

DASSAULT SYSTEMES
2016 Fourth Quarter and Fiscal Year Conference Call
Thursday, February 2, 2017
Final

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Vice President, Investor Relations

Thank you for joining Bernard Charles, Vice Chairman of the Board of Directors and CEO, and Thibault de Tersant, Senior EVP and CFO, to review our 2016 fourth quarter and full year 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 most recent *Document de référence*.
- Revenue growth figures are in constant currencies, unless otherwise noted.

I would now like to introduce Bernard Charles.

Mr. Bernard Charles
Vice Chairman of the Board and CEO

Thank you for joining us here and good morning and good afternoon.

2016 SUMMARY OVERVIEW

Dassault Systèmes delivered a solid Q4 looking across key financial metrics. Revenue, new licenses software and earnings per share were all up 10%. We saw an improvement in new licenses revenue with a strong performance from SOLIDWORKS, SIMULIA, DELMIA and QUINTIQ. Regionally, Europe grew 13% with double-digit results across many of our brands. And Diversification Industries did very well with software revenue up 16%.

Looking at the year in total we delivered a number of remarkable wins, expansion of our industry and global market footprint, and growth in our market share in different domains.

Our progress demonstrates that we have multiple drivers benefiting our revenue and profitability. Our growth drivers are centered in three main areas: Industry Value Proposition, Domain Leadership and Proximity with clients and partners to drive Efficiency.

First, our Value Proposition is about our 3DEXPERIENCE platform, Industry focus and Cloud offer.

- Our 3DEXPERIENCE business platform is bringing a unique offer onto the marketplace thanks to its ability to power processes across the different disciplines, from ideation, design, scientific simulation and manufacturing to marketing and sales; feed them with meaningful data analytics, and enable end to end digital continuity. As a result, companies are achieving very significant improvements in innovation. We call this the ‘spiral of innovation’.
- Three years after its introduction, our 3DEXPERIENCE platform has reached significant maturity and scalability, with very large deployments in progress, already achieved with tens of thousands of users. We are building a critical momentum, with multiple industry leaders confirming the value of the 3DEXPERIENCE platform in large competitive wins during 2016 and in the prior years.

The second major area of growth derives from our Domain Leadership with our brand focus which we continue to enhance through internal research & development and selected acquisitions.

- We are seeing increased traction in 3DEXPERIENCE manufacturing thanks to the broader offer we have put in place over the last few years. This is an end to end offer in industrial operations

with integration of design, simulation, digital manufacturing and planning & optimization.

- We strengthened SIMULIA with the extension of our Multiphysics capabilities as I will discuss shortly.

The third growth category is focused on Improving Efficiency with our sales channels driving expansion and growth of our geographic coverage around the world. Importantly, with the stronger market visibility, we are enhancing our opportunities with respect to key country investment themes in Manufacturing and Industry 4.0, Mobility and Cities.

Looking to 2017, I believe that Dassault Systèmes is moving towards an inflection point for 3DEXPERIENCE, as Thibault will take you through.

Now let's me share an in-depth review of our growth drivers, which we see enabling us to meet our five year objective to double earnings per share by 2019.

2014-2019 GROWTH DRIVERS BUILD ON VALUE

3DEXPERIENCE Platform

The traction with 3DEXPERIENCE continues to advance with 3DEXPERIENCE new licenses software revenue increasing 30% in 2016. In turn, 3DEXPERIENCE's mix continues to grow, adding 7

points to represent 36% of the related total new licenses revenues for 2016.

Industry Offer Approach

Our Industry Offer approach is driving accelerated growth across a number of verticals. During 2016 Diversification Industries represented 31% of our total software revenue, up 1 percentage point. The strongest growth came from several industries.

- In High-Tech our software revenue increased 16% in 2016. During the first quarter of 2016 we signed a major competitive win in Telecommunication with Ericsson. We also grew our business with semiconductor companies working with many of the top players and added a key win with Samsung Electronics. And we won important references in consumer electronics in Japan and China.
- Marine & Offshore was another industry where we saw major growth during 2016 with software revenue up 55%. This strong growth is the result of multi-year progress. We had key wins in commercial and naval ships in China, Europe and in the United States. We are also building relationships with certification agencies now using our software to help them. And we are benefiting from new product lines, including QUINTIQ, helping drive our diversification and expanding coverage to logistics.

- Investors may not associate us immediately with Energy, Process and Utilities but we have a major presence in nuclear. In 2016 we had key wins in France, Japan, South Korea and Argentina. Hydro-electric and wind power have been areas of expansion. And we are diversifying in oil & gas thanks to SIMULIA and BIOVIA. Further, we also are present in the Chemical & Process segment with both BIOVIA and QUINTIQ. During 2016 our software revenue increased about 12% in Energy, Process and Utilities.

Broadest Cloud Offer on the Market

Turning now to the Cloud, we have today the broadest offer on the market with our range of industry solution experiences, processes and roles. From a performance standpoint we now have 8 data centers including 3 that opened in 2016 in Singapore, China and South Korea.

Users today include large and small clients.

The Cloud also offers us the ability to reach our target diversification verticals, such as AEC, as you saw from our announcement earlier today with Kengo Kuma & Associates in Japan for example.

2014-2019 GROWTH DRIVERS INCREASE DOMAIN LEADERSHIP

Brand Value Creation

Now let's move to our brands, which is all about increasing Domain Leadership. I believe we offer a portfolio that is unique, both in scope, and in productivity delivered to our clients.

- SOLIDWORKS had a great fourth quarter, with record license software sales, up 15%, capping off a solid year of progress. We believe it is continuing to gain market share, and we estimate that competitive displacements represented about 40% of the 2016 new licenses mix.
- BIOVIA delivered well in line with our plans. During 2016 we were very pleased to have been selected by Unilever, the world's third largest consumer goods company. Specifically, the win includes BIOVIA, the 3DEXPERIENCE platform and SIMULIA. Unilever selected us to better capture and leverage its scientific data leading to the acceleration of scientific innovation. Importantly, it is looking to increase dramatically its virtual testing.
- DELMIA had an excellent year growing 17%. It combines our virtual world of modeling processes, factory lines and robotics and shop floor Manufacturing Execution Systems with Apriso. We are seeing a good dynamic with companies in our three largest core industries complemented by growth in our Diversification

Industries. After signing a multi-year contract with us at the beginning of 2016, Ericsson decided to invest further, selecting DELMIA Apriso to achieve continuous process standardization of global standards. Key business benefits include a lower IT total cost of ownership thanks to fewer ‘silo systems’, full real-time visibility on progress, performance and material consumption, and cross-domain synchronized processes and flows. Some of our new engagements during 2016 included work with GROUPE RENAULT, Alstom, Boeing, and Aviation of China in addition to Ericsson.

- An important addition to our offer has been QUINTIQ for planning and optimization. During 2016 its software revenues increased 23%. It also had a very healthy level of growth in services, which support the roll-out of its software. 2016 wins included metals companies, cruise lines and companies involved in the transportation of goods and services. QUINTIQ’s logistics and workforce planning and optimization can be helpful across a wide array of industries, segments and use cases, moving supply chain to value chain.

Acquisitions

During 2016 we also increased our domain leadership with acquisitions aggregating €263 million, net of cash.

- We extended SIMULIA’s multi-physics, multi-scale simulation offer to electromagnetic simulation – critical to every stage of electronic system design - with the acquisition of CST. SIMULIA also strengthened its computational fluid dynamics capabilities, specifically for accurate and robust simulation of highly dynamic fluid flow with the addition of the developer of Xflow technology, Next Limit Dynamics. We believe its technology is better suited to solve challenging CFD problems faster than traditional methods and a number of large companies we know share this perspective.
- We also further extended our DELMIA global industrial operations offer with the acquisition of Ortens, focused on production planning and scheduling.

2014-2019 GROWTH DRIVERS IMPROVE EFFICIENCY

Sales Channels Coverage in Geographies

Turning now to improving our efficiency, thanks to our sales channels investments we have increased our sales coverage in China, India and in other countries. During 2016 the targeted geos included in High Growth Countries saw software growth of 15% in constant currencies. And from a contribution point of view, they accounted for about 17% of total software revenue.

OUR FRAMEWORK FOR GROWTH

Now let's step back and review our framework for growth.

Our Purpose

In 2012 when we unveiled our current horizon, 3DEXPERIENCE, and we shared an expanded purpose - to provide business and people with 3DEXPERIENCE universes to imagine sustainable innovations harmonizing product, nature and life.

Social Industry Experience – A Strategy that Works

We put in place our current strategy, Social Industry Experiences, providing clarity in how we would move forward. First, in our world now characterized by social innovation ease of use, mobility, and cloud were all important to the development of our 3DEXPERIENCE platform and portfolio. Second, with the decision to approach the market by industries, our focus expanded to encompass business challenges and business solutions. Making these changes has enabled us to engage in a very different manner with companies, more sharply refine our offers and in turn this evolution has proven to be a critical success factor for us. Finally, experiences also may encompass software, services and content thanks to the 3DEXPERIENCE platform.

1- Portfolio: Industry Value Chain

Now, let me review with you the key aspects of our portfolio, including the Industry Value Chain, the portfolio architecture and our 3DEXPERIENCE platform.

Looking first at the Industry Value Chain and stream, our focus has been on enabling digital continuity and to do so in a much broader fashion as the entire enterprise is involved in driving successful customer experiences. This digital continuity begins with Upstream Thinking, to then Design and Engineering, Manufacturing, Sales & Marketing all the way to Ownership with after-sales. The 3DEXPERIENCE platform is a critical enabler of this digital continuity.

2- Portfolio Architecture

Looking at our 3DEXPERIENCE portfolio architecture, it was designed and constructed to offer value creation at three levels:

- At the ENTERPRISE level, where our industry teams have a broad vision and understanding of the business challenges facing each industry segments. With our industry solution experiences, we address these key business issues with solutions well-tailored to help them achieve their objectives.
- At the TEAM level, our focus is on the key industry processes which teams need to focus on in order to successfully address the

enterprise's business goals, so combining the knowledge of industry and disciplines.

- Finally we bring value at the level of the USERS with Roles and Apps, thanks to our brands who are dedicated to helping their users succeed by addressing their future needs and requirements.

So altogether this value stream is at three levels –for the enterprise, for the teams and for the users is creating our industry portfolio.

3- 3DEXPERIENCE: Connecting the dots

Now with our 3DEXPERIENCE platform, industries and brands domain leadership we are helping to connect the dots. What do I mean?

Our industry and brand reach enables us to bring critical information altogether - information from multiple industries and capabilities from multiple brands.

Our industry focus is a key competitive advantage for us today in a world characterized by industry cross-fertilization as we are seeing with Transportation & Mobility and High Tech for example. And that is the same from the perspective of technologies, where thanks to our broad portfolio we utilize many of the most important, critical technologies. As a consequence we are very well positioned to navigate and benefit from the convergence of industries, and technologies, combining our

knowledge for instance in mechanical design, software, scientific simulation and material sciences to design connected objects across industries. This would also be the case for medical and high tech, and many other important examples.

4- 3DEXPERIENCE Manufacturing for Industry 4.0

In Manufacturing for Industry 4.0 there is a new paradigm today with challenges that few software providers offer spans. It requires the ability to provide digital continuity from the virtual to the real, with digital models, shop floor software management as well as predictive analytics & optimization and additive layer manufacturing and deep material science knowledge. Dassault Systèmes spans this offer.

As we look forward, our goal is very simple, but with significant complexity enabling it – we want to reduce the distance between a virtual product and a physical product to zero. We are creating this incredible proximity between what is defined in a digital, virtual world, and what is going to be produced and operated. And that possibility exists even at the level of a city. Just like the Internet is reducing to zero the distance between two users.

5- People in Business & Business by People

So our purpose of helping People in Business is also about helping Business by People, as boundaries and entry barriers progressively disappear. We therefore have a B2C strategy and are targeting multiple times the 10 million users we have today with Homebyme and NetVibes.

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

Thibault de Tersant
Senior EVP and CFO

Thank you, Bernard. Let me begin with a summary overview.

SUMMARY OVERVIEW

Our fourth quarter came in well aligned with our expectations looking at the top-line, operating margin and earnings per share. New licenses revenue increased 10% and recurring software revenue was strong. Earnings per share increased 10% to 78 cents.

Looking at the fourth quarter and full year, we can see the increasing traction of our multiple growth drivers as Bernard reviewed with you.

With respect to 2017 we are initiating our financial objectives targeting 6-7% revenue growth, similar to 2016 in total but reflecting an acceleration of our growth drivers.

Now let's look at our 2016 financial performance in more detail.

TOTAL REVENUE

Total revenue increased 10% in the fourth quarter, with 8% organic, and total revenue grew 7% for the year.

SOFTWARE REVENUE

While our growth drivers are seeing increasing traction, they are not fully visible when you see our new licenses revenue growth of 5% in 2016 due to the fact that we have started to see a slowing of Version 5 licenses sales, which are being replaced by new 3DEXPERIENCE transactions whose sales cycle time is still a bit longer.

Recurring software revenue, representing 71% of total software, had a strong growth in 2016, up 8% in total. We are seeing very good trends in terms of maintenance renewals, consistent with what we expect to see by regions and geos. And with respect to rental we saw growth in all three regions. During 2016 we also benefited by about 2 points from SOLIDWORKS' policy change on maintenance reinstatements in Q4 2015.

SOFTWARE REVENUE BY BRAND

Looking at our software results by brand, CATIA's software revenue in 2016 totaled €971 million, and therefore in US dollars was a billion dollar brand. Its software growth of 4% for 2016 reflects the product transition underway. More specifically, CATIA 3DEXPERIENCE software revenue increased 42% in constant currencies, offset by lower V5 sales. CATIA is continuing to gain share against competitors, very clearly happening in China and in target industries, such as Energy, Process &

Utilities and Marine & Offshore, as well as in key areas of investments by companies, such as electric and autonomous cars.

While ENOVIA's Q4 results reflected a strong comparison base, in total ENOVIA had a very dynamic year with double-digit new licenses revenue growth, leading to 6% software growth for 2016.

For SOLIDWORKS it was a year of improving performance, with new licenses revenue growth picking up as the year progressed and strong maintenance performance all along the year. It was also helped by the maintenance reinstatements, leading to total software growth of 12%. As this normalizes beginning with Q1 of 2017 its total software growth rate would reflect a single digit increase in recurring software, compared to the double-digit growth of maintenance subscription in 2016.

Our brands included within the line Other Software generally performed well in line with our expectations. Growth was led by DELMIA, QUINTIQ and SIMULIA. As of Q4, CST was added as part of our simulation portfolio. Fourth quarter revenue growth was 21% and 14% organically, excluding currency.

SOFTWARE REVENUE BY REGION

Looking now at our software revenue performance by region, let's begin first with Europe where software revenue increased 8% in 2016. We benefited from multiple geos driving our performance. And we also are seeing a good performance with our direct sales.

In Asia, we continue to show a good level of growth with total software up 8%. At the same time, new activity was more narrowly driven in 2016. China had an outstanding year, and India was also up double-digits. We do tend to see variations by quarter, some are wide, but for the year in total these two geos performed very well. South Korea, following several years of strength, was affected by the softer macro environment.

In the Americas, the performance was driven more by our indirect channels. For SOLIDWORKS, the macro backdrop saw an improvement over 2015, and our Value Solutions channel benefited from multiple trends including electric and autonomous cars. We also saw an improvement in Latin America following changes in management. In total, software revenue grew 6% in the Americas during 2016.

SERVICES

Services also performed well with fourth quarter revenue up by 15% and the full year by 7%. 3DEXPERIENCE engagements were an important contributor, demonstrating its traction. BIOVIA and QUINTIQ had strong services growth during the year. Services gross margin increased to 14.7% from 13.2% in 2015.

I want to remind you of our services strategy which means that our results reflect two distinct trends. The first is our focus on extending relationships with system integrators and sales partners to expand our capacity for implementations particularly around 3DEXPERIENCE. Therefore, we are actively reducing the pursuit of certain consulting and services engagements. For our newer brands, our focus is on maintaining our internal service capabilities and supplementing as needed externally.

OPERATING MARGIN

Moving now to our operating profitability, we continue to drive improvements. For example, in the fourth quarter, despite selective investment increases, these were offset by operational improvements. The change you see in the reported figure was due solely to currency and acquisition dilution. For the full year, our operating margin increased to 31.2%, from 30.8% in 2015. We had organic improvement of about 70

basis points. Currency had a negative impact of 20 basis points and we had acquisition dilution of 10 basis points.

EARNINGS PER SHARE

Earnings per share increased to €2.49 for 2016. It well reflected our growth in operating income of 8% and we also benefited from a 5-cents tax reserve reversal in the first quarter of 2016 and to a lesser extent a lower statutory tax rate.

OPERATING CASH FLOW

Operating cash flow of €622 million for 2016 was also solid. In comparison to 2015, the growth in net income benefited operating cash flow but this improvement was offset by higher tax downpayments reducing our working capital results.

Unearned revenue increased 7% excluding currency impacts.

INITIATING 2017 FINANCIAL OBJECTIVES

Moving to our financial objectives let me share our perspectives.

Looking at the backdrop to 2017, I believe the macro environment presents more risks to the year including increased volatility in comparison to 2016.

At the same time, as Bernard and I have reviewed with you today, ALL of our strategic growth drivers are going in the right direction, and so we anticipate for the full year a new license revenue growth of about 8% to 10% in constant currencies despite the Version transition.

In terms of recurring software revenue, the indicators here are also green thanks to the high maintenance renewal rates across the portfolio and new maintenance growth coming from new licenses. During 2016 we also benefited from an improvement in the renewal rate of SOLIDWORKS, creating a bump up in growth, positively impacting total recurring software growth by about 2 points. Simply adjusting for this normalization we expect recurring software revenue growth of about 6% in constant currencies for 2017.

In terms of services growth, we will continue to follow the goals I shared.

With this background our 2017 financial objectives are as follows:

- Total revenue of €3.275 billion to €3.30 billion, representing growth of 6% to 7% in constant currencies. This growth rate is similar to 2016 despite lower recurring software revenue growth, implying acceleration in our growth drivers compared to 2016.

- An operating margin of about 31.5%, targeting an underlying organic margin progression of about 50 basis points – this excludes any currency impact or acquisition dilution. We are continuing the investments begun in 2016 while at the same time retaining our focus on operational improvements.
- Based upon our analysis and current tax laws in place, the effective tax rate is expected to increase to about 33.5% for 2017 from 32.3% in the former year.
- Our principal exchange rate assumptions are US\$1.10 per €1.00 and JPY117 per €1.00 before hedging. And I remind you that other currencies including principally the UK pound, yuan, and won, plus a whole host of currencies, account in total for about 10% of our revenue mix by currencies.
- This leads up to a 2017 full year EPS objective range of €2.65 to €2.70. Adjusting for the 5 cent tax reversal of first quarter 2016, this would represent a normalized growth for EPS of about 9% to 11%.

Let me turn the call back to Bernard.

Mr. Bernard Charles
Vice Chairman of the Board of Directors and CEO

Summary

To summarize, I believe that our progress well supports our purpose, strategy and the strategic operational elements that we have put in place since 2012.

We made far-reaching changes to our go-to-market moving to an industry portfolio and a platform-based approach, to our geo organization setting up 12 geos and to our offer with the introduction of a platform strategy with 3DEXPERIENCE.

While everything cannot move in a linear fashion, I believe altogether we have a runway with multiple levers of growth. This applies to clients of any size, from the largest to the smallest and even individuals.

Thibault and I would now be happy to answer any questions and thank everyone for their participation on our earlier webcast and this conference call.