chief Executive Officer

Summary

Dassault Systemes delivered a solid first quarter 2011 as our numbers demonstrate.

- At the top-line, total revenue of 410 million euros increased 29 percent in constant currencies. New licenses revenue was up 28 percent in constant currencies. The revenue dynamic was good in all three geographic regions.
- At the bottom-line earnings were up 47 percent demonstrating our operating leverage.
- We had several major new Version6 announcements, and are progressively building a broad base of references, truly enterprise-wide references.
- On industry diversification, two acquisitions we completed further advance our diversification, and broaden our offerings to target industries. With Intercim, we have acquired a company with technology to expand DELMIA's footprint enabling companies to close the loop between the shop floor and manufacturing engineering. The acquisition strengthens our offerings for advanced and regulated industries where, for example, certification is important. With Enginuity we help accelerate product innovation in formula-based industries such as CPG and pharmaceuticals where formulation is at the heart of the product.

We continue to focus on returning an important portion of earnings to shareholders. Our Board of Directors has proposed a 17 percent increase in our cash dividend.

Our Presence in Japan

Now let me turn to Japan and provide some details here.

Our local teams and partners were quite amazing following the earthquake, quickly assuring continuity of operations in order to be positioned to support our customers. This support took many forms. In total we have about 400 employees in Japan and a very strong network of resellers and partners.

Japan is one of the four largest markets in the world for industrial companies. We have a strong position in this country, with long-standing relationships. I visited Japan earlier this month and met with a number of our customers to understand first-hand the situation. In large measure the infrastructure in Japan is intact and most customers' facilities are up and running. The issue is the indirect effect from supply chain disruptions, resulting in some companies not running at planned levels at their manufacturing facilities in Japan or elsewhere in the world. What is important, however, is that production volumes are not impacting product development plans.

While we anticipate seeing a lower level of new business activity over the next two quarters in Japan, we believe it will be largely limited to new license revenue with minimal effects on recurring revenue. The large majority of our revenue in Japan is of a recurring nature. New licenses revenue in Japan represents about 3 to 4 percent of our total revenue. Following this period, we anticipate continuing to grow our business with companies of all types in this important market.

Reconfirming 2011 Financial Growth Objectives

So having assessed the near-term impact we may see from customers in Japan, we are able to reconfirm our 2011 financial growth objectives. Taking into account our

first quarter results, anticipated customer demand in other countries and regions, and recent acquisitions, I believe we are well positioned to achieve our objectives for the full year 2011.

Let me turn the call to Thibault at this time.

Thibault de Tersant
Senior EVP and CFO

IFRS/non-IFRS Differences

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. At the revenue level the differences are very minor in the first quarter, as we had less than one million of deferred revenue.

Acquisitions

Our financial results for the first quarter of 2011 reflect the significant increase in our direct sales force following the integration of IBM PLM as of April 1, 2010. The comparisons also reflect the acquisitions of Exalead and Geensoft since July 1st of 2010.

First Quarter Summary

Turning to our first quarter financial performance,

- Non-IFRS revenue was 410 million euros, up 29 percent in constant currencies. Adjusting for the better evolution of currency, we came in just above the top end of our revenue range.
- In total, software revenue increased 31 percent in constant currencies, with PLM software revenue up 36 percent and Mainstream 3D software revenue up 16 percent.
- In constant currencies, new licenses revenue increased 28 percent led by a strong performance of our indirect channels, benefiting CATIA and SolidWorks as well as 3DVIA.

- Recurring revenue increased 32 percent in constant currencies. We are seeing a good evolution of maintenance revenue as higher new seat activity translates into increases in maintenance revenue. SIMULIA's first quarter growth is an important indicator for the year, since its revenues are largely recurring in nature. Here the results were encouraging with SIMULIA software revenue up double-digits in constant currencies. So a good outlook for the year for our simulation business. As anticipated we had no one-time events for maintenance such as we saw with the recoveries last year, so a good base to use for analysis and modeling.
- Our services revenue was up 14 percent in constant currencies. The services gross margin reflects the fact that we had multiple initial projects underway. Typically with larger customer projects, once awarded a contract you begin with a proof of concept and then ramp up the engagement from there once the proof of concept has been reviewed.
- Our operating margin increased to 28.3 percent from 22.1 percent, virtually all from operating leverage. Currency and tax reclassifications had a slight beneficial impact of about 40 basis points each.
- Earnings are the highlight of the quarter, up 47 percent to 63 cents. These results all come from operations – due to higher revenue. Income tax was in line with our expectations and financial income did not contribute to the growth of earnings.

Regional Review

From a regional perspective, the first quarter was generally as anticipated with the exception of Japan where we did see some impact on the last three weeks in new business activity. In Europe revenues were up 32 percent, with a good performance in most regions. In the Americas, revenues increased 22 percent, with an improving

dynamic. And in Asia revenue growth was 32 percent, with a strong quarter in particular in China, India, Korea, and the rest of Asia. Just as a reminder, all these figures are in constant currencies.

Expanding Market Reach with Our Indirect Channels

Our first quarter performance illustrates the value of our go-to-market strategy with both our direct sales and equally strong indirect sales channels enabling us to expand our market reach geographically, by user types, by industries and by application domains.

We benefited from a strong performance of our Professional Channel leading to a very good quarter for SolidWorks. Looking at the numbers, Mainstream 3D software revenue increased 16 percent in constant currencies. SolidWorks seats licensed during the first quarter increased 23 percent to 12,128 seats and the average selling price increased 2 percent in constant currencies.

The success of SolidWorks multi-product strategy is quite evident, with sales of it simulation and PDM products as well as 3DVIA representing about 20 percent of the Professional Channel revenue in the first quarter. Citing just a few of its many wins in the quarter, in our presentation you will see that Seagate in the United States is using both SolidWorks and its PDM solutions to provide a worldwide standardized platform for design. In Singapore, Panasonic is using SolidWorks as well as its PDM and simulation software resulting in higher productivity.

CATIA's strong performance was led by our PLM Value Solutions Channel. Total CATIA non-IFRS software revenue increased 44 percent, with CATIA new licenses revenue up 34 percent, both figures in constant currencies.

Some of the many reasons SMB customers select CATIA are highlighted in our presentation. Concoors Mold in Canada was able to cut its cycle time by 30 percent by using CATIA to validate designs before production begins. Blu Homes, a construction company based in the U.S., is able to ship pre-fabricated homes more economically thanks to CATIA's integrated analysis capabilities. And Tool and Die Solutions in South Africa is able to reduce material waste through better designs with CATIA.

So, all in all, we had a very good performance by our indirect channels in both the PLM and Mainstream 3D markets.

Acquisitions

Turning now to acquisitions, during the first quarter we acquired 100 percent of Intercim, a company with whom we previously had a minority investment. The acquisition price was 30 million US dollars in cash. We will include Intercim in our results commencing in the second quarter as part of Other PLM. The company has approximately 65 employees and is headquartered in the United States. For 2010 Intercim had revenues of 10 million US dollars. In connection with this acquisition our investment generated a gain, which we have excluded from our non-IFRS financial revenue this quarter.

Earlier this morning we announced a second acquisition, Enginuity. The company has approximately 25 employees, with most of them in research and development. Enginuity is based in Connecticut.

Cash Flow

Our cash flow from operations during the first quarter was pretty strong at 134 million euros.

Share Repurchases

In addition to acquisitions, we have been using our cash for share repurchases to offset potential dilution from stock option exercises. During the first quarter we did 111 million euros of share repurchases. As I mentioned on our fourth quarter call, one of our largest stock option plans dating back to 2001 was reaching expiration which it did in March of this year. In connection with this expiration a large number of stock options were exercised.

Cash Dividends

With respect to our cash dividend, our goal is to maintain a pay-out ratio of about 30 percent of IFRS net income. Given our strong growth in earnings in 2010, the Board of Directors is recommending a 17 percent increase in the cash dividend to be distributed in June if approved by shareholders.

2011 Financial Objectives

Turning to our financial objectives for 2011, we are lowering our reported revenue range for the year by 10 million euros to reflect the evolution of currency, but are reconfirming our growth objectives for revenue, earnings and operating margin. We are confident in our 2011 goals to deliver new license revenue growth of about 15 percent in constant currencies and a further improvement in our non-IFRS operating margin to about 29 percent and earnings per share in the range of 2.64 to 2.75 euros. In constant currencies, this represents a double-digit earnings per share growth goal.

For the second quarter objectives, we have set a non-IFRS total revenue objective of about 400 to 410 million euros, representing growth of about 8 to 10 percent in constant currencies, an operating margin of about 26 to 27 percent and a non-IFRS EPS objective of about 56 to 61 cents per share. We are anticipating a stronger impact from Japan's events on our second and third quarter results. Finally, I would point out that the base of comparisons for both operating margin and EPS are very strong. The year-ago quarter in part benefited from the 2009 efficiency program as well as two quarters of tax reclassifications and some favorable currency tailwinds.

We are updating our currency exchange rate assumptions. For the US dollar, we are now assuming an exchange rate of 1.45 per euro, up from 1.40 dollars per euro and for the Japanese yen, 120 yen per euro. For the full year, this calculates out to an average rate of 1.43 dollar per euro and 118 yen per euro.

At these assumption levels they have a negative impact of about 3 points of growth at both the revenue and EPS levels.

Let me turn the call back to Bernard now.

Bernard Charles
President and CEO

Thank you, Thibault.

Helping Customers to Meet their Strategic Priorities

Helping our customers to meet their strategic priorities is driving the adoption of our products. Our software brings significant value to companies at both the top- and bottom-line. We are focused on their most critical product evolution and business processes – driving innovation, product quality, time-to-market, supply chain collaboration, IP protection and regulatory compliance are just some of the many critical areas where we bring value to companies.

- For example, customers are able to increase operational efficiency through enhanced innovation and accelerated development capabilities. These issues were important in Jaguar Land Rover’s selection of Dassault Systemes in March. This was a significant competitive win and a full Version6 win. We were selected after an 18 month careful evaluation. We will be replacing the legacy PDM system. In addition, to being a full Version6 win, there is also a second contract related to systems.
- For CLAAS, one of the world’s leading agricultural engineering companies, our software enables global collaboration across CLAAS’ 14 production sites as well as the adoption of common processes. With the Version6 infrastructure which is all new, we really do provide a breakthrough in collaboration technology with online, real-time collaboration on the same data product model and process model.

- The management and protection of intellectual property was an important reason for US headquartered Parker Aerospace's selection of ENOVIA Version6 in order to ensure compliance with export control rules.
- With Exalead companies are able to more effectively harness information intelligence from all sources as we have discussed while at the same time having a clearer and simpler view from a business intelligence perspective. One example of this is what is being done with Exalead by the French National Library. They have had a large-scale digitalization effort underway, encompassing more than one million works to date. Thanks to Exalead they now have a good view into this massive digital asset – using Exalead's advanced linguistic and semantics search attributes, benefiting from its high performance, which is critically important given the size of this digital database, as well as the flexibility that Exalead brings in designing search-based applications to provide very useful user experiences.
- Moving to the consumer goods industry, we have a close partnership with Nestle on marketing campaigns which effectively turn cereal boxes into video games with our lifelike 3D-based technology. Nestle is in its third year of a very successful advertising campaign which is now in 53 countries.

Further Advancing Our Diversification Strategy with Intercim and Enginuity Acquisitions

My examples also demonstrate our increasing industry diversification. In that regard, let me turn briefly to our two most recent acquisitions which further support our diversification strategy and also broaden our offerings.

With respect to DELMIA, last quarter we discussed dynamic enterprise resource management. Michelin is using DELMIA to visually manage the complete manufacturing global subcontracting chain.

The acquisition of Intercim further expands DELMIA's offering. Intercim's technology addresses issues critical to achieving manufacturing operational excellence. In combination with DELMIA, companies can advance their lean manufacturing objectives – ensuring higher quality, faster time to market and full documentation and certification of processes. Intercim's customers include leading companies in advanced and highly regulated industries.

Let me share just one example. Embraer is the world's fourth largest aerospace company. With strong demand for its executive jets it was seeking to better adapt its manufacturing timeframe in order to be more responsive to the demand environment. Simultaneously, Embraer also wanted to ensure that the quality of the final product was in every way the same or better. To achieve this Embraer is using CATIA and DELMIA for the virtual design and virtual production and manufacturing and in conjunction with this decision has also selected Intercim in order to move all shop-floor data from a paper to an online digital environment. The benefits are multiple – by bringing together design and product engineering as well as manufacturing engineering so that they can work together in a more unified collaborative fashion, product production issues are visible earlier and can be discussed and resolved, product quality is enhanced and manufacturing production efficiency is increased.

Also in connection with our industry diversification, this morning we announced the acquisition of Enginuity, a very interesting company headquartered in Connecticut.

Industries using its product include cosmetic, consumer packaged goods and pharmaceutical companies.

The company was founded by Dr. John Sottery. John had worked at Procter and Gamble in the area of product development formulation. About five years ago he set up a subsidiary, Enginuity PLM offering end-to-end solutions for formula-based industries including life cycle management for formulations. While a small company of 25 employees mostly focused on research and development, its client roster includes world leading formula-based companies including AkzoNobel, Coty Inc., Procter and Gamble, Merck, Revlon and Schering-Plough.

In combination with our internal development, formula-centric companies in the pharmaceutical, personal care, cosmetics, food and beverage as well as fragrance industries will be able to use ENOVIA Version6 to accelerate product innovation and product launches. By focusing on their critical processes, formula-based industries using ENOVIA Version6 will be better positioned to successfully navigate complex regulatory requirements and more effectively manage and leverage their formula, packaging and consumer intellectual property in a single, global PLM solution.

Management Organizational Evolutions

This morning we announced some evolution in our sales channel and brand leadership. With respect to CATIA Etienne Droit is now CEO, bringing his considerable strategic, applications development and sales background. Bruno Latchague has moved to our Value Solutions Channel, formerly called value selling channel. Bruno brings his PLM solutions knowledge which is important in helping our indirect channel partners' transition to a solutions-approach in their interaction

with customers. In fact, we want to make PLM mainstream Promoted to executive vice president to run the PLM Business Transformations Channel, our direct channel, is Sylvain Laurent who ran the BT channel previously in Europe and has an extensive background in enterprise sales. Ken Clayton is now running the Professional Channel on a worldwide basis, previously having been in charge of the Americas for this channel. And for Exalead, Laurent Couillard is now the chief executive officer as planned at the time of the acquisition.

Summary

In summary, we were pleased with the results of the first quarter. We are well positioned to deliver on our financial objectives for 2011. We made good progress in 2010 towards our five year financial goals and we anticipate 2011 will move us further along this trajectory. With our recent management announcements I believe we have the organization in place to further support our market expansion objectives.

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