DASSAULT SYSTEMES
2012 Second Quarter Conference Call
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Final

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Vice President, Investor Relations

Thank you for joining Bernard Charles, CEO, and Thibault de Tersant, CFO, for our 2012 second quarter conference call. We held our webcasted presentation in Paris 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 reference*.

Let me turn the call over to Bernard Charles.

Bernard Charles
President and Chief Executive Officer

Introduction

Thank you for joining us here and on the webcast held earlier in Paris. As you read from our earnings release, the second quarter had a very good new business dynamic – we saw it across all our major brands, regionally within our different sales channels and by the diversity of industries.

Today, I would like to discuss our performance, share with you some of the dynamics of our brands and wins, provide some color behind our advertising campaign for Dassault Systèmes, the 3DEXPERIENCE Company and underscore the opportunities we see arising from the acquisition of Gemcom and our new, 12th industry, natural resources. So let me begin.

Summary

Dassault Systèmes delivered a strong quarter of growth.

- We expanded our customer relationships and entered into new ones leading to software revenue growth of 11 percent in constant currencies. Our investments in growing our sales channels capacity, particularly in indirect sales, are delivering results. Moreover, we are deepening our industry expertise in all our sales channels and this will bring significant additional value to us over time.
- Improving the management of our businesses and efficiency of our organization has enabled us to translate the revenue growth into operating leverage – resulting in an increase in our operating margin of 120 basis points.

- In combination we were able to grow our earnings per share by 19 percent.
- Importantly, while delivering growth I believe we have also strengthened our resiliency.

Since unveiling our 3DEXPERIENCE strategy in February I have spent a good deal of time meeting with our customers and sales partners. I see a growing level of interest in our 3DEXPERIENCE platform, and I see growing enthusiasm among our sales partners as they perceive the potential value our industry solutions experiences can bring to customers. We are supporting the launch of 3DEXPERIENCE with global events as well as with advertising which you may have read or viewed.

We advanced our dream of sustainable innovation for product, nature and life with the completion of the Gemcom acquisition in early July. We are now working with the natural resources industry under our new GEOVIA brand.

And finally, with our updated financial objectives for 2012 we are now approaching a new threshold, 2 billion euros in annual revenues. We reached the first billion in 2006 - after 25 years. And if we meet our objective this year, we will reach our second billion in 2012 – after six years.

Q2 2012 Business & Strategy Review

Revenue by Product Line

Looking at our results by product line:

- CATIA had very good new business dynamic in the quarter, with customers expanding their V5 usage, enriching their seat profile and adoption of V6 at a number of large accounts progressing. The activity resulted in double-digit new licenses revenue growth and double-digit growth in rental licensing.

- SOLIDWORKS had a good quarter all around – seat growth, new licenses revenue and recurring revenue. SOLIDWORKS has grown its channel capacity during the year to keep up with the opportunity in front of it – moving the world to 3D. So we are well positioned in the 3D modeling quadrant.
- Moving the COMPASS to virtual and reality – our simulation software – SIMULIA had the best results in our major brands. SIMULIA had a very good quarter, performing well in all geographic regions, thanks to its Finite element analysis and multi-physics capabilities. It also made nice progress in the quarter with its simulation lifecycle management software applications set, SLM applications. One SIMULIA customer example is Honda, who is using SIMULIA for optimizing in early design phases, nonlinear simulations, vibration noise and design iterations automation.
- ENOVIA is a key driver of our industry diversification. We had a number of wins this quarter, with revenue ramps in the future periods. It also had a nice increase in rental activity.

V6 Performance

During the quarter we had a number of new V6 transactions with companies in the aerospace & defense, high tech, energy, life sciences, consumer packaged goods & retail industry.

We also had repeat business with V6 customers including Renault, Jaguar Land Rover, Alstom and LG Electronics, among others.

V6 represented about 19% of the PLM new licenses revenue in the second quarter. In addition, a good portion of our services revenue is V6related.

In our presentation on our website I encourage you to look at the examples of our V6 work with companies such as Snecma of the Safran group selecting DELMIA V6 and Fujitsu Network Communications selecting ENOVIA V6 application.

We had a very nice multi-brand win in Korea this quarter with Posco, the leading steel producer in that country, who selected V6 with ENOVIA, DELMIA, SIMULIA and 3DVIA application. Posco sees the benefits of the 3DEXPERIENCE platform to support their growth strategy and accelerate the development of new plants, while using less resources and being more respectful of the environment.

Expanding Awareness of
Dassault Systèmes, the 3DEXPERIENCE COMPANY

In the second quarter we launched a global corporate advertising campaign, something we have really never done before. But we think now is the right time - to support our new strategy, to support our ambitious growth plans and to support our sales channels as we work with more industries than at any moment in our history. We want companies and prospective partners to know who we are, the 3DEXPERIENCE company, and why we believe asking IF WE™ is so vital for innovation in every industry.

Expanding to the Natural Resources Industry

Completing Gemcom acquisition and creating a new brand, GEOVIA

As we have discussed, one of the three elements of our dream is sustainable innovation for nature: to be able to model and simulate the planet by mastering geophysics.

We are beginning our effort around nature with the creation of a new brand, GEOVIA, with the acquisition of Gemcom, the global leader in mining industry software solutions, and with our decision to target a new industry, natural resources comprising the mining sector as well as water supply, oil and gas and other related sectors. So there is a good opportunity for growth for GEOVIA - first in Gemcom's current industry focus of mining; second, in expansion to these other sectors of the natural resources industry; and third, in the value of modeling and simulation of nature in connection with our core industries.

With respect to Gemcom's team, it is amazing fit - we have been working together for a relatively short period of time, and yet everyone understands each other so well. So welcome to Rick who is now heading up GEOVIA and to all the talented teams from Gemcom around the world.

Let me turn the call to Thibault now.

Thibault de Tersant
Senior EVP and CFO

Good afternoon and good morning to all.

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. For revenue, the IFRS and non-IFRS figures are essentially identical for the 2012 and 2011 second quarter and first half.

As a reminder, revenue growth rates are stated in constant currencies.

Second Quarter and First Half Summary

- We had a very good second quarter of new business activity across our four largest brands – SIMULIA, CATIA, ENOVIA and SOLIDWORKS.
- New business came from a number of industries including aerospace, energy, high tech, industrial equipment, life sciences and transportation and mobility.
- Excluding currency effects, sales in the quarter came in about 8 million euros higher than our expectations. The outperformance came from recurring revenue.
- While the details of the second quarter are not identical compared to the first quarter, the revenue growth rates are. For the second quarter, software revenue was up 11% compared to 10% for the First Half and total revenue increased 10% for both periods – and the growth is all organic.

- Double-digit, top-line growth in the second quarter translated into double-digit earnings per share growth, with non-IFRS EPS higher by 19%.
- Turning to our outlook, in large measure the revenue changes relate to perimeter expansion as we add Gemcom and divest a business partner activity, and to currency to reflect exchange rate evolutions. The smallest portion relates to a revenue upgrade, as I think we have been accurate in our assessment of customer activity.

Now, let me share a few details.

Software Revenue Review: New Licenses and Recurring Software

The best feel for new business activity in the quarter is reflected in new licenses revenue growth of 9 percent in combination with rental revenue growth of over 20 percent. Just a reminder again that all revenue related growth figures are in constant currencies;

We had strong recurring revenue results this quarter, with recurring revenue higher by 11 percent, driven by rental licensing with CATIA, ENOVIA and SIMULIA. In addition, about 3 points of the recurring revenue growth related to maintenance renewals activity from the first quarter for which the purchase orders were processed in the second quarter. So a portion of the recurring revenue would not be carried forward.

Maintenance renewals remained very healthy, and in fact among the highest that I recall.

Regional Review

Turning to a regional review, our strongest performance came from Europe thanks to broad-based strength across brands, and a good dynamic in a number of regional markets within Europe, including our largest, Germany, well supported by Nordics and France among others.

In Asia, we saw continued good growth in Korea and improvement in Japan. Activity was also good in a number of other regional markets. In China, growth rates moderated in comparison to the first quarter reflecting some seasonality. And in India there was a slowdown which may be related to a broader economic issue.

In the Americas, Professional sales channel results were solid and results in our Value Solutions channel are improving. In total, recurring revenue growth was in line. New licensing activity was lower than anticipated reflecting sales cycle extensions with some of our direct customers. There may be some deals postponed due to less confidence in the macro environment - we will have to see. We are working to capture the large opportunity we see in the Americas.

Service Revenue and Margin

Services growth moderated from the first quarter's growth rate of 11 percent to 6 percent as we completed some projects and as other V6 engagements move ahead but we are not yet at the recognition gates.

We saw an improvement in our gross margin to 5.1 percent compared to a negative 1.2 percent in the first quarter. And the service margin this quarter represents a significant progression compared to the year-ago period.

Operating Expenses

Looking at operating expenses, excluding currency effects and the advertising campaign which commenced in the second quarter, the increase in operating expenses largely tracked average headcount growth, which was higher by 4.5 percent in comparison to the year-ago period As I gave the heads-up last quarter, we have about a 14 million euro increase in marketing and sales related to our global advertising campaign around 3DEXPERIENCE in the second quarter.

As I will review when we get to our financial objectives we have higher taxes in 2012 due to regulatory changes recently implemented – affecting us at the operating expense lines related to social charges and some local taxes – as well as at the income tax line.

Net Financial Position

Turning now to a review of our cash flow and evolution of our net financial position, let me share a few key points.

Cash flow from operations was up 27 percent in the quarter to €188 million. We benefited principally from higher earnings and a very positive evolution of working capital of 77 million euros thanks to work done on improving accounts receivable collections.

During the quarter we repurchased shares for a total cost of 72 million euros. And we paid cash dividends in the total amount of 87 million euros – let me remind you that shareholders saw a 30 percent increase in the dividend level this year and 52 percent over the last two years.

DSOs were at 77 days, seasonally lower than Q1 and similar to the year-ago period.

Unearned revenues totaled 579 million euros, an increase of 18% since the start of the year.

2012 Financial Objectives

Turning to our outlook for the year:

- First, we are increasing revenue to reflect 13 million euros of revenue improvement coming from the second quarter and an improved view of the third quarter.
- Second, we are updating for currency.
- Third, we are adding Gemcom, following the completion of the acquisition in early July and we are reflecting the divestiture of Transcat, our business partner operations in Germany.

Gemcom's contribution to revenue this year is expected to be about €35 million and for earnings it should be accretive by about 6 cents.

With respect to earnings, we have an additional component and that is taxes. We anticipate a higher level of taxation which is impacting us at two levels: operating expenses with an increase in social charges and some local taxes and at the income tax level related to higher local taxes and income tax. For the full year 2012 the change in tax policies impacts us by about 7 million euros.

So, looking at our third quarter, our revenue objective is for growth of about 8 to 10 percent in constant currencies and earnings per share growth of 1 to 6 percent. And let me remind you that a portion of the recurring software revenue in the second quarter would not carry forward as it was essentially catch-up on first quarter maintenance renewals being processed.

For the full year, we are anticipating the following:

- Our revenue growth objective in constant currencies is now 8 to 9 percent, increasing by 1 percentage point at the mid-point;
- From a reported revenue perspective, we are adding 80 million euros to revenue, with 42 million euros for currency, 13 million for activity and a net 25 million euros perimeter effect. So we move to a reported revenue range of 1.99 billion to 2.01 billion euros for 2012.
- Based upon revenue and expense evolution, the non-IFRS operating margin should land near 31 percent;
- We are moving up our non-IFRS EPS objective by 10 cents to a range of 3.20 to 3.30 euros. This represents 10 to 13 percent growth. We have a bridge in our presentation but let me summarize briefly: the EPS benefits total 15 cents with about 9 cents from currency, 1 cent from higher activity, 5 cents of perimeter, net; and then we take away 5 cents for changing tax requirements.
- Our updated view of the non-IFRS effective tax rate for 2012 is about 34% increasing from 33%.
- To help you, I would assume a share count of 125.5 million.
- And our outlook is based upon a US dollar exchange rate of 1.30 to the euro for the third quarter and year and for the Japanese yen, an exchange rate of 110.0 for the third quarter and 107 for the year.

Let me turn the call back to Bernard now.

Bernard Charles

President and CEO

Summary

As I think we have demonstrated today, Dassault Systèmes delivered a strong second quarter and first half. For both periods revenue increased double-digits and so did operating income, net income and earnings per share.

Thibault reviewed with you that we have increased confidence in our third quarter outlook and have reconfirmed that confidence - even increasing slightly our revenue objective. However, we remain cautious vis-à-vis the fourth quarter, taking into account the volatility of the economic environment globally.

You can see that we are building on our growth drivers for the mid-term by expanding our addressable market to nature with the Gemcom acquisition and the creation of the GEOVIA brand. Working together with our talented and experienced colleagues from Gemcom, we plan to leverage our technology and know-how for our mining customers, additional sectors of the natural resources industry as well as to create new industry-focused solutions for our core industries benefiting from geophysics.

More broadly, we are deepening our industry expertise across all sales channels and in research and development. Our Industry Solutions Experience rollout plan is under way. We are on the move to better articulate the strategic value we bring to our customers addressing what they value the most in their respective industries. Our

3DEXPERIENCE is connecting the dots; it is our platform to help our customers to move from PLM engineered business experience.

Finally, we are optimistic that in 2012 we may approach or cross a new horizon, 2 billion euros in annual revenues, and with our 3DExperience platform raising strong client interest, we are encouraged by the possible timeline for reaching the next revenue milestone. We hope you share our confidence.

Thibault and I would be happy to take any questions.