

**DASSAULT SYSTEMES**  
**2014 First Quarter Conference Call**  
**Thursday, April 24, 2014**  
**Final**

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

Thank you for joining Bernard Charlès, CEO, and Thibault de Tersant, CFO, for our 2014 first quarter conference call. Our webcasted presentation was held in London earlier today and the presentation can be found on our website.

Several brief reminders before beginning:

- 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 2013 *Document de référence*.
- In addition, some of the comments we will make on this call with respect to our pending acquisition of Accelrys will contain forward-looking statements, which could differ materially from actual results.

On February 13, 2014, Dassault Systèmes filed with the SEC a tender offer statement on Schedule TO regarding the tender offer described on this website. The stockholders of Accelrys, Inc. ("Accelrys") are strongly advised to read the tender offer statement (as updated and amended) filed by Dassault Systèmes because it contains important information that Accelrys' stockholders should consider before tendering their shares. The tender offer statement and other documents filed by Dassault Systèmes and Accelrys with the SEC are available for free at the SEC's website (<http://www.sec.gov>) and may be obtained at no charge by directing a request by mail to Innisfree M&A Incorporated, 501 Madison Avenue, 20th Floor, New York, New York, 10022 or by calling (888) 750-5834.

On the call today, revenue growth figures are in constant currencies, unless otherwise noted.

I would now like to introduce to Bernard Charlès.

**Bernard Charlès**  
**President and Chief Executive Officer**

## **Introduction**

Thank you for joining us here and on the webcast held earlier today.

This morning we reported first quarter financial results well in line with our objectives. We saw a better evolution of new license revenue than we had anticipated driven by solid organic growth. And our focus on operational improvements was clearly visible in our operating margin and earnings per share performance relative to our objectives.

While the end-markets we are serving have different dynamics, in total we are seeing further positive indicators which support our 2014 financial objectives. In line with what we shared in February, we have a number of V6 go lives, most visible in ENOVIA's performance this quarter, with double-digit software revenue growth.

We are delivering against our Social Industry Experience strategy, demonstrated by our 2014x release and introduction of further industry experiences. Today I will share with you some of our progress, focusing on the High-Tech industry where we are increasing our market presence.

We are firmly expanding our purpose of sustainable innovation to harmonize product, nature and life with the pending completion of the Accelrys acquisition in combination with our internal research and development. And we are expanding our user communities – in engineering, simulation, manufacturing, marketing and sales.

Operationally, we are strengthening our GEO organizations around the world to ensure that we have the right balance of local empowerment for our 12 geo teams. We are also strengthening our coordination at the level of our three reporting regions, with the appointment of Laurent Blanchard to head up Europe, and to lead our growing alliances globally, particularly with consultants and system integrator partners. He joins Bruno Latchague who is responsible for the Americas based in Boston, and Sylvain Laurent for Asia who is based in Shanghai.

Finally, we are reconfirming our 2014 financial objectives and updating for Accelrys and currency evolution.

### **First Quarter 2014 Financial Highlights**

Looking briefly at our financial results the highlight of the quarter was the return to new licenses revenue growth increasing 8%, with double-digit

growth in Asia and Europe from a regional perspective. And from a product line perspective, this was led by ENOVIA.

Total software revenue increased 6%, with mixed results for recurring software revenue. And total revenue increased 9% as we now have a significantly larger base of service and consulting revenue reflecting the engagements RTT has with its customers in digital marketing.

Our non-IFRS operating margin came in at 27.7% and earnings per share was 73 cents, both better than our objectives thanks to the focus on driving organic margin expansion and also benefiting from a one-time R&D tax credit.

## **ENOVIA**

In February we said there were a number of V6 go lives ahead and this is quite visible in ENOVIA's performance where software revenue increased 12% in constant currencies on new licenses revenue growth of 55%. Almost 70% of ENOVIA's new licenses revenue came from V6, clearly demonstrating the value of these solutions to customers in a wide range of industries, including automotive with Jaguar Land Rover and Renault Group and in consumer packaged goods with Procter & Gamble.

In addition, in our presentation today, we shared several client examples in greater depth:

- First, in the energy sector, Hyundai Heavy Industries' offshore and engineering division has adopted our **3DEXPERIENCE** platform and industry solutions experiences, including Designed for Sea and On Time to Sea. Thanks to integrated program management enabled by our solutions they will be able to improve their **TIME TO MARKET** and **ON BUDGET DELIVERY** of their complex offshore structures. Secondly, thanks to the ability to connect requirements, regulations, and offshore engineering, the **ENTIRE DESIGN PROCESS IS IMPROVED**. ENOVIA's application processes are instrumental to achieving these business objectives.

- A second example comes from a leader in recreational sport vehicles and propulsion, where Bombardier Recreational Products, BRP, is using our **3DEXPERIENCE** platform, based upon our V6 architecture with CATIA and ENOVIA applications which make up the industry solution processes. Thanks to the unified, scalable and smart platform we enable for new product development processes, BRP is positioned to **IMPROVE SALES, MARGINS AND PRODUCT QUALITY**. At the same time it is also able to improve **OPERATIONAL EXCELLENCE** around the product thanks to the ability to accelerate early stage validation, improve traceability and benefit from the re-use of critical information.

- My final example is also in energy, with Alstom Wind, a division of Alstom Renewable Power. The company has adopted our **3DEXPERIENCE** platform with ENOVIA industry solution processes. ENOVIA is critical to helping it achieve four principal business objectives including managing efficiently product data in a multi-CAD context which ENOVIA does very well; support collaborative design across an extended enterprise; third, manage and track highly customized products and in total, help the company achieve its growth objectives.

### **High Tech Industry Review**

Turning to industries, we are seeing a return to growth for several of our industries, including our largest, transportation and mobility, as well as in a number of sectors.

Today, as I mentioned earlier, I would like to focus some time on High-Tech, an important market for us, representing about 10% of end-user software revenue.

High tech is an enabler for a number of industries, helping drive their innovation thanks to the inventions introduced in High Tech. As an industry, High-Tech has some unique challenges. On the one hand, they

compete with competitors and on the other hand they need to collaborate with these same competitors given the very high costs of certain assets - for instance semiconductor fabs. Similarly, the industry is focused on mass production while also focused on mass customization. Our solutions are very well suited to this sector as we foster collaboration while protecting intellectual property for example.

High-Tech has undergone enormous challenges and changes. Today, and into the future, new classes of SMART and CONNECTED products are being developed and the high tech industry is enabling all of this - helping consumer goods companies connect the home to the Internet and life sciences companies connect products on patients to doctors and hospitals; automotive companies are connecting the car to automotive dealers and a whole host of products connecting back to the companies themselves that produced these new products and services.

As a result this industry is under constant pressure to create an environment in which it can foster **continuous, rapid, profitable and sustainable innovation.** And to do so high tech companies have to build ecosystems by bringing together hardware, software, cloud, services and content.

To help them we have introduced a number of industry solution experiences:

- Imagination Wave designed to improve new product introductions;
- Silicon Thinking to help manage technical complexity for semiconductor customers;
- High Tech Body to drive from imagination to manufacturing, particularly focused on plastics parts;
- And our Smarter, Faster and Lighter industry solution experience for perfect multi-discipline coordination;

Looking at our customers let me share some examples:

- The first example is Atmel deploying an integrated platform that embeds best practices for the semiconductor industry, with a single version of truth to decrease mis-builds and improve manufacturing process and to reduce manual inputs and reporting thanks to automation and standardization of business processes.
- Parkeon, a major player in urban mobility with their parking management and public ticketing solutions, is deploying Exalead search-based applications to Transform **big data** into **services** – imagine that each parking machine is sending one record every ten seconds – managing 3 billion pieces of data.

## **Expansion of the Role of Geographies**

Alongside our decision two years ago to implement an industry go-to-market strategy we also created 12 geos underneath our three regions in order to increase our “local” knowledge and presence. As a large and growing corporation we want to benefit from operating as ONE company in order to leverage best practices and leverage our operations. At the same time, we want to have a strong understanding of our markets at a local level, to be able to work closely with both customers and partners and to better coordinate our efforts across our three sales channels.

Over the last year we have been strengthening these teams and now have put in place the three regional heads to coordinate and lead the local geo efforts within their respective regions.

Each of these executives is physically located in their region, as I said Bruno Latchague, Senior EVP, Americas Market and Global Sales Operations, based at our Waltham Americas headquarters; Sylvain Laurent, Executive Vice President, Asia Pacific Market and Global Business Transformation leader is based in Shanghai; and we are pleased to announce that Laurent Blanchard joined as Executive Vice President, Europe, Middle East, Africa and Russia and Worldwide Alliances. In his role system integrators will take on more of the implementation of our

solutions in order for us to be able to replicate our customer success stories on a much larger scale.

As part of our global company, with a local reach focus we have decided to move to a European legal entity as Dassault Systemes SE - (Societas Europaea).

### **Review of the Accelrys Acquisition**

As you saw this morning we have received the CFIUS approval and will be moving to close the Accelrys acquisition very shortly. I would like to recap for you several key points to keep in mind:

First, this acquisition is more than complementary. Accelrys fits very well with our mission – harmonize product, nature and life. Sharing a passion for scientific innovation, we believe together we can offer a unique and unmatched scientific Product Lifecycle Management solution, with a new paradigm for sustainability where chemistry, materials and biology meet – delivering scientific industry solution experiences. And it is clear that customers want to have an integrated solution, and with our **3DEXPERIENCE** innovation platform, unique ability to integrate different disciplines and scientific focus in common we can help Accelrys accelerate their shift to industry solution experiences.

Second, the acquisition strengthens our offerings for life sciences and formula-based industries in addition to benefiting other industries such as High-Tech where new materials are key enablers. Let me remind you that Accelrys works with:

- 29 of the top 30 biopharmaceutical companies
- 5 of the top 5 chemical companies
- 3 of the top 5 consumer packaged goods companies

And third, the acquisition is well-timed as we will be introducing shortly our first offering in bio-intelligence for the pharmaceutical industry following an intensive multi-year period of research and development.

We look forward to officially welcoming ACCELRY'S Chief Executive, Max Carnecchia and his 750-person organization shortly.

At this point, let me turn the call to Thibault.

**Thibault de Tersant**  
**Senior EVP and CFO**

Good afternoon and good morning to all.

**IFRS/non-IFRS Differences and  
Constant Currency Revenue Growth Comparisons**

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. In addition, revenue growth rates are stated in constant currencies.

**Software Revenue**

New licenses revenue increased 8% in constant currencies and this was well supported on an organic basis with growth of 6%. A number of our product lines contributed to this growth led by ENOVIA.

Recurring revenue had a mixed dynamic. Looking first at maintenance, renewal rates remain strong, but maintenance growth rates reflect the lagged impact of lower new licensing activity in 2013. On the rental side we saw a slight decrease from last year at this time, coming from some larger accounts, adjusting rentals to workloads in engineering. SIMULIA posted solid results and our rental activity continued in our Value Solutions channel.

## **Geographic Performance**

On a regional basis, Asia was the strongest performer with revenue up 10% led by Japan, South Korea and China. Europe had growth in all major regions led by the United Kingdom and Sweden. In the Americas, services from acquisitions were a key driver of growth and on the new licenses side our Business Transformation channel saw a very nice growth.

## **Software Revenue by Product Line**

By product line we saw the strongest revenue performance in the first quarter from ENOVIA with software revenue up 12% on a very significant increase in large deployments and a number of V6 go lives.

By region, CATIA had an excellent quarter in Asia, led by Japan and China.

SOLIDWORKS grew 5% in the quarter, benefiting from strong renewals for both SOLIDWORKS and multi-product sales. In total units were lower by 4% on strong growth in Asia offset in part by mixed results in Europe and the Americas. You will note looking at the presentation that we rebalanced the VAR margin to favor new licenses

revenue growth somewhat more, leading to the VAR margin increasing from 45% to 48% on average for new license sales.

Other Software increased 13% and included new acquisitions. I am pleased to report that SIMULIA continued to perform very well with double-digit growth.

### **Services Revenue and Gross Margin**

Acquisitions were the driver of growth in services revenue which increased 40% and they also contributed to the gross margin improvement of almost 14 percentage points to 12% from a slight loss in the year-ago quarter.

### **Operating Income, Operating Margin and Earnings**

Turning to our profitability, in February we indicated that our focus during 2014 would be on increasing the organic operating margin by about 150 basis points. We made good progress in the first quarter with an organic growth improvement of 100 basis points coming from expense control and services gross margin improvement.

Looking at the evolution of the operating margin, on top of the organic improvement we benefited as well from a one-time R&D tax credit representing a 130 basis points.

Currency, on the other side, had a negative impact of 140 basis points and acquisitions are temporarily diluting margins by about 220 basis points. All in all, these four factors explain why the operating margin is lower by 130 basis points. Excluding currencies and exceptional items, the non-IFRS operating margin would have been 30%.

At the EPS line, where we reported a 6% decrease, currency represented a nine percentage point swing and a higher effective tax rate took an additional bite out of our results of 4 points.

### **Cash Flow and Balance Sheet**

Turning to our cash flow it was relatively stable at €182 million versus €185 million in the year-ago quarter. If you look more closely at working capital evolution most line items were positive. We are, however, absorbing an important tax reassessment payment made in the first quarter of about €20 million and looking ahead we may have a more substantial payment. We are disputing the French tax authorities' claim and we will, of course, defend our position which we think is well-founded.

Unearned revenue was higher by 8% excluding currency effects as well as acquisitions compared to the year-ago quarter, so a solid evolution here.

### **Reconfirming Full Year Financial Objectives, Updating for currency and Accelrys acquisition**

Turning to our financial objectives, we are reconfirming what we stated in February from an activity perspective and we are updating the objectives for currency and for the addition of Accelrys.

Looking first at our full year outlook, with respect to currency, we are increasing our US dollar exchange rate assumption for Q2 to \$1.40 per euro, but maintaining the \$1.35 rate for the rest of the year. Second, we operate in a number of currencies which have had meaningful weakness and we are estimating a 12 million euro effect. In total currency changes have a negative impact of about 15 million euros while we are adding Accelrys at an estimated 85 million euros contribution.

Net, net we are moving the mid-point of our range up €70 million to 2.28 to 2.30 billion euros, representing total revenue growth of 14 to 15% in constant currencies.

At the EPS level, we are narrowing the range by five cents to 3.45 to 3.50 euros per share, coming from 3.40 to 3.50 euros previously, representing an increase of 6 to 8% excluding currency effects or 10 to 11% without the currency effects and tax rate increase. Specifically, currency has an estimated impact of 26 cents and the tax rate increase has an impact of 11 cents.

Based upon our currency and acquisition assumptions, the non-IFRS operating margin range is now between 29.5% and 30% from 30 to 31% previously. Keep in mind that on an organic basis, the non-IFRS operating margin we are targeting is 33%.

In summary, the first quarter was an encouraging quarter, confirming some of the key positive signs we shared with you in February. We benefited from an improvement in new licenses performance one quarter early and we expect this level of performance to maintain itself in the second quarter and accelerate further later in the year thanks to our **3DEXPERIENCE** platform and V6 architecture. At the same time we do face some headwinds which we anticipate will continue in currency movements and in tax rates.

Let me turn the call back to Bernard now.

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

**Summary**

During 2014 we are focused on increasing the value we provide to our customers. The examples we have discussed today well illustrate the benefits we believe are helping contribute to top-line growth for our clients. With these numerous customer examples our goal is to replicate these successes locally around the globe with our sales channels and with increasing contribution from our system integrator partners.

We are also focused on strengthening our execution by improving our operations throughout the Company – in local empowerment, in global support, in operational improvements visible in our organic operating margin growth, and in the additional initiatives to ensure that with the recent M&A activities we have the right level of support post-closing to help our new colleagues and partners and to leverage in a more timely fashion the mutual benefits that brought us together.

And finally, we are also focused on accelerating our revenue growth as we broaden our presence in the PLM and **3DEXPERIENCE** markets.

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