

DASSAULT SYSTEMES
2013 Fourth Quarter Conference Call
Thursday, February 6, 2014
Final

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Vice President, Investor Relations

Thank you for joining Bernard Charles, CEO, and Thibault de Tersant, CFO, for our 2013 fourth quarter conference call. We held our webcasted presentation in Paris earlier today and have placed the presentation on our website.

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, which could differ materially from actual results. Please refer to our Risk Factors in today's press release and in our 2012 *Document de référence*.

In addition, some of the comments we will make with respect to Dassault Systemes' proposed acquisition of Accelrys, which was announced last

week, will contain forward-looking statements, which could differ materially from actual results. In addition, the tender offer described in this conference call has not yet commenced, and this material is neither an offer to purchase nor a solicitation of an offer to sell shares of Accelrys' common stock. At the time the tender offer is commenced, Dassault Systèmes will file a tender offer statement with the United States Securities and Exchange Commission (the "SEC"), and Accelrys will file a solicitation/recommendation statement with the SEC. Accelrys' stockholders are strongly advised to read these documents that will be filed with the SEC, because they will contain important information that Accelrys' stockholders should consider before tendering their shares. Please refer to the **Important Information** section of the press release announcing the signing of the definitive merger agreement for Dassault Systèmes to acquire Accelrys.

On the call today, 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.

Summary

While 2013 was a year of muted revenue growth it was an important period of progress for several reasons.

- From a product perspective, just two years after setting our next horizon as the **3DEXPERIENCE** company, customers are seeing the significant value our industry solution experiences can bring. We are targeting their key business issues by industry, and packaging the right processes to help them in a very precise manner.
- From a platform perspective, we are introducing our **3DEXPERIENCE** platform, software processes, and more, on premise and on the Cloud for companies of all sizes. We believe - and our customers, who participated in our Lighthouse Program, are confirming -- the game-changing value of extending PLM to a business platform centered on product innovation.
- And from an architecture perspective, Version 6 is proving itself uniquely positioned to help companies have one version of the truth.

We are advancing our purpose of providing sustainable innovations to harmonize products, nature and life, so we were honored to be ranked fifth among the world's top 100 leading companies for sustainability.

Business Review

Turning now to a business review, we made solid progress expanding our market reach. In 2013 we added over 19,500 new clients. Among them are customers adopting our new Industry Solution Experiences, such as China National Nuclear, to be able to have, on a real-time basis, a comprehensive view of all project information and long term their goal is to manage a nuclear power plant lifecycle.

Geographic expansion is progressing as we add resources and additional capacity in target markets. Revenues from High Growth countries increased 13% in constant currencies in 2013 and represented 12% of total revenue, coming from a diverse group of industries including construction, energy, high tech and natural resources in addition to our core industries. Among them are industry leaders including Geely, AVIC, Doosan, as well as Embraer and others.

Geely in China is managing increasing product complexity and accelerating product development with our industry solution experiences. Among the V6 wins in Q4, I would like to highlight Doosan Infracore in South Korea, who selected our Single Source of Speed Industry Solution

Experience. They are targeting to deploy to several thousand users to improve global collaboration by federating all R&D related processes.

Turning to an industry view, 25% of software end-user revenue was generated from new industries in 2013 and a larger percentage of new licenses revenue. Among our largest deals of the fourth quarter were new licenses transactions from five different industries – High Tech, Consumer Packaged Goods, Industrial Equipment, Aerospace and Defense and Transportation and Mobility. Kimberly Clark is deploying Apriso to improve visibility on production, waste, equipment downtime and to improve Quality Control.

Advancing our Strategic Roadmap

Now let me come back to our roadmap for growth. As I said last week on the Accelrys conference call, everything we are doing is precisely according to our vision, purpose and strategy.

Two years ago we revealed our goal to double our addressable market by expanding our world further, -- as we have done three times before – extending from PLM to **3DEXPERIENCE**. As part of our market vision we broadened our purpose to address product, nature and life for sustainable innovation.

And we moved forward with a new strategy to accomplish this, our Social Industry Experiences strategy. These are not simply words - they are at the heart of how we have designed our 3DEXPERIENCE platform and software processes.

- The world is SOCIAL, so we have capabilities to enable this with our new user interface, extremely intuitive, with mobile applications, and with the ability to work on the CLOUD and on premise – YOU choose.
- Second, we are focused on INDUSTRIES, so we took our product portfolio and changed it so customers are buying solutions. We want to very precisely target their key business processes in each major domain of product innovation.
- And third, we are in the EXPERIENCE economy AND it is consumer-driven. To deliver the most successful product experiences you need to bring your end-consumer to the beginning of your innovation process -- and all the way through to the selling experience. As a result, we are designing our solutions with software, services and content, because that is precisely what our customers want.
- Now, this is our strategy, what do our customers think? We are seeing clear responses from clients and prospects to our strategy. MeadWestvaco is leveraging our industry solution experiences to speed time to market for its customers, and compress the time to

innovation of its consumer-centric packaging strategy. – If you go on their website you will see them speak about their strategy and how Dassault Systèmes is helping them provide a Packaging Experience to drive consumer loyalty for its customers, the world's most admired brands.

Expansion into Digital Marketing with RTT Acquisition

We are expanding into digital marketing with the acquisition of Real-Time Technology, called RTT. It fits perfectly into our strategy to support customers from ideation to sales and consumer experience. RTT first began working with engineering departments and as its capabilities have been revealed, it now does over 75% of its revenues with marketing and sales teams.

When you look at the marketing and sales budgets today, a large amount is still devoted to traditional marketing. It is clear that more of these budgets will shift to digital marketing. Why? Very simply because digital marketing gives a much better return on investment and enables digital continuity from design to selling experience.

RTT has an excellent roster of automotive companies. While 80% or so of its revenue is with automotive companies we see its market penetration in this industry still at the early stage. In addition, RTT has developed relationships with aerospace and consumer goods companies from which to grow its industry positioning.

3DEXPERIENCE R2014x

Following the successful Lighthouse Program which we have conducted over the last six months, we are shortly launching **3DEXPERIENCE** Release 2014x. This is a VERY major release from several perspectives:

- First, we are introducing our 3DEXPERIENCE platform, bringing to companies a business platform for product innovation. As we discussed on our last call we are introducing a completely new user interface, dash-boarding, search and analysis capabilities and a platform for social, collaborative innovation.
- Release 2014x is about providing end to end support of the innovation spiral in our targeted industries and targeted domains.
- It is on premise, on the Cloud, FOR COMPANIES OF ALL SIZES
- This is a significant Cloud offering, representing about one-third of the number of processes we plan to offer in total. We have simplified product packaging and ensured that what we offer is well aligned with industry processes.
- We are introducing SOLIDWORKS Mechanical Conceptual, the first SOLIDWORKS product on the 3DEXPERIENCE platform. One of our Lighthouse companies working with it, Karl Schmidt, told us that they can see the opportunity to significantly reduce their sales cycle time.

Proposed acquisition of Accelrys

Two weeks ago, we jointly announced with Accelrys, our intent to come together. We are taking a step forward in our dream to harmonize products, nature and life.

Accelrys, headquartered in San Diego, is participating in the Scientific Innovation Lifecycle Management market for chemistry, biology and materials. It is focused on providing solutions that address the needs of organizations that rely on science to innovate in their products and processes.

Its customer base includes many of the Fortune 500 companies and in total includes more than 2,000 customers spanning pharma/biotech, chemical, consumer packaged goods, high tech and manufacturing.

Accelrys is a company that our customers have been encouraging us to acquire for some time so the announcement last week was well received by them.

Let me now turn the call to Thibault.

Thibault de Tersant
Senior EVP and CFO

Good afternoon and good morning to all of you.

Summary

In total, our fourth quarter financial results were in line with our objectives.

Compared to the third quarter we saw several positive signs:

- With SOLIDWORKS unit seat growth of 5%.
- With Asia returning to a solid performance and High Growth countries delivering 13% revenue growth.
- And with V6 new transactions rebounding from Q3, representing 27% of related PLM new licenses revenue. Looking at our 20 largest customers about half are engaged in Version 6 deployments.

Reviewing our key figures of Q4:

- Revenue increased 5%, with recurring software somewhat better and new licenses and services weaker than we expected. Converting pipeline to sales remained difficult in the fourth quarter.
- Our operating margin was 34.9%, slightly higher than the year-ago period.

- And EPS was €1.01, also in line with our 97 cents to €1.02 objective range.

Software Revenue by Product Line

By product line we saw the strongest revenue performance in the fourth quarter from our specialized applications in simulation and in manufacturing. In addition, SOLIDWORKS software increased 7% with year over year seat growth. ENOVIA posted software growth of 5% with new customer wins and Version 6 deployments. And while overall CATIA software revenue decreased, sales in Asia for CATIA were strong.

For the full year our revenue was €2.07 billion, representing an increase of 5% in constant currencies, including two points from key acquisitions net of the divestitures of business partner activities.

Geographic Performance

On a regional basis, Asia was the strongest performer led by India and China, and this was the case in Q4 and for 2013 in total. In the Americas we saw an increase in new licenses revenue in Q4, and from an industry perspective a good level of activity in life sciences. In Europe we saw a better performance in the United Kingdom and Southern Europe. It was tougher in France and Germany where we had, first of all a very strong base of comparison, as well as a softer spending environment.

Software Revenue

In 2013 our software revenue performance was driven by a solid recurring software revenue growth - increasing 6% in Q4 and 8% for the year.

- Despite the soft macro environment, we saw strong maintenance traction with our customers across all of our software solutions leading to high renewal rates. This was also the case in mining.
- Rental revenue reflected a mixed dynamic – an increase in rental activity with SMB customers on top of the strong growth we saw here in 2012. SIMULIA, a key contributor to rental revenue, also had a very nice performance again in 2013. Some of our larger customers are on rental to also enable them to adjust their software spending, both upwards and downwards, to their workloads variations.

New licenses revenue was flat in the fourth quarter compared to our expectation of growth and decreased 2% for the year.

Services Revenue and Gross Margin

Turning to services, revenue increased 8% for the quarter and 4% for the year benefiting from our acquisitions. We have a number of important Version 6 service engagements underway. From a financial management

perspective our gross margin for services increased 6.2 percentage points to 11.9%.

Operating Income, Operating Margin and Earnings

Turning now to our operating margin it is really a story of organic growth. This growth is helping us navigate multiple headwinds.

Looking at the year in total the operating margin was 31.5% - we are pleased with our performance as we had three headwinds: the macro environment, acquisitions and currency. In comparison to 2012 where our margin was 31.6%, this was a stable performance, but, in fact we made organic improvements in our operating margin. And specific to the yen, our hedges helped protect us during 2013, mitigating what would otherwise have been a significant impact.

Turning to earnings per share results, they were lower by 1% in the fourth quarter, with a four percentage point impact from currency. For 2013 EPS increased 4% and excluding a similar 4 point currency headwind, EPS growth would have been about 8%.

Now, let's move to a discussion of our cash flow and balance sheet.

Cash Flow Review

- Over the last four years, we had a significant growth in our cash flow from operations, crossing the half billion euro milestone in 2012. We achieved this strong performance from revenue growth, operating margin expansion and operational improvements.
- During 2013 we delivered a strong level of operating cash flow at €507 million, versus 2012's performance at €566 million. However, if you look at the most important items, net income adjusted for non-cash items increased 4% to €524 million and unearned revenue increased 6% in constant currencies excluding acquisitions you can see that the key factors are moving in the right direction. And looking at DSOs we maintained them at a level comparable to the year-ago period, where we had made very significant process improvements in accounts receivable management.
- So all in all I believe the performance is well in line.

Capital Deployment

Turning to capital deployment, it was consistent with the priorities we have shared with you.

- First, we are focused on advancing our social industry experience strategy and our expanded mission encompassing products, nature and life. It has been an active period for acquisitions complementing

our internal initiatives in research and development. Acquisition investments totaled €213 million in 2013, net of the cash acquired.

- Second, returning net income to shareholders is a core belief and in 2013 we shared more, with an increase in the dividend amount by 14%. From a cash perspective, dividends paid totaled €35 million, as about two-thirds of the shares held elected to take the dividend payment in the form of stock.
- Third, we spent €57 million on repurchases while also receiving about €40 million in connection with stock options exercised.
- And finally, our capital expenditures in 2013 totaled €42 million.

We ended 2013 with a net financial position of €1.44 billion, up from €1.2 billion in 2012.

2014 Key Initiatives and Financial Objectives

Now let's move to 2014.

- First, new licenses revenue: we anticipate a return to growth in constant currencies in 2014 beginning in the second quarter. We are assuming a similar environment in the first quarter compared to Q4 2013. For the full year we see the potential for double-digit new licenses revenue growth in constant currencies.
- Recurring software revenue is expected to show a normalized evolution.

In total, we are targeting a revenue growth range of 10 to 11% for 2014.

Turning to our operating margin, the outlook for 2014 reflects two major factors: first we have dilution from acquisitions and second, we have the impact of the yen. Combining these two factors represent a 250 basis points estimated impact. But, instead we are targeting a non-IFRS operating margin range of 30 to 31% compared to the 31.5% achieved in 2013. Nothing is wrong with our math - we are targeting to generate an organic improvement in our operating margin between 1 and 2 percentage points which will largely mitigate the dilution from acquisitions, but will not fully compensate for the yen.

- Our hedges with respect to the Japanese yen have rolled off and we were not able to replace them at meaningful levels. Assuming a yen exchange rate of 140 per euro, the negative impact to our operating margin is estimated at 130 basis points for the full year.
- We are in a period of heightened acquisition activity and as we have mentioned most software companies do not have an operating margin similar to ours. The dilutive impact from acquisitions is estimated at 120 basis points.
- Looking back, in 2009 our non-IFRS operating margin stood at 25%, so we have expanded our operating margin by 650 basis points over this period. And looking forward over the mid-term, we would expect to recommence our operating margin expansion towards the 35% level.

With respect to non-IFRS earnings per share, we are setting a range of €3.40 to €3.50. Two key factors are impacting our performance here: the 2 percentage point estimated increase in our effective tax rate, representing a 10 cent negative impact, and the yen – representing a 21 cent negative impact and about 2 cents from the US dollar. Excluding these external headwinds, our non-IFRS earnings per share range would have been €3.73 to €3.83, representing a 7 to 10% increase.

For the first quarter we are expecting revenue growth of between 5 and 7% in constant currencies and more pronounced headwinds to operating margin and earnings per share from tax and currency.

Let me turn the call back to Bernard now.

Bernard Charlès
President and Chief Executive Officer

Thank you, Thibault.

Summary

It is clear that our strategy is resonating with clients and users. We saw this in our Lighthouse Program and at the SOLIDWORKS annual conference in San Diego two weeks ago. The acquisitions we have undertaken to support the strategy have all been well received by customers, most recently following our announcement last week with Accelrys. It really is quite gratifying to have large clients say, this is great news for us as your client, when can we talk.

Turning to the year ahead, we anticipate a re-acceleration of organic new licenses revenue growth in 2014. We have several reasons for our expectation here, one of which is the V6 deployments going live over the course of the year. For EPS growth it will be a difficult year given the negative impact of the yen.

Having said that I believe we are creating significant additional value for our shareholders with our social industry experience strategy and are positioning Dassault Systèmes on a much larger addressable market, by industry, and by users across companies.

Finally, let me talk about people. Our ambitious roadmap cannot be accomplished without possessing a deep talent pool and adding to that talent network with the acquisitions we are undertaking and with key hires. As the CEO, one of my primary objectives is to ensure that we reveal and leverage the amazing capabilities possessed by our employees across all areas of Dassault Systèmes and that we work in a social and collaborative fashion to support and advance our own innovation spiral for the benefit of our customers, shareholders and ourselves.

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

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