

**DASSAULT SYSTEMES**  
**2011 Third Quarter Conference Call**  
**Thursday, October 27, 2011**  
**Final**

**François-José Bordonado**  
**Vice President, Investor Relations**

Thank you for joining Bernard Charles, our CEO, and Thibault de Tersant, our CFO, for a review of our 2011 third quarter and nine months performance and a discussion of our full year outlook.

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* and 2011 Half Year Report.

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

**Bernard Charles**  
**President and Chief Executive Officer**

Thank you for joining us today at this conference call.

**Summary Overview**

The third quarter revenue performance was particularly gratifying. It turned out to be a quarter with less seasonality than we had expected, with new licenses revenue at the same level as the second quarter. And if we look at our revenue growth on a year-over-year basis, we surpassed by a nice margin the high comparison base to the 2010 third quarter.

Our quarter and year-to-date performances demonstrate that we are benefiting from a good customer appetite for our software solutions, thanks to our strategy of broadening our growth opportunities to more industries, more business processes and more domains as Thibault and I will review with you today.

Further we are continuing to progress with Version 6 adoptions, with ENOVIA and with multi-brand wins and from a deployment perspective we have more news to report.

More broadly, the value of V6 as an integration platform for both large companies and supply chains is becoming increasingly evident.

Thanks to these factors we delivered a better than expected quarter which has enabled us to increase our full year financial objectives and to have increased confidence in the year in total.

And finally, what should become apparent to you is that Dassault Systemes is extending itself from engineering to become a critical enterprise system at the heart of our customers' innovation and value creation process.

### **Financial Highlights**

Turning now to our third quarter financial results, earnings per share increased 18 percent, our operating margin expanded 400 basis points and revenue increased 9 percent in constant currencies. With respect to revenue, as you may recall, we had a 54 percent growth in new licenses in the year-ago third quarter and an important level of maintenance recoveries, leading to a 37 percent increase in total software revenue.

Briefly turning to results by business segment, it was also a good quarter for both our PLM businesses and for SolidWorks.

Within PLM, CATIA grew 7 percent, ENOVIA 10 percent and Other PLM by 16 percent thanks to SIMULIA and DELMIA. Our year-to-date PLM results were very well balanced with total PLM software revenue growing by 19 percent and CATIA, ENOVIA and Other PLM all up by this same amount.

All these figures are in constant currencies.

## **Customers Investments Driven by Business Transformations and Technological Innovations**

So let's look now at several customer examples that demonstrate how our software makes us a core enterprise system for our customers' innovation and business transformations.

### **Boeing: Aerospace**

First, let's turn to the aerospace sector. At the end of September, Boeing's first 787 was delivered to All Nippon Airlines. The 787 is truly a new generation of commercial airplane, a very significant transformation encompassing many technological and business process breakthroughs. On the technology side, composite materials went from representing 12 percent on the Boeing 777 to 50 percent on the 787. This required changes in design and more advanced realistic simulation to determine how to reduce the weight and what would be the effects on performance and comfort. The 787 also represents a breakthrough in business processes because of the very significant increase of work being contributed by suppliers as part of a global build - going from 21 percent for the 777 to about 70 percent in the 787. And with our DELMIA and Intercim software contributing, Boeing was able to develop completely new manufacturing processes.

### **Amcor: Consumer Packaged Goods**

Turning to the consumer packaged industry for a second illustration, let's look at Amcor, a global leader in the packaging industry with over 12 billion dollars in sales worldwide and 33,000 employees, - where innovation in packaging and sustainable product design go hand in hand. Its challenge was how to reduce the amount of plastics in its bottles, manufacture them faster and at lower costs - and have a wide

variety of design options for its customers. With three of our solutions, CATIA, ENOVIA, and SIMULIA for simulation, Amcor reduced cycle time by 50 percent, reduced physical prototyping and delivered lighter containers using less plastic.

### **Volkswagen Group: Automotive**

The third example is in Automotive in Germany where Volkswagen's Skoda brand is using our DELMIA software to bring new cars onto the global markets quicker, while ensuring top quality and a very attractive price point. Thanks to virtual manufacturing, potential manufacturing problems can be resolved at the concept phase avoiding rework during series production or assembly operations, thereby generating significant cost savings.

### **SNCF Selecting Exalead**

My final example is with Exalead which is being used by the French national railroads, SNCF. Here there are three different projects. The first project enables 120,000 employees to do searches inside a major, shared enterprise information system. The second project is internet-based where individuals on the SNCF site in addition to booking their train tickets can research other travel related information such as hotels, car rentals and tourism sites, for example. SNCF's website then can reach out and search information on 450 websites with a scope of 400,000 pages using Exalead's search technology. And finally, with Exalead, SNCF planners are able to gain instant access to infrastructure maintenance operations in order to optimize flows and support decisions.

## **SolidWorks Review**

Turning to SolidWorks, let me share a few key highlights. It was a good quarter with revenue up 11 percent in constant currencies, seats higher also by 11 percent and a stable average seat price.

SolidWorks 2012 was released in September. Focused on designer productivity and innovation with over 200 enhancements, this new release helps automate the design functions used most often, improve performance and quality for a more streamlined workflow, and extend support for collaboration and team connectivity for creativity and efficiency.

## **Focus on ENOVIA**

I would like to bring you up-to-date on ENOVIA. It is both the foundation of our Version 6 technology and an important driver of our industry diversification and industry integration.

So let's begin with the value ENOVIA brings to help you clearly see what sets it apart. First, it is a scalable online collaboration platform. This is key as it improves teamwork among geographically dispersed teams ensuring that everyone is working on the same version of the truth, what we call the single version of the truth. With 3D viewing we have instant collaboration.

Second, ENOVIA is an open integration platform connecting to other enterprise systems – ERP, CRM, Supply chain, and multi-cad format.

Third, ENOVIA covers a large range of critical business processes, program management, systems engineering, product development and regulatory compliance and the range is growing.

Which brings me to my fourth point about ENOVIA, with its industry solutions approach to ensure that we provide the most value to each individual industry.

And fifth, ENOVIA is an innovation platform. It enables innovation in a lifelike environment bringing a better understanding of the product behavior to solve complex challenges and improve communication.

### **ENOVIA V6 Product Dynamic**

We are seeing a dynamic with ENOVIA - during the third quarter its software revenue increased 10 percent in constant currencies over the year-ago quarter where the comparison base was quite high – 64 percent growth in constant currencies. I think it is becoming a preferred collaboration platform. To date about 20 percent of the ENOVIA installed base has migrated to V6. And in terms of scope, ENOVIA end-user SOFTWARE revenue was about 350 million dollars on a trailing twelve months basis.

Brose, a leading automotive supplier headquartered in Germany, wanted to expand and standardize design solutions to sustain worldwide growth. It will be increasing its use of CATIA and ENOVIA and has selected ENOVIA V6 because of its openness to all CAD data. Our capabilities in system engineering and in simulation lifecycle management were also critical factors in Brose's decision.

Hose Intropia in Spain has selected ENOVIA V6's Global collaboration for Fashion, including our design and development and sourcing and production accelerators.

### **Full Version 6 Deployments**

We are also moving into the deployment phase with several full version 6 projects.

- At Jaguar Land Rover they are leveraging our portfolio to manage the end to end product lifecycle including smart products. JLR is rolling out our software at a very high speed, very quickly across the organization. And they are already speaking about significant gains in cycle time savings
- For Renault Version 6 PLM is its global collaboration platform. Renault has deployed multiple hundreds of users for collaboration and documentation management platform. They added an important milestone in September, going live with a Version 6 3D digital mock-up for a new engine. This enables real time worldwide access to configured digital mock-up for design co-review between their different engineering sites. It will also make the digital mock-up available to all stakeholders and guarantee digital continuity from design all the way to the showroom.
- And Tesla is standardizing on a full V6 as its sole platform. Tesla's feedback has been that the implementation has been very easy and costs to implement have been lower than in the past. They are benefiting from design feedback from manufacturing earlier in the process, and their many suppliers around the world now have one source of the truth.

### **ENOVIA: Driver of Industry Diversification**

ENOVIA is providing business value to a wide range of industries and in turn is one of the key brands driving our industry diversification. In high tech, among a number of ways we work with them, one example is to help companies demonstrate their regulatory compliancy as we do with Agilent Technologies. In construction as we discussed last quarter, we are able to help Skanska accelerate its cost forecasting through faster access to information and the right information with ENOVIA and for



s.Oliver in apparel, our software helps them manage the growing complexity of their business including the ability to respond rapidly and flexibly to new product trends.

As we make progress with these new verticals we are also doing so in our core verticals. For example, industrial equipment is our second largest industry at Dassault Systemes. Over the last two years, our ENOVIA V6 new licenses revenue growth in Industrial Equipment has grown more than 60 percent as we help address key business process challenges – around product complexity, around collaboration with worldwide engineering and production centers and to help our customers as they extend their business to service models where it is critical to track customers product configurations.

One example is MacGregor, the world’s leading marine cargo crane manufacturer who selected ENOVIA V6. Ship-mounted cargo cranes have a long life, on the order of 20 years or more so a key business driver for selecting ENOVIA V6 was to be able to grow its after-sales services opportunities. To do so it needed to be able to manage and access a significant amount of product information.

### **ELSYS and Simulayt Acquisitions**

Now, let me briefly mention two small but important technology acquisitions. First, today we announced the acquisition of Elsys, based in Belgium. It extends our CATIA V6 portfolio with the capability to address all aspects of the electrical Logical and Manufacturing definitions from design to manufacturing. We know its technology very well as we have several customers in common.

Second, several weeks ago we acquired Simulayt to further support our leadership in composites. As our discussion of the Boeing 787 underscores, composites is an important area of innovation for companies including mobility and transportation.

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. For revenue, IFRS and non-IFRS are identical for the 2011 third quarter. In the year-ago period the difference was 5 million euros.

As a reminder, revenue figures are in constant currencies.

### **Third Quarter Summary**

As Bernard indicated we had a very nice third quarter, with a better than anticipated evolution at the top-line, a good focus on our expenses and some benefit from a little lower level of taxes than modeled.

We are upgrading our full year financial objectives to take into account third quarter results. As you can see from our press release, we are now targeting a 30 percent non-IFRS operating margin for the year, so for those of you who have been asking us when, our answer is now, – well we certainly expect it to be and we will confirm this in February 2012.

Looking at our figures:

- New licenses increased 7 percent in the quarter on a strong comparison basis. For the first nine months new licenses revenue is up 22 percent.

- Recurring revenue increased 10 percent, reflecting a good evolution from rental and from subscription activity. Year-to-date, recurring revenue is higher by 16 percent.
- We are seeing a nice improvement in our software gross margin – I point this out particularly since I am about to move to services.
- Here results were mixed. From a revenue perspective we continue to see a nice level of growth in services, reflecting a combination of Version 6 and ongoing consulting work with selected customers. Revenue was up 8 percent in the quarter and 9 percent year-to-date. The services margin is moving in the right direction, although still negative at 4.9 percent this past quarter. We expect that our services margin in the fourth quarter will enable us to show a positive second half 2011 services margin performance.

### **Revenue Review by Geographic Region**

Moving to a regional review, Europe led with healthy growth in all channels. We had several multi-brand Version 6 transactions and a number of deals, so breadth was very good here. In the Americas, we are seeing progress in our SMB channels. And in Asia results tracked largely to expectations. If you recall, Asia had very high level of growth in the year-ago quarter, with revenue up 53 percent.

Looking at our year-to-date geographic results, growth is very evenly balanced across our three regions, with Europe up 18 percent, the Americas higher by 15 percent and Asia by 17 percent. And looking specifically at high growth countries, revenues here were up 23 percent and represented about 14 percent of total revenue for the first nine months of 2011.

As these figures show, revenue growth by region can be lumpy in an individual quarter, so year to date gives a clearer picture of the progress we are making across the globe.

### **Operating Income, Margin and EPS**

Turning to our profitability there are three key points I would like to emphasize, First, we delivered a very strong level of operating margin expansion, 400 basis points in the quarter, thanks to our revenue growth but also to ourand infrastructure leverage. Second, thanks this work on better optimizing our organization we have been able to continue to invest in adding key new resources, with staffing growing 7 percent over the twelve last months. And third, our earnings per share growth of 18.5 percent was very good, and reflects a couple of points of currency headwinds.

Looking at our year-to-date profitability figures, you can see that we are now above our full year operating margin objective. With the fourth quarter generally our highest quarter of the year given revenue skew and relatively fixed expenses, I have some good news here which I will share in a few moments.

Looking at our expenses in greater detail, we continue to pay close attention to them, particularly as we take some caution on the macroeconomic environment.

### **Cash Flow and Net Financial Position**

Just a few words on cash flow - it was much improved at 101 million euros in the third quarter and through the first nine months cash flow from operations was 382 million euros. You may have noted that we had a higher level of capital expenditures in the third quarter. This is related to our new Americas headquarters just west of

Boston, and some other additions to our facilities in France and in India where for accounting purposes, our joint venture 3DPLM is now consolidated.

Our net financial position remains strong.

### **Upgrading 2011 Financial Growth Objectives**

Now, let me review our financial objectives for 2011. We are upgrading our revenue and earnings objectives as well as our operating margin to reflect the third quarter over-performance.

With respect to our full year revenue growth outlook, we are increasing it by 1 point to 12 to 13 percent in constant currencies. Specifically, we are raising our reported revenue range at the mid-point by 20 million euros to 1.73 billion euros from 1.71 billion, with 11 million euros coming from higher activity and 9 million euros from currency. We then tighten the range around the mid-point to reflect one quarter left to the year.

We are also increasing our non-IFRS earnings per share objective at the mid-point by 13 cents, with 11 cents coming from the higher third quarter activity and 2 cents from currency. In a similar fashion, this brings us to an objective range of 2.85 euros to 2.90 euros, representing earnings per share growth of 14 to 16 percent.

Finally, we are also raising our non-IFRS operating margin objective to 30 percent, representing growth of about 140 basis points compared to 2010. Importantly, we are particularly gratified to be reaching our 30 percent mid-term non-IFRS objective ahead of what we had initially planned.

With respect to our fourth quarter financial objectives, we are leaving them unchanged. When we set our initial objectives back in February, we had incorporated the potential for some softening of the environment towards the end of the year. Overall customers continue to invest because they have multiple challenges across product innovation and manufacturing flexibility and we play an important role in addressing and solving these challenges. At the same time, looking at the environment around us we have seen several instances where financing availability, in particular, has been an inhibitor, causing us some delays or slippage in business from customers here and there. So I think our fourth quarter outlook as initially constructed continues to be valid and appropriate.

Let me turn the call back to Bernard now.

**Bernard Charles**  
**President and CEO**

Thank you, Thibault.

### Summary

Looking at our business, we have made good progress since the start of 2011 and we have strengthened our business further during the third quarter. Our financial results have been favorable as Thibault demonstrated. Our software is becoming an enterprise system at the heart of our customers' most critical value creation around products. We are expanding our market presence around the world, including in faster growing regions. And our Version 6's value as an open integration platform is becoming well understood, propelling our progress with large companies in different industries as well as supply chains.

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