

DASSAULT SYSTEMES
2012 First Quarter Conference Call
Thursday, April 26, 2012
Final

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Vice President, Investor Relations

Thank you for joining Bernard Charles, CEO, and Thibault de Tersant, CFO, for our 2012 first quarter conference call. We held our webcasted presentation in London earlier today and have placed the presentation on our website.

Two brief reminders before we begin. First, Dassault Systemes' 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 référence*.

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

Bernard Charles
President and Chief Executive Officer

Thank you, Francois-Jose.

Introduction

Thank you for joining us here and on the webcast held earlier today. As you saw, we had several pieces of news this morning.

First, we reported our financial quarter financial results with new licenses revenue up 18 percent in constant currencies, driving both operating margin expansion of 100 basis points and 13 percent earnings per share growth. Just two months ago, we reported record results for 2011 and I am happy to say we have begun 2012 in a very nice manner. It is clear from our performance that our growth strategy is very sound and that we are delivering on it.

In February we outlined with you our purpose as a company to provide businesses and people with holistic 3D experiences to imagine sustainable innovations capable of harmonizing product, nature and life. Indeed with our 3DExperience platform, we are helping companies transform the way they connect designers, engineers and marketers with consumers. Furthermore, with our software solutions we can model and simulate virtually any product in the world and we do this across a number of industries. Today, we are announcing that we are expanding 3DExperiences to nature to be able to model and simulate the natural world. We are beginning this effort with the creation of a new brand, GEOVIA, with the acquisition of Gemcom, a 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. I will have more to say shortly so let me come back to this in a few minutes.

The third topic I would like to touch on is our financial outlook. As outlined in our earnings press release we are upgrading our 2012 financial objectives to take into account the first quarter revenue over-performance and we are updating for currency exchange rates. We remain confident in our business and growth drivers. At the same time, we are convinced that retaining our caution with respect to the macroeconomic environment is appropriate.

Delivering 18% increase ex FX in non-IFRS new licenses revenue

- Turning to our financial results for the first quarter, there are several nice numbers – software growth, operating margin expansion and double-digit earnings growth.
- But the number I like the best as it gives you a good indication of what customers are thinking – is our new licenses revenue growth of 18 percent in constant currencies. And what was most interesting about the growth is that it came from everywhere. All sales channels and all geographic regions.
- Looking at our performance by brands illustrates the value of our diversified portfolio. All our major brands had double-digit new licenses revenue growth. And in terms of total software growth ENOVIA led the way with 17 percent growth. SolidWorks did well in the quarter with double-digit growth in both new licenses revenue and recurring revenue. So again, demonstrating the relevance of Dassault Systèmes market focus.

Regional Review

Turning to a regional review,

- Asia had the strongest growth with revenue up 15 percent in constant currencies, led by high growth countries. For Japanese companies, the March quarter is their year-end and we were pleased to see a good level of activity across our three sales channels.
- In the Americas, revenue increased 8 percent in constant currencies. We saw good growth in our Professional channel and improving results in our direct sales channel. Looking at North America it is a market where we see a lot of potential, notably by expanding our business in government, high tech, life sciences, financial services and consumer related industries.
- In Europe we have had two years where it has delivered the strongest performance of the group. Entering 2012 our European business again showed a solid level of activity and demonstrated good resiliency in light of the macro-environment.

Continuing to Expand our PLM Market Focus

Expanding Our V6 Footprint

- Turning to our growth drivers, let's start with our V6 footprint. As we have indicated we expect that the next three to four years will show increasing adoption of our V6 platform and products, coming both from new customers, particularly in our growth industries, and from customers in our core industries. A perfect example of our progress is Valeo, a well known global automotive supplier. ENOVIA V6 is being used to manage its mechatronics data information, targeting to improve worldwide collaboration and enable a single instance view for the 12,000 users on-line.

- Two positive indicators from a financial perspective to support the value of V6 as a key growth driver were ENOVIA's results, and secondly, a number that we have begun to share, is that V6 accounted for about 15 percent of new licenses revenue in our PLM segment. Of course, this will vary by quarter, but it is a good data-point. We are now shifting in large measure to this new metric, because it gives a more complete picture of the V6 progression across the portfolio.

Broadening Industry Coverage and Diversification

- A second component to our growth strategy is broadening our industry coverage and diversification. In our core industries we continue to expand our presence and our new industries we are developing our presence and footprint. Looking at the first quarter, we were pleased with the progress made in consumer packaged goods and consumer goods. And we had excellent new licenses revenue growth in automotive again, following on two years of a strong dynamic.
- A customer example is with SIMULIA where we are helping Lenovo in the area of ensuring product quality with respect to its notebooks – here it is the keypad pressure that SIMILIA is used to analyze how the keypad will perform over time and under different tensions. What is remarkable here is the ability to predict what will be the keystroke feeling for the fingers of the future users.

Deepening Regional Market Diversification

- Further demonstration of our growth drivers at work is our regional market penetration and diversification. We are driving deeper into geographic markets where we have had a long presence and we are broadening our presence in high growth countries. As we mentioned last quarter – every region offers us growth opportunities.

- You saw that high growth countries reported a 17 percent increase in software revenue – here China had an excellent dynamic. In addition, Korea and India demonstrated good traction with customers.
- One of our customers is Hisense Electric, a well known high tech company and flat screen TV leader in China. It is now using ENOVIA V6 to ensure data integrity in its ordering process and as a result has seen a reduction in development costs of 70 percent.

Expanding Our User Universe

- And finally let's look at how we are driving revenue by expanding our user universe to a broader number of departments within a company whether engineering, R&D, manufacturing, marketing or other executive management functions. Looking at an example in France, PSA who already was a user of DELMIA is expanding into a new division - adding 400 new users at PSA in its powertrain division. If you look at our footprint there we are now touching the manufacturing department from the process engineer to the shop floor workers.

To summarize I think it is clear that our new licenses revenue performance truly reflects the fact that our software solutions are delivering value – and that our growth drivers are delivering results.

Announcing Gemcom Acquisition

Now, let me tell you more about what we are doing to expand 3DExperience to Nature. As I stated in my introductory comments, a core part of our purpose is to be able to model and simulate the natural world.

We are beginning with the acquisition of Gemcom, the number one provider of software industry solutions for the mining industry, as a first step in building out our capabilities. Headquartered in Vancouver, Canada, Gemcom had revenues of about US\$90 million last year, growing around 25 percent. The cash purchase price is approximately US\$360 million.

Gemcom provides software and services for mining customers to discover, measure, design, plan and manage their mining operations from exploration to production. Its customer base includes the top ten as well as 30 of the top 40 mining companies in the world. Its employee base totals 360, and as I am sure you saw, its geographic presence broadens ours, through its work with companies in such regions as Australia, Africa, Western Canada, South America, Kazakhstan, Mongolia, Indonesia and Russia. Gemcom's chief executive officer, Rick Moignard, will become the CEO of our new brand GEOVIA following completion of the acquisition.

Mining is a key segment within the natural resources industry. For those of you investing in the mining sector, you know it is comprised of large companies, including some mega companies. The revenue CAGR for the mining industry has been over 20 percent.

We see a major opportunity to bring further innovation to help companies in this sector where there are significant needs around four major concerns: first, how to manage the increasing global demand for natural resources; second, how to improve safety management; three, how to navigate the increasing complexity with respect to regulatory and environmental issues and fourth, how to manage these major challenges when the available people resources are scarce.

So this is certainly a very attractive industry for us with good growth dynamics and an increasing need for innovative technology. Working together we can build on the value Gemcom is providing and expand relationships with these companies.

All in all we are very excited about the potential of this new brand, new acquisition, and expanded industry focus and look forward to welcoming our Gemcom colleagues.

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

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 identical or essentially so in both the 2012 and 2011 first quarters.

As a reminder, revenue growth rates are stated in constant currencies. You will note that we have aligned to a new methodology, retrospectively applying current rates to last year's figures and then comparing the two periods.

Summary

Before going into details, let me share my summary view on the quarter from a financial perspective.

- Overall, we had a very nice start to the year. New business activity was strong and we saw little disturbance from macro events.
- We benefited from our diversification strategy, first with respect to industries, where we had a good dynamic across many of them. Second, we benefited from our broader and deeper reach into regional markets.
- Our services business similarly had a solid revenue quarter, so both software and services revenues were up double-digits.

- Now with all this good news, let me balance it a little bit. With respect to our full year objectives, we are upgrading them for the full amount of the first quarter activity over-performance and we are updating our exchange rate assumptions for the US dollar. These changes result in a 1 percentage point increase in the revenue growth rate on a constant currency basis and about a 10 cents increase in our earnings per share objective range. We are not, however, changing our underlying revenue growth outlook for the remaining nine-month period, as we continue to see risks in the second half in the broader economic environment.

Now, let me share a few details.

New Licenses Revenue Growth

Turning to new licenses revenue it was a very good performance, up 18 percent on a strong comparison base. New licenses revenue represented 29 percent of our total software revenue in the quarter, up from 27 percent last year at this same time.

Regionally, the highest growth came from Asia, with good contributions from Europe and the Americas. And from a brand perspective we saw very nice results led by ENOVIA.

Recurring Revenue Growth

Turning to recurring software revenue, the performance was largely as expected from an activity perspective – seeing a strong level of renewals, also benefiting from prior new licenses activity as we grow our installed customer base, and from rental activity. We saw a very nice dynamic for SIMULIA, as the start of the year generally gives us some sense of how the year will proceed.

Services Revenue and Gross Margin

Our services business had a solid start from a revenue perspective with V6 activity driving revenue growth of 11 percent. The gross margin was not such a good story as we came in at a negative 1.2 percent, improving nevertheless compared to the 2011 first quarter. I do expect a positive services gross margin for the full year and we have three quarters to make this happen.

Operating Expenses

Looking at operating expenses growth (excluding cost of software and services), they largely tracked headcount growth. First quarter expenses are lower than what we would have in the remainder of the year, as salary increases generally take effect near the end of the first quarter. In addition, marketing and other investments we plan for the calendar year generally will start in during the second quarter.

Operating Income, Operating Margin and Earnings

Turning to our profitability, our figures show the natural leverage in our business, with revenues up 10 percent and operating margin expansion of 100 basis points, driving an increase in earnings of 13 percent. Our tax rate is higher by a couple of points over the year-ago quarter, so we are clearly pleased with the double-digit growth in earnings.

Net Financial Position Review

Turning to our cash flow and balance sheet statements, I would like to make just a few brief comments. First quarter cash flow was 166 million euros, up 24 percent on higher earnings, and working capital improvements. DSOs were at 90 days, a one day improvement compared with the first quarter of 2011. Unearned revenue

increased 50 million euros, with the first quarter a period of major maintenance renewals. And our net financial position strengthened further.

Three key categories of cash usage include dividends: here the board of directors is proposing a 30 percent increase in the annual cash dividend per share compared to last year. This level represents a 50 percent increase over the last two years, so if you own our stock a nice return; second we are focused on acquisitions well aligned with our strategy, as Gemcom illustrates, and third, stock repurchases to offset stock option exercise dilution is the third main use of cash.

Bernard has covered the acquisition, so let me just reconfirm that we anticipate that the acquisition will be accretive to our earnings on a non-IFRS basis and neutral to our non-IFRS operating margin. We anticipate completing the acquisition in July.

2012 Financial Objectives

Turning to our financial objectives, let me begin with our second quarter. Here we are setting a revenue growth objective of 7 to 9 percent in constant currencies and earnings per share growth of 6 to 12 percent. Our outlook is based upon a US dollar exchange rate of 1.36 to the euro and a Japanese yen exchange rate of 115.0.

For the full year, we are increasing our revenue range objective by 1 percentage point to 6 to 8 percent growth in constant currencies.

Looking in greater detail, we are adding 50 million euros to revenue, with 35 million euros representing a combination of the first quarter currency benefits compared to our assumptions as well as a change in our exchange rate assumption for the US dollar for the rest of 2012. Secondly, activity was higher by 15 million euros and we

are taking this full over-performance from the first quarter into our revised objectives. So we move to a reported revenue range of 1.905 billion to 1.935 billion euros for 2012.

Similarly, from an earnings perspective, we are moving our EPS range up 10 cents to a range of 3.10 to 3.20 euros. Here, there are several items: first, a benefit of 10 cents assuming less currency headwinds; second, a five-cent increase from higher activity in the first quarter and finally, we assume 5 cents is absorbed from a higher tax rate and a somewhat higher share count.

More specifically, as you saw, the effective tax rate in the quarter was a little higher than we had anticipated. For the year we anticipate a tax rate that will be slightly higher than 33 percent.

And while the operating margin is ahead of last year by 100 basis points, we still have most of the year ahead of us, so I am keeping our 30 percent operating margin objective for the full year, anticipating the possibility of further acquisitions.

So to sum up, looking at our financial objectives I think we are taking appropriate assumptions. We will add Gemcom to our financial objectives as we approach the closing, which right now is anticipated in July.

Finally, I want to take this opportunity to announce that we will be holding our Capital Markets Day on June 15th. We have timed it to coincide with other events that may be bringing you to Paris, if you do not work here.

Let me turn the call back to Bernard now.

Bernard Charles
President and CEO

Thank you, Thibault.

Summary

We are pleased with the start of the year, demonstrating the relevance of our software solutions and confirming the opportunities in our various markets. We continue to perform well in the PLM market and we are advancing our new 3DExperience strategy and purpose as a company as we move forward to model and simulate our planet. We remain optimistic on our prospects while remaining cautious on the macro-environment.

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