DASSAULT SYSTEMES
2017 Third Quarter Conference Call
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Final

François-José Bordonado
Vice President, Investor Relations

Thank you for joining Bernard Charles, Vice Chairman and Chief Executive Officer and Thibault de Tersant, Senior EVP and Chief Financial Officer, to review our 2017 third quarter and year-to-date business and financial performance.

Several brief reminders:

- Dassault Systèmes' financial results are prepared in accordance with IFRS. All figures on this call are on a non-IFRS basis. We have provided supplemental, non-IFRS financial information and IFRS-non-IFRS reconciliation schedules 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 2016 *Document de référence.*
- Revenue growth figures are in constant currencies, unless otherwise noted.

A copy of this morning's webcasted presentation is available on our website and these prepared remarks will be on our website shortly after the call.

Before we begin, let me remind you that some of the comments Dassault Systèmes will make on this call will contain forward-looking statements, that are subject to risks and uncertainties, which cannot be predicted or quantified, and which could differ materially from actual results. In addition, this material is neither an offer to purchase nor a solicitation of an offer to sell shares of Exa's common stock. Dassault Systèmes has filed a tender offer statement with the United States Securities and Exchange Commission (the "SEC"), and Exa has filed a solicitation/recommendation statement with the SEC. Exa's stockholders are strongly advised to read these documents because they contain important information that Exa's stockholders should consider before tendering their shares.

I would now like to introduce Bernard Charles.

Bernard Charles
Vice Chairman and Chief Executive Officer

Thank you for joining us. Good morning and good afternoon.

OVERVIEW

Our activities during the quarter and year to date well illustrate our progress in advancing our strategic priorities and enhancing our competitive position.

- In July we announced Boeing's decision for the 3DEXPERIENCE Platform across all their programs and the selection of our Manufacturing Operations Management solutions for production performance.
- At the time of the Boeing new extended partnership announcement we were asked by Boeing to limit our comments on the size of the transaction and the competitive implications. But I want to make clear that this was the largest transaction in Dassault Systèmes' history. Once the ramp-up is completed it will represent a significant scope expansion.
- Our goal is to continue to build momentum with the 3DEXPERIENCE platform. In that regard, earlier this month we signed with Scania, a leading manufacturer of heavy trucks and buses, an agreement for a long-term collaboration with the ramp-up commencing in 2018. They plan to implement the 3DEXPERIENCE Platform and expand the usage of our industry solutions to support their need for high levels of modularity and customer-specific configurations.
- We were also pleased with a number of other 3DEXPERIENCE platform decisions, both large and small. While sales timelines remain extended in general, we believe that momentum is building with more and more companies viewing the 3DEXPERIENCE platform as an important component for driving

end-to-end performance and productivity across their extended enterprise, meaning the total value chain.

From a technology perspective we made two important acquisition announcements. First, advancing our Multiphysics, multiscale technology roadmap we signed a definitive merger agreement to acquire Exa Corporation enhancing our SIMULIA portfolio **in ADVANCED FLUIDS SIMULATION**.

Earlier today, we announced plans to acquire No Magic in connection with the key objective of **broadening CATIA's systems engineering coverage and generalizing its capabilities** to address a wide variety of system engineering needs in Autonomous Experiences, for Automotive, Aerospace & Defense and High-Tech as well as in other industries. Some of No Magic's customers include Airbus, BMW, Boeing, GE Aviation, NASA, Porsche and Sony.

THIRD QUARTER BUSINESS HIGHLIGHTS

Let me share some key points on the third quarter performance:

- On a regional basis, the Americas continued to improve with strong new licenses growth in North America, leading to total software growth of 9% for the region. Europe grew 8% led by Southern Europe and France. In Asia, total software increased 6% with India and Korea leading the way. Looking in greater detail, we benefited from a good performance across the majority of our twelve geos. We saw weakness in just a few, most notably China, and to some extent also in Japan and Northern Europe with mixed results by sales channels. By the way we also pleased to announce a new Managing Director in North America, Dean Marsh, leading our growth efforts.

- From a vertical perspective, we benefited from good contribution across our Core Industries and multiple, Diversification Industries.
- SOLIDWORKS' performance was very good around the globe and SIMULIA delivered very strong results this quarter benefiting from several large decisions.
- 3DEXPERIENCE new licenses represented about one-third of the related new licenses revenue. The largest 3DEXPERIENCE transactions recorded in the quarter included companies in High Tech, Transportation & Mobility, Aerospace & Defense, and Marine & Offshore.
- While Cloud is an emerging growth driver, we are making significant investments**, with a strong portfolio and use cases building references in different industries.** The next 24-36 months is about expanding the adoption with 3DEXPERIENCE to make Cloud adoption a visible growth driver of industry diversification and users expansion.
- Finally, with respect to our full year guidance, you can see that our perspectives on software growth for 2017 are very much aligned with what we have said since the start of the year. Further, we continue to well manage our operations enabling us to absorb the shifts in services activity, with the change in our earnings per share guidance solely attributable to significant currency headwinds.

SOLIDWORKS

As I mentioned, SOLIDWORKS delivered another good quarter with software revenue higher by 16% on strong new licenses revenue growth in all geos and broad-based growth across the different industries it serves, with strong growth in Industrial Equipment. We are continuing to benefit from many 3D to 3D wins – customers moving to SOLIDWORKS from other 3D providers. Year-to-date SOLIDWORKS added over 15,000 new customers.

We launched SOLIDWORKS 2018 in September and will have several further product introductions for this new release over the coming months. Four areas include:

- Design to Manufacture Process Solution
- Distributed Data Management Process Solution
- Designer to Analyst Process Solution
- Electrical and IoT Process Solution, to help bring together mechanical, electrical and electronics design.

What is clear is how comprehensive an offer SOLIDWORKS is bringing to the market for its customer base, focused on their most pressing challenges.

GEOVIA

I would like to update you on GEOVIA briefly. As you know the mining industry has gone through a deep and difficult period. While a good deal of effort was spent managing through that timeframe, GEOVIA has also been advancing its strategic priorities for the mid-term especially on the R&D side.

Since the start of the year we have been seeing some stabilization. In terms of financial performance, GEOVIA's software revenue increased 12% in the third quarter and 7% year-to-date. In addition to addressing Natural Resources, we see opportunities to leverage its capabilities as part of industry solution experiences with other brands in targeted industries such as Energy, Process & Utilities, Architecture, Engineering & Construction, as well as globally as part of our 3DEXPERIENCity initiatives. While this acquisition had a rough start due to timing and mining industry cycles, I believe we are now in a position to move forward with positive momentum and a broader opportunity.

HIGH TECH IN REVIEW

Each quarter we try to share with you an update on an industry and this quarter it is High-Tech, which is the largest of our Diversification Industries. Its scope was increased with the addition of CST in electromagnetic simulation as part of the SIMULIA brand. During the third quarter High Tech's software revenue increased 26% in constant currencies and on an organic basis the growth was double-digits.

I believe we are well positioned to help companies address key challenges, such as:

- In product development: managing product modularity and variability;
- In compliance: with regulatory and quality requirements; and
- With increased global pressures: helping customers to optimize their processes and their costs.

Today, we are addressing a broad set of clients and products: including semiconductors where our software is used for IP management, a long-standing area of strength for ENOVIA. Our High Performance Semiconductor Industry Solution has been well received by a number of semiconductor companies. We also work with Telco OEMS, Consumer Electronics, Smart Appliances, Automotive Electronics and Manufacturing Supply Chains.

Moreover, the interconnection between industries is continuing with companies extending their product reach across verticals as customer experiences dramatically evolve.

CATIA: NO MAGIC PROPOSED ACQUISITION

This point brings me to CATIA which is focused on shaping the world we live in with **SMART PRODUCTS, SMART CITIES and NEW CONNECTED EXPERIENCES**.

The proposed acquisition of No Magic enriches CATIA's system engineering offer from several important perspectives:

- First, No Magic will enable CATIA's system engineering reach to expand in a very meaningful manner as its serves as a connector for CATIA and the standard language protocols used in different industries; together we can generalize systems engineering to make it an integral and effective enabler for connected experiences for companies and public and private entities of all sizes.
- Second, we will integrate No Magic's solutions into the 3DEXPERIENCE platform, complementing and reinforcing CATIA applications. Very simply our goal is to be a leading provider of solutions for all systems embedding software and establish an environment where building, testing, certifying and releasing software can happen rapidly, frequently and more reliably from software architecture design to systems and system of systems.
- Third, the 3DEXPERIENCE platform natively supports openness by providing the largest range of open standards and languages for system engineering which will be enriched with the adoption of industry standard languages such as UML – this stands for unified modeling language, SysML – systems modeling language; and those serving the US and UK defense departments.

Combined with CATIA, we will be well positioned to help our clients bring to market new connected experiences in Aerospace & Defense, Transportation & Mobility as well as High-Tech.

We look forward to welcoming the 170+ talented professionals from No Magic. The proposed acquisition follows a partnership agreement we signed with them in late July of this year.

SIMULIA

Now let me update you on SIMULIA, which has been a key driver of the acceleration of our Multiphysics, multiscale technology roadmap. We have built a leading presence with SIMULIA in structural and optimization simulation. In the last twelve months we have extended our leadership into a second major physics, thanks to the acquisition of CST with its simulation technologies addressing high frequency electromagnetics.

Now, we are building the third major simulation pillar with the proposed acquisition of Exa Corporation, complementing the recent acquisition of Xflow, thanks to its pioneering role in Lattice Boltzmann Method (LBM) proven to provide the most accurate and fastest fluids simulation results for highly dynamic fluid flows. The Exa team is well-known in mission-critical applications in aerodynamics, thermal management and aeroacoustics and is widely used within the automotive industry globally for external and internal aerodynamics. Looking forward we would anticipate that this portion of the fluids simulation market will grow considerably faster than the fluids market generally based on increased needs for Lattice Boltzmann methodologies across a broad range of addressable industry workflows.

At the same time, with Exa, Xflow and SIMULIA’s organic developments, we are positioned to also expand our coverage of the mainstream fluids analysis market.

In terms of timing, we commenced the tender offer for Exa shares on October 12th. Subject to receipt of the majority of shares, regulatory approvals and other customary closing requirements, we anticipate completing the acquisition by the end of this year.

Let me turn the call to Thibault.

Thibault de Tersant
Senior EVP and CFO

Thank you, Bernard. As a reminder, all figures are on a non-IFRS basis. Revenue growth figures are in constant currencies unless otherwise noted.

FINANCIAL OVERVIEW

Looking at the third quarter, all key figures - software revenue, operating margin and earnings per share were well aligned with the high end of our objectives. Total revenue increased 6% in the third quarter, at the low end of our 6 to 8% guidance and this was due to services activity.

Now let's move to a detailed review.

SOFTWARE REVENUE

Software revenue increased 8% in the quarter with new licenses revenue and other software growth of 12% and recurring revenue growth of 6%. Software represented 89% of total revenue in the third quarter.

Looking first at new licenses revenue, on a geographic basis, we saw a good contribution from many of our 12 geos. While China came in low on mixed results with indirect channels offset by lower spending by state-owned enterprises this was compensated by better performance in other geos. Growth in new licenses was driven by all Core Industries with notable performance in Industrial Equipment and also in multiple Diversification Industries as Bernard reviewed.

Our recurring software performance reflected mixed trends. We are seeing very healthy renewal rates on our maintenance subscription by channel and by brand perspectives. So the growth there is very healthy.
Rental activity has been mixed this year and has weighed on our recurring revenue growth. We should start to see an improvement in 2018 and more so in 2019 and 2020. But for 2017, the rental results account for most of the 1 percentage point difference in our organic software growth when comparing to 2016.

Excluding acquisitions, total software revenue was higher by 5% in both the third quarter and for the first nine months.

SOFTWARE REVENUE BY BRAND

CATIA software revenue decreased 1% in the third quarter on mixed results by sales channels. As a reminder, CATIA's customer base is relatively evenly divided between large accounts served through our Business Transformation channel and small and mid-sized customers addressed through our Value Solution channel partners. Our indirect channel performed well while BT was negatively affected by weakness in China in particular.

ENOVIA software revenue increased 5% in the third quarter. Within the quarter we had several important wins. Overall results reflect a high comparison base and continued lengthening of sales decisions. Our win rate against competitors continues to be very good.

SOLIDWORKS software revenue increased 16% led by strong growth in new licenses revenue on a global basis. I will leave it at that since Bernard has covered SOLIDWORKS in his remarks.

Other Software increased 13% in total and excluding acquisitions was led by SIMULIA and GEOVIA in the quarter.

SERVICES REVENUE

Following a First Half for services with total growth of 7% and improvement in the gross margin to 9.5%, the third quarter was disappointing. Services revenue decreased 3%, and represented about a €9 million variance from our expectations.

Approximately half of the variance is related to project work that is now going to system integrator partners and that we expected to be compensated for by several brands. While they did compensate, it was not to the full extent anticipated. The remainder of the shortfall was related to delays in several contract signings including for digital marketing.

OPERATING INCOME AND MARGIN

The strengthening euro against currencies is weighing on our reported operating income growth, which increased 2% in the third quarter and reflected a negative currency impact of 5 percentage points.

Our operating margin of 32% came in at the high end of our objectives, thanks to operational improvements of 30 basis points offsetting the negative impact from currency of a similar level.

EARNINGS PER SHARE

Third quarter earnings per share also came in at the high end of our objectives at 64 cents. Currency headwinds had a strong impact leading to a reported growth rate of 2%, while in constant currencies EPS would have increased by 8%.

OPERATING CASH FLOW

Our cash flow results through the first nine months of the year were very strong, with net operating cash flow increasing 28% to 672 million euros on growth in net income and working capital improvements. Unearned revenue increased 6% excluding currency impacts, tracking the growth rate of recurring software revenue.

2017 FINANCIAL OBJECTIVES

Now I would like to review our 2017 financial objectives. At the start of the year, in February, we outlined our key software revenue growth objectives.

- New licenses revenue and other software growth of 8 to 10% in constant currencies: We have reconfirmed this goal each quarter and we are reconfirming once again. As a reference point, through the first nine months of this year our new licenses revenue and other software increased 9% in constant currencies.
- We also indicated that our recurring software revenue growth target for 2017 was about 6% in constant currencies, and we are also reconfirming this goal as we have each quarter.
- Software represents about 90% of our total revenues.

We are lowering our services outlook for 2017, based upon the third quarter results and updated outlook and plans for the fourth quarter. This combined service impact brings our total revenue growth objective to 6% in constant currencies, the low end of our previous 6 to 7% growth range. So we remain within our growth range for total revenue in constant currencies, consistent with our initial goal shared in February.

However, while our constant currency revenue and key software goals remain very much intact and consistent, currency headwinds have increased significantly in the second half of 2017. As a result, we are updating both our operating margin and earnings per share objectives for increased currency headwinds.

As a result:

- Our reported revenue range for 2017 is now 3.185 to 3.205 billion euros with currency having a combined impact estimated at 34 million euros and services having a combined impact of 22 million euros. We are assuming services are flat for the year in constant currencies.
- Our operating margin range for 2017 is now 31.0% to 31.5% compared to 31.5% previously – the change being solely due to currency.
- And our EPS range is now 2.57 to 2.61 euros, with an estimated 5 cent impact which is due solely to currency.

For the fourth quarter, we have outlined our objectives in the earnings press release and presentation. Let share a few key guidance figures:

- Q4 new licenses and other software revenue growth will range between 7 to 13% in constant currencies;
- Q4 recurring revenue growth between 4% and 5% in constant currencies, as you remember we had a strong Q416 comparison of +9%;
- Q4 services revenue decrease of -10% to -8% in constant currencies;
- For the fourth quarter we are assuming a USD exchange rate of 1.20 dollar per euro and for the Japanese yen, 135 yen per euro.
- As a result, we anticipate currency headwinds to negatively affect EPS growth by about 500 to 700 basis points in the fourth quarter.

Now let me turn the call back to Bernard.

Bernard Charles
Vice Chairman and Chief Executive Officer

SUMMARY

Let me share my perspectives on where we are in terms of advancing our industry go-to-market approach and achieving sales leverage.

We manage the Company from a sales perspective with a local approach with our twelve geographies under the leadership of the managing directors and the geo teams. Overall, we are making good progress in prioritizing the industries for the individual geographies, training our sales teams, working with the right partners for indirect sales and leveraging our portfolio. It is clear that when we are there, we win.

In contrast to the past where we went to market by brand, 3DEXPERIENCE is about enabling companies to power their businesses with the 3DEXPERIENCE platform and associated industry solutions. So it is a platform first strategy, powering legacy as well as next generation software and also powering our competitors' legacy solutions. So this is happening and we are advancing our platform in this direction. In fact, several weeks ago at our North American 3DEXPERIENCE Forum, my conversations with multiple clients were around their plans to adopt the 3DEXPERIENCE platform. So for me, the question for more and more of our customers is now around what is the timeline for adoption of the platform and not the adoption itself.

Our software portfolio today extends to all the key departments of a company. We are seeing increasing leverage and sales synergies of our offer, but I think we are in the early stages of capturing these benefits and so we want to continue to accelerate these efforts. And thanks to the 3DEXPERIENCE platform, as we continue to enhance the capabilities of our brands we can more quickly leverage the value of new acquisitions.

Thibault and I would be happy to take your questions and we thank everyone for their participation on our earlier webcast and on this call.

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Important Notices

This communication is for informational purposes only and is neither a recommendation, an offer to purchase nor a solicitation of an offer to sell securities. On October 12, 2017, Dassault Systèmes filed with the U.S. Securities Exchange Commission (the "SEC") a tender offer statement on Schedule TO regarding the tender offer described in this communication. Holders of shares of common stock of Exa Corporation are urged to read the tender offer statement (as it may be updated and amended from time to time) filed by Dassault Systèmes because it contains important information that holders of shares of common stock of Exa Corporation should consider before making any decision regarding tendering their shares. The tender offer statement and other documents filed by Dassault Systèmes and Exa Corporation with the SEC are available for free at the SEC's website at www.sec.gov.