

DASSAULT SYSTEMES
2015 Second Quarter Conference Call
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Thank you for joining Bernard Charlès, CEO, and Thibault de Tersant, CFO, to discuss our 2015 second quarter and first half financial performance. This conference call follows our webcasted presentation earlier today in Paris.

For your information:

- 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 that could differ materially from actual results. Please refer to today's press release and to the Risk Factors section of our 2014 *Document de référence*.
- 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 for joining us here and on the earlier webcast.

Overview

In a few words, it was a very good quarter. We delivered solid revenue growth and operational improvements. And at the same time we advanced our strategic initiatives.

Our financial progress through the first half well supports our full year financial objectives and goals, with new licenses revenue up double-digits on an organic basis and operating margin improvement of 100 basis points, also on an organic basis.

Multiple growth drivers are indeed at work. Most notably this quarter was geographic diversification, where we are benefiting from our expansion plans and strategies in growing our presence in Asia.

In addition, our investments in research and development, both internally and through our acquisitions, are strengthening our opportunities for the future. Today I will share with you some of these initiatives.

Finally, we are upgrading our 2015 financial objectives as Thibault will describe in more detail, with a non-IFRS revenue growth objective of about 12% in constant currencies and non-IFRS EPS growth of about 18%.

2015 Second Quarter Performance Highlights

Moving to the second quarter review, revenues increased 14% in constant currencies, ahead of our target of 8 to 10%. Our operating margin increased to 29.4%, ahead of our target of about 27%. And earnings per share increased 25% to 53 cents, benefiting from revenue growth, operating margin expansion and currency tailwinds. The initial implementation of our direct sales coverage model went smoother than we had anticipated, leading to the stronger revenue growth in constant currencies.

Regional Performance

On a regional basis, Asia was the best performer, with revenues up 20% in constant currencies. We had very good growth in China, Korea and Japan. India had two strong quarters back to back, illustrating the better environment compared to 2014.

In Europe, France posted the strongest results delivering an excellent quarter. And we continue to benefit from the strengthening of our activity in Southern Europe.

In the Americas, North America had a solid performance overall.

Brand Performance

Moving to our brands and in constant currencies, CATIA new licenses revenue growth increased 9%. SOLIDWORKS software growth was up double-digits – 11% in total on new licenses and recurring software revenue. ENOVIA has good 3DEXPERIENCE Platform prospects and large deployments under way. Other Software had multiple drivers this quarter – in addition to SIMULIA, we are seeing an improving dynamic for several brands, including DELMIA, GEOVIA, and EXALEAD.

Asia – Regional Highlight

Among our growth drivers is diversifying our regional presence and we have met with great success in that regard in Asia as I said before.

To give you some further color, on an organic basis, second quarter new licenses revenue was up over 20% excluding currency effects on broad-based regional growth. We are working with many leaders in the Transportation & Mobility sector all across Asia. At the same time, our

wins demonstrate that we are developing a very interesting dynamic in diversification industries – ranging from High Tech to Consumer Goods & Retail, Marine and Offshore and Architecture Engineering & Construction.

- For example, Hitachi Automotive Systems in Japan recently selected our ‘Bid to Win’ industry solution experience on the **3DEXPERIENCE** platform. In the first phase of this project, thousands of users will use our project management and engineering document management to facilitate global communications across Hitachi’s different business units.
- In the fashion industry, Myntra an Indian e-commerce company of fashion and casual lifestyle products, has selected ‘My Collection for Fashion’ to help them speed delivery of fast-fashion concepts to their online platform by up to 50%.

Manufacturing in the Age of Experience

Now let’s move to manufacturing in the Age of Experience. Despite advances made over the years, the demands of today’s world have added to the challenges and complexity facing the manufacturing arms of companies. I don’t need to tell you how strategic is Manufacturing, connecting directly to the CEO’s office – with on-time launches, quality

and environmental concerns among many other critical issues, and manufacturing connects to the CFO's office – as the financial risks are higher than ever. Moreover, the technological advances are equally demanding.

Therefore, our goal is to help our customers by providing a strong synchronization and loop between the virtual and real worlds in manufacturing. Our Industry Solution Experiences include our DELMIA solutions but also bring together important capabilities from our broad applications portfolio.

Alstom Transport Improves its Industrial Operations Performance with DELMIA

One customer example is Alstom Transport, which is a perfect illustration of connecting the virtual and real worlds of manufacturing.

They are working with us to improve their industrial operations performance. Alstom Transport was looking to provide greater visibility, synchronization and control across its manufacturing shop floor processes that run its global operations. With our DELMIA manufacturing software solutions, Alstom has been able to achieve 50% cost reductions in transferring production from one site to another and it also reached a 10% improvement in efficiency.

AIRBUS HELICOPTERS – Adopting ‘Build to Operate’

Another example is Airbus Helicopters. They recently selected our new industry solution experience called ‘Build to Operate’ to help it efficiently and profitably manage its manufacturing operations. Thanks to this industry solution experience, leveraging our DELMIA capabilities, Airbus Helicopters will be able to monitor, control and validate all aspects of its manufacturing operations with digital precision.

Safran Adopts 3DEXPERIENCE for Additive Manufacturing

A very important topic in manufacturing is Additive Manufacturing. In June we entered into an agreement with Safran for Additive Manufacturing. Together our objective is to develop a comprehensive approach – encompassing all aspects of additive manufacturing: material design, conceptual & generative design, manufacturing, certification & repair with the goal to develop end-to-end digital continuity for the additive manufacturing of aerospace engine parts.

3D Printing/Additive Manufacturing

I believe Additive Manufacturing is moving front and center as a critical enabler to help address some of the challenges for manufacturers that

cannot be optimized with traditional manufacturing. More broadly, I think it will enable new production business models, we call it manufacturing as a service.

Dassault Systèmes is very well positioned here to help lead the efforts. Additive manufacturing requires unique software capabilities in terms of specification-based design, deep integration between design and simulation and intimate understanding of new materials science, all of them having been at the core of our Research & Development efforts in the past years, or acquired for example with BIOVIA for materials science. The **3DEXPERIENCE** platform makes it possible to industrialize comprehensive additive manufacturing processes.

Advancing Multiple Strategic Initiatives

Now let me share two other strategic initiatives and recent news.

Smart Cities with 3DEXPERIENCity

We introduced 3DEXPERIENCity in 2014 with the objective to enable urban planners to use the virtual world of **3DEXPERIENCity** to create a digital twin - for the last 20 years Dassault Systèmes has been deploying ‘digital twins’ for many complex industries from aerospace to biotech.

We are now applying it to cities, which represent some of the most complex products ever created – in order to improve infrastructure development, risk management or traffic optimization, among many other critical issues.

Addressing Smart Cities, we recently announced that we will be developing ‘Virtual Singapore’, the digital twin experience of the city-state and a world first, based on our **3DEXPERIENCE**City solutions, in cooperation with the Singapore Prime Minister’s office. With ‘Virtual Singapore’ we will have a ‘master model’ to represent, simulate, evaluate and optimize an urban experience.

Importantly, with the large increase in people expected to be part of urban centers – some forecasts of a 60% increase - over the next decades, creating the cities of the future can begin by optimizing a virtual city and then carefully following this plan to create the ‘Real Twin’.

And finally, what this initiative demonstrates very well is the powerful nature of the **3DEXPERIENCE** in order to support the modeling and simulation of a complete city, which means scale.

3DVIA HomeByMe

I know a number of you are familiar with our 3DVIA HomeByMe, online home furnishing solution.

We are moving forward with a new initiative, creating a joint venture with BDHome, a leading omni-channel home decor retailer in China. The objective is to offer 3DVIA HomeByMe in China and to develop related 3D content for furniture manufacturers such as virtual furniture and catalogues.

Netvibes for the Internet of Experiences with Programmable Intelligence

Turning to Netvibes, its technologies are part of our **3DEXPERIENCE** platform delivering dashboarding capabilities.

At the same time, Netvibes is a stand-alone product reaching 7 million unique users a month, including individuals, agencies and businesses – dashboarding the information critical to them.

For the Internet of Experiences, Netvibes, with its dashboard intelligence, has introduced a revolutionary innovation for its stand-alone product

called 'Dashboard of Things' with 'programmable intelligence'. With these capabilities businesses and consumers can very easily program automatic interactions between apps and devices to take charge of the Internet of Things. Already, Dashboard of Things is on its way to reaching 30 million triggers in July.

We are partnering with Google Nest, the world's first learning thermostat among others, so a very promising start on the partnership front.

With that summary, let me pass the call to Thibault now.

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. In all cases, the reported revenue results were generally significantly higher.

Financial Overview: Q2 and H1

Let me provide you with a few key highlights before going into a detailed review of our financial performance.

- We delivered a strong second quarter, above the guidance we shared with you on a smooth transition of our direct sales coverage model. Our goal with this initiative is to increase our sales productivity over the mid-term while maintaining good coverage of our existing relationships. The quarter also benefited from a very strong performance across Asia including China and to broader strength within Other Software thanks to SIMULIA and improved results for DELMIA, GEOVIA and EXALEAD. A number of industries

contributed to the strength of the quarter. And we benefited from currency with a more favorable impact on reported results than we had anticipated.

- Our organic growth was very solid across software – both new licenses and recurring software revenue.
- Looking at our first half results they well reflect our two key 2015 goals of delivering organic double-digit new licenses revenue growth in constant currencies and delivering organic operating margin improvement of 100 basis points.
- Finally, as our upgraded 2015 guidance implies, we expect to maintain a similar pace of organic new licenses revenue growth in constant currencies in the second half, even with a very significant H214 base of comparison.

Software Revenue

Turning now to our software results and excluding currency, new licenses revenue increased 17% in the second quarter, of which 9% was organic.

For the First Half, organic new licenses revenue increased 11% excluding currency effects.

Recurring software also delivered solid results, well visible in our organic maintenance revenue growth of 8% in constant currencies for both the second quarter and first half.

In total, our software revenue growth on an organic basis was very similar in the second quarter and first half, increasing 7% and 8%, respectively.

Services and Other Revenue and Gross Margin

Turning to services and other revenue, total growth of 28% reflected the addition of acquisitions to our perimeter. In our core services business, we are looking to have system integrator partners actively engaged.

In terms of gross margin it improved significantly from the first quarter coming in at 15.8%.

Operating Margin

Turning to our operating margin, we had a very nice performance here as we continue our focus on organic operating margin improvement to offset the dilution coming from our acquisitions.

In total, our non-IFRS operating margin increased to 29.4% in the second quarter, representing a year over year increase of 90 basis points. The principal components were currency benefits of 120 basis points, and organic operating margin improvement of 120 basis points offsetting acquisition dilution of about 120 basis points.

EPS

Turning to our earnings, non-IFRS EPS increased 25% to 53 cents reflecting strong top-line growth, improved operating margin performance and also currency benefits.

Operating Cash Flow Evolution

Moving to cash flow, our second quarter was very good at €152 million and increased 23% excluding a tax reassessment payment that we made in the second quarter. As we highlighted last quarter we anticipated a Q2 tax reassessment payment of €60 million covering three years - which we are now disputing as we believe that these tax reassessments are not legally founded.

Unearned revenue increased 7% on an organic basis and excluding currency impacts.

Our DSOs were 68 days, sharply lower sequentially and year over year, thanks to Americas and Asia. Accounts receivable management improvement is an area we continue to focus on and our efforts are visible in the improvement of DSOs.

2015 Financial Objectives

Moving now to our financial objectives, we are updating our revenue and earnings objectives.

From a revenue perspective, we are targeting 2015 total revenue growth of about 12% in constant currencies. Reflecting a better evolution of currency in the second quarter of about €25 million, and €15 million of revenue activity over-performance, we are therefore adding €40 million to our revenue range, bringing it to €2.80 to €2.82 billion.

When we looked at the activity upside in greater detail, a portion of it related to the timing assumptions we had taken on our sales go to market model, with some transactions closing sooner than we had targeted.

Importantly, our objectives embed a second half organic new licenses revenue growth in constant currencies at a similar level to the first half despite a much tougher base of comparison with the second half of 2014.

We are maintaining our assumptions of a US dollar exchange rate of \$1.15 per euro and the yen exchange rate of 135.0 yen per euro for the third and fourth quarter at this time. This brings us to full year rates of \$1.13 per euro and 134.6 yen per euro taking into account the first half actual rates.

At the EPS level we are adding 4 cents, with currency and activity each accounting for a two-cent contribution. Therefore, our non-IFRS EPS objective is now about €2.15, representing growth of about 18%, compared to our former objective of EPS growth of 15% to 17%.

With respect to our operating margin objective for 2015 we are keeping it at about 30%. Our goal is to deliver a stable to slightly improving non-IFRS operating margin in comparison to 2014 through operational improvements designed to offset the dilution from 2014 acquisitions.

For the third quarter, our objectives are for non-IFRS revenue growth of about 7- 9% in constant currencies, a non-IFRS operating margin of about 29% to 29.5% and non-IFRS EPS growth of about 11% or 50 cents.

Let me turn the call back to Bernard.

Bernard Charles
President and CEO

Summary

To conclude, I think there are several key take-aways.

- We continue to evolve the Company towards the future, visible in our strategy implementation, organizational changes and research and development initiatives.
- We are benefiting from multiple growth drivers – and this is leading to solid revenue and earnings per share growth.
- At the same time we are also improving our organization and processes – including sales, operations, post-acquisition planning – among a number of areas.

We expect to make good progress in all these areas during 2015 and I believe our first half well demonstrates our full year objectives.

Finally, as our financial progress and initiatives demonstrate, we remain focused on doubling our addressable market through the implementation of our purpose and strategy, our **3DEXPERIENCE** platform and Industry

Solutions Experiences. By default, with the objective of doubling our market opportunity, we now have a broader competitive landscape and we expect it will naturally evolve over time. - Having said that, we are confident in our strategy and humble in our execution – we take nothing for granted.

Thibault and I are now happy to take any questions and we thank everyone for their participation on this call and earlier today.