

DASSAULT SYSTEMES
2011 Second Quarter Conference Call
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Final

François-José Bordonado
Vice President, Investor Relations

Thank you for joining Bernard Charles, our CEO, and Thibault de Tersant, our CFO, for a review of our 2011 second quarter and first half.

Dassault Systemes' financial results are prepared in accordance with IFRS. In addition, we have provided supplemental non-IFRS financial information. For an understanding of the differences between the two please see the reconciliation tables included in our earnings press release.

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 2010 *Document de référence*.

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

Bernard Charles
President and Chief Executive Officer

Introduction

Our growth in the quarter was well-balanced by product lines, sales channels and geographic regions. Our results also demonstrate the expansion of our market footprint and increasing geographic diversification. We had several new reference customers for Version6.

It was an active period for product releases with our latest Version 6, a new release for Version 5 and at the end of June we introduced our first 3DS solutions on the Cloud.

Thanks to our second quarter performance, we are upgrading our financial objectives.

Well-balanced, Broad-based Growth Product Lines, Sales Channels, Regions

Turning first to growth by product line, our PLM business segment led these results. CATIA software revenue increased 13 percent in constant currencies in the quarter, certainly a very solid performance – with good dynamics in high growth countries and our first Version6 implementations. ENOVIA software revenue was up 22 percent in constant currencies on new licenses growth of 49 percent. We are seeing continued traction with Version 6 for ENOVIA.

We also had broad-based growth across our sales channels. It has been more than one year since the integration of IBM PLM, so certainly a good time to see how our channels are performing.

Our direct channel for large accounts saw an increase of 15 percent in constant currencies – here we benefited from Version 6 transactions and from an industry perspective good activity in aerospace and automotive. Our sales in BT represented 57% of the Company’s total revenues.

The PLM Value Solutions channel posted the strongest growth, up 18 percent in constant currencies with broad strength across regions and, in particular, high growth countries.

In Mainstream 3D SolidWorks had good traction, with seat growth up 22 percent to 11,893. Total revenue for our Professional Channel increased 11 percent in constant currencies with a strong increase in new licenses revenue and a high level of maintenance renewals.

Moving to a regional review, we also benefited from broad-based growth.

In the Americas, revenue was up 20 percent, with a continued good dynamic building on a number of quarters of improving performance for the Americas. We posted pretty good results across all three channels, are seeing increased activity in aerospace and building several important Version 6 references in both core and target industries in the Americas region.

Asia had growth of 21 percent, with strong results coming from China and India. In Japan, revenue in the quarter was slightly better than we had expected, but we are still cautious. We were pleased with the evolution of recurring revenue which was quite stable.

In Europe, we had a good level of new business in Germany, Nordics and UK in particular. Total software growth for Europe was 8 percent so a nice level in light of one-time maintenance catch-ups which we started to see commencing in the 2010 second quarter.

Broad-based Growth with Version6

We are seeing continued good Version6 adoption for ENOVIA with new licenses revenue up 49 percent in constant currencies this quarter and 720 enterprise customers using Version6. We are also seeing larger deal sizes, with customers taking the decision to use several of our brands, so some nice trends with multi-brand sales.

We introduced Version 6 Release 2012 further enhancing inter-operability with other enterprise systems. For Version 5 we have a new release focused on ease of interoperability between Version 5 and Version 6 giving our customers significant flexibility. And at the end of June we introduced our first 3DS solutions on the Cloud.

Let me share some of our recent customer decisions which illustrate broad-based growth by industry.

In the United States, Cessna, a leading aircraft company and subsidiary of Textron, has selected Version6, migrating to CATIA and ENOVIA V6 and adding DELMIA and 3DVIA. Key factors in its decision centered around two challenges: first, how to introduce new products faster, but at the same time reducing the time and money to develop these new products. And second, how to reduce time to certification.

Benetton Group in Italy selected ENOVIA V6 and will be moving from a legacy PDM system. Two key challenges Benetton wanted to address was how to maintain the quality of their leading fashion while at the same time taking advantage of the benefits of global sourcing. Secondly, they also wanted to create a global platform to improve eco-design.

Skanska is a world leader in construction project development, with 50,000 employees. Their most critical issue is task planning and cost controlling for fixed price contracts and one-of-a-kind projects with many unique issues to consider and track. They estimate that ENOVIA V6 is enabling them to prepare costs forecasts in less than half the time than previously; and the number of unprofitable projects is being reduced. Better management of materials lowers not just cost, but is also better for the environment as they focus on their goal of zero waste. Our work with Skanska shows the power of ENOVIA to help the construction industry.

Let me turn now to Exalead where its search based capabilities is a significant complement to ENOVIA in helping companies extract the most value from their different enterprise software systems. For La Poste a leading company here in France the challenge was to increase revenue from its business to business services. Its dilemma was that it had equipment sales customer information splintered across multiple CRM systems. It could have considered a very expensive and time consuming data integration solution. Instead, La Poste chose Exalead to unify access

to data from multiple CRM systems – a quicker, easier and more productive solution – leading to an increase in telesales efficiency by 20 percent.

My second customer example is Dassault Aviation. Their challenge was how to unify together several hundred thousand records contained in different databases to manage airplane maintenance. We gave them a simply, fast solution. In less than a month of development, a new application based on EXALEAD enables instant post-flight access to all the maintenance data.

Geographic Diversification

Now let me turn to some comments about our geographic diversification. The results in the quarter demonstrate that we are gaining traction from our investments in sales coverage expansion thanks to the transformations we have made in our three channels over the past years.

We are expanding our presence in high growth countries. During the second quarter total revenue in high growth countries increased more than 25 percent in constant currencies and these geographies represented 14 percent of our total revenues increasing 2 ppts compared with last year. You can see that they are helping drive our regional performance in Asia where we are working with leading companies in India, China and Korea in our core industries as well as in several in our target markets as we have done in Japan for a number of years.

Let me share just one recent example of our progress in civil engineering. We are now working with Shanghai Municipal Engineering Design Institute, SMEDI, the number one municipal engineering company in China. In terms of overall capability, SMEDI is dealing with water supply, drainage, road and bridge

construction, integrated traffic, water works, rail traffic, underground space development and general contracting.

Together we have entered into a cooperation agreement where we will have a joint development center aimed at delivering an innovative and collaborative PLM environment for civil engineering based on our Version 6 PLM platform.

First 3DS Solutions on the Cloud

In June we introduced our first cloud based offerings at our annual developers' conference in Paris. Our offerings are designed to bring a number of benefits to customers – focused on flexibility, efficiency and ease of adoption. With our cloud services we are making PLM implementation easier for our customers. Cost of ownership is significantly reduced.

As a result, we believe the introduction of cloud base services will enlarge our addressable market, helping accelerate adoption among small and mid-size companies and in our target verticals.

Our first group of cloud-based services includes:

- 3DSwym – the social community for innovation, sharing and collaboration.
- Our N!products: these include n!Fuse for SolidWorks users which we previewed at SolidWorks World early in 2011 and n!Volve for our Version 6 customers; both designed to enable secure access to design data anytime, anywhere, for everyone, with no IT set up.

Our strategy for marketing these products is through our new online 3DStore which can be accessed through our website. 3DS products that are also available through our store include 3DVIA and Draftsight. Our goal is worldwide availability during the second half.

So the goal is very straightforward: 1- get your ID; 2 – order; 3- pay and sign in; 4) use your cloud services right away. We think this is truly a revolution for us – completely changing the point of access for our customers and enabling us to access new markets in a flexible way.

Upgrading 2011 Financial Growth Objectives

With the good results this quarter and our outlook for the second half unchanged, we are increasing our 2011 financial objectives. We also have a greater degree of security around our objectives.

Let me turn the call to Thibault at this time.

Thibault de Tersant
Senior EVP and CFO

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, IFRS and non-IFRS are identical for the 2011 second quarter. In the year-ago period the difference was 6 million euros.

Second Quarter Summary

Turning now to our results,

- I first want to mention currency volatility which had an important impact on our reported revenue, 6 points in total and more so when looking at our performance on a regional basis. In comparison to the 2010 second quarter, the US dollar weakened by 13 percent against the Euro. From an earnings perspective, it was the same given the natural hedging from our revenue and expenses in US dollars.
- Turning now to our revenue results, I will give the growth rates in constant currencies. At the top-line non-IFRS revenue increased 15 percent to 429 million euros. We came in more than 20 million euros above our expectations – with the upside both from new licenses revenue and recurring revenue.
- We had a good performance in both segments of our business with PLM software revenue up 17 percent and Mainstream 3D up 11 percent in constant currencies. New licenses revenue increased 36 percent. ENOVIA had a very strong quarter up 49%. CATIA also had an excellent quarter from that perspective. Again all figures are in constant currencies.

- Recurring revenue had a very nice evolution in the second quarter, increasing 9 percent. Maintenance renewals are back at high levels, we are seeing increasing rental activity and we are benefiting from the increase in new licenses activity.
- It was a mixed quarter for services with revenue increasing 8 percent, but the gross margin was a negative 15.7 percent. We have several proof-of-concept engagements as well as large deployments in the quarter contributing to the higher level of expenses, including estimated cost over-runs that we booked in the quarter. We anticipate returning to a positive margin in the second half.
- Our operating margin was 28.0 percent and reflected the operating leverage from the higher revenue performance.
- Finally earnings were solid, up 10 percent and 16 percent in constant currencies, excluding the significant headwinds that we faced.

Cash Flow

Cash flow level was pretty good in the quarter, at 148 million euros, in Q1 it was 134 million euros.

Cloud Business Model: Consistent with DS Model

Let me provide you with some financial details behind our cloud initiatives. Our business model here is simple: a subscription revenue model, well complementing our business model. The subscription revenue includes middleware and cloud infrastructure, so this has a positive impact over time. Sales will be online through our 3DStore. For our VARs we are offering an agent model to compensate them for their assistance in any sale.

From an infrastructure perspective, we announced that we are working with Amazon Web Services where we have done more than one-and-a-half years of testing on Amazon Web Services infrastructure to ensure that it can run a 3-D-modeling system. We have also taken a minority investment in a new company, Outscale, providing cloud services and environment. So from an investment perspective, there are no significant capital investments on our part.

2011 Financial Objectives

Turning to our financial objectives for 2011, we are upgrading our revenue and earnings objectives to reflect the second quarter over-performance.

Specifically, we are increasing our reported revenue range at the mid-point by 25 million euros leading to a constant currency revenue growth objective of 11 to 12 percent. We are also increasing our earnings per share objective by 5 cents, to an objective range of 2.69 to 2.80 euros. We are reconfirming our 29 percent non-IFRS operating margin objective – actually slightly exceeding it.

Let me just mention the overall business climate and world economic events, are not especially helpful to driving business. So clearly, increasing product development productivity, innovation, business process improvement and new product programs are driving our growth. As we all read and can observe the macro environment is certainly mixed around the world.

With respect to the second half, we have assumed our historic seasonality patterns. So we anticipate a sequential decrease in the third quarter compared to the second

quarter, with a non-IFRS total revenue objective range of about 405 to 415 million euros.

And more globally for the second half, as we highlighted in last year's third and fourth quarters, we had an important level of maintenance recoveries which were one-time in nature.

From a currency perspective, we are assuming an average rate of 1.45 dollar per euro and 120 yen per euro for the second half. At these assumption levels they have a negative impact of about 4 point of growth at the revenue level and 5 at the EPS level.

Let me turn the call back to Bernard now.

Bernard Charles
President and CEO

Thank you, Thibault.

Summary

So to conclude, we had a very good second quarter and first half making progress in a number of areas as we focus on meeting the needs of our customers and new companies and users. We are expanding our addressable market with new products and technologies thanks to our research and development and acquisition strategies. We are broadening our geographic and industry diversification. And we are now positioning the Company to be able to provide software to our customers in any form they want from software on-premises to software on the cloud.

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