



HALF-YEAR FINANCIAL REPORT

JUNE 30, 2018

European company

Share capital: 130,770,564.50 euros

Registered Office: 10, rue Marcel Dassault – 78140 Vélizy-Villacoublay – France

Versailles Commercial Register under No. 322 306 440

This document is comprised of the English language translation of Dassault Systèmes' Half Year Report, which was filed with the AMF (French Financial Markets Authority) on July 27, 2018 in accordance with Article L.451-1-2 III of the French Monetary and Financial Code.

Only the French version of the Half Year Report is legally binding.

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1 RESPONSIBILITY

1.1 Person Responsible for the Half Year Financial Report

Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer.

1.2 Statement by the Person Responsible for the Half Year Financial Report

Vélizy-Villacoublay, July 27, 2018

"I hereby declare that, to the best of my knowledge, the 2018 half-year condensed financial statements have been prepared in accordance with the applicable generally accepted accounting standards and provide a true and fair view of the Company's financial position and results of operations and those of all companies included within the scope of consolidation, and that the half year activity report reflects a true view of important events which occurred during the first six months of the year and of their impact on the half year financial statements, of the principal transactions between related parties, as well as the main risks and uncertainties for the remaining six months of the year."

Bernard Charlès

Vice-Chairman of the Board of Directors and Chief Executive Officer

2 HALF YEAR ACTIVITY REPORT

As used herein, "Dassault Systèmes", the "Company" or the "Group" refers to Dassault Systèmes SE and all the companies included in the scope of consolidation. "Dassault Systèmes SE" refers only to the European parent company governed by French law of the Group.

2.1 Profile of Dassault Systèmes, the 3DEXPERIENCE Company

Overview

After delivering many advances in software products aimed at designing in 3D and managing the resultant products across their lives, we believe there is a new world to imagine, create and build by leveraging science, engineering and art and by taking advantage of the significant technological advances to reduce the distance between the Virtual World and the Real World. This led us, in 2012 to define our new Horizon which we call **3DEXPERIENCE** with the mission to provide business and people with **3DEXPERIENCE** universes to imagine sustainable innovations capable of harmonizing product, nature and life. Our software portfolio spans a wide spectrum of domains from modelling and scientific simulation to manufacturing production and logistics optimization, and is applicable from Natural Resources to Cities, Transportation, Buildings, Smart Products, Consumer Goods, all the way to biological systems, chemistry and material sciences.

We were honored to have Dassault Systèmes ranked #1 among the 2018 Top 100 Most Sustainable Corporations by Corporate Knights for our vision and for implementing this vision in everything that we do. Empowering industry and people to create **3DEXPERIENCE** universes to imagine, invent, and deliver disruptive solutions that advance sustainability in domains as large as energy, mobility of the future, cities, life sciences and high-tech is at the core of our purpose and DNA and why people are joining Dassault Systèmes.

Dassault Systèmes is the **3DEXPERIENCE** Company. What do we mean? Today, as consumers (whether a corporation, small company, individuals or government entity such as a city) we make purchase and usage decisions, not based per se on the product or service itself, but on our experience with it. Our objective is to help our clients create, test and evaluate these experiences to make sure they are rewarding for their users. And to then ensure that the product manufactured or the service provided meets expectation and taking this information back to drive further improvements in the end-user experience.

Our strategy is to focus on Social Industry Experiences:

- Social is centered on online, mobile and ease of use for collaboration around innovation and for bringing 3D to consumers. For example, our HomebyMe solution helps people all over the world imagine, easily create and place furniture in rooms, and experience them in a virtual reality experience.
- Industry is about creating the knowledge and know-how and needed to ensure that our solutions match closely the needs of the industries we address. We see with large clients a strong focus on deep transformations to adapt to the respective challenges of their industries. Furthermore, in all these industries, new entrants have appeared with small teams focusing on sub-segments of those markets and proposing high-value experiences with products. Our solutions appeal to industry leaders and startups, both of whom are shaking up industries.
- Experiences: Being able to model experiences is truly the manner in which companies can innovate and create new categories of products and solutions that will drive new, better experiences for their consumers. Our work with Cities, with **3DEXPERIENCE**City, demonstrate that we are able to do this at the most demanding level thanks to the **3DEXPERIENCE** platform enabling the modeling of city experiences to improve the lives of citizens.

Our mission and strategy reflect five major 21st Century trends that are having a widespread influence on industries, governments, research and education:

- Cities for People
- Resources and Energy for the Long Term
- Global and Personalized Health
- Supplying Globally, Producing Locally
- Inspirational Education and Research

What they all have in common is that boundaries of all types are blurring, we are seeing convergence and intersections. Therefore, what is critical to have is a holistic perspective and view to ensure that what a business delivers the end-customer values it.

Our mission is perhaps ambitious but we bring a long-term track record of defining new markets, innovating in our product development and delivering durable sustainable growth over our 20 plus years as a public company. We believe our long-term market leadership and financial performance reflect our core DNA.

- **Virtualization:** We believe the virtual world can help improve the real world we live in thanks to science and engineering. Our 3DEXPERIENCE twin represents in the digital world a physical product and its experience before they ever existed. Today, thanks to the massive acceleration in technological innovations, computational power and cloud, our dreams are no longer “What if, but “If WE”, imagining altogether a better world.
- **Science and Engineering:** We are 16,222 people at Dassault Systèmes, proudly working together to shape the future. Science, engineering and technology are changing the value streams of companies - from design to engineering to manufacturing to marketing and the ownership experience. Artificial intelligence, Internet of Experiences, Generative Design, Additive Manufacturing, Virtual, Augmented and Mixed Reality, Data Analytics, Robots and Cobots, Systems of Systems, Connectivity, Computing Power are all being leveraged.
- **Long-term Horizon:** We believe that to succeed over the long term, you need to focus not just on this year or the next few, but to look forward to medium and decade long horizons. Renew our vision, strategy and addressable market and evaluate and adapt our strategic assets to deliver against new objectives.
- **Partnerships:** To succeed over the long term, we believe in partnerships, beginning first with our clients. While we are proud to be recognized for our innovation, we are proud that we work with many of the most innovative companies in the world, whether global leaders, small and medium-sized companies or start-ups. We also work with our sales, software, technology and services partners. They help us set and adapt ourselves to be more closely attuned to the evolutions within the different markets we are addressing.
- **Perseverance:** The problems we are looking to help our clients solve are not easy, and the science, engineering and math behind our software takes years of investment in people-power and life-long learning.
- **Sustainable business model:** We built a sustainable business model from the outset in 1981 and we continue to enhance it, with over 70% of our annual software revenue recurring in nature.

Every company talks about digital innovation, but for us, it did not begin in 2017, it began over 25 years ago. The importance of the virtual world's role in innovation was truly first revealed thanks to Boeing's historical decision at that time to rely on Dassault Systèmes Digital Mock-up technology to design its new Boeing 777 aircraft, paving the way for digital twins of products.

Today, companies are now seeing that data can become an invaluable asset with the potential to deliver massive benefits for users and their corporations. The roadmap to do so requires two key elements. First, it requires digital continuity and this is what we provide with the 3DEXPERIENCE platform. And the second key element is that to turn data into a true asset companies need to be able to make sense of the data and models enable this. A model-based approach is at the core of the 3DEXPERIENCE platform and is valuable to ensure innovation effectiveness.

3DEXPERIENCE Platform For Sustainable Innovation

Dassault Systèmes' answer for sustainable innovation begins with a platform that enables stakeholders to navigate their entire business, collaborate more easily and extract intelligence from big data. The 3DEXPERIENCE platform is a business experience platform, leveraging knowledge and know-how, that provides software solutions for every organization in a company. It supports the value creation process in creating consumer experiences that differentiate our clients in their markets. With a single, easy-to-use interface, it is the foundation for our Social Industry Strategy that incorporates 3D design, analysis, simulation, manufacturing and information intelligence software in a collaborative, interactive environment. The platform is available on premise and on public or private cloud. We make available to our clients a critical enabler for sustainable innovation through our 3DEXPERIENCE platform which is perfectly suited to their needs. Key differentiating attributes of the 3DEXPERIENCE platform include:

- **Digitally Connected:** the 3DEXPERIENCE platform is about eliminating silos within companies, moving from a static, file-based world to a digitally connected world, where live data drives innovation, processes and business-decisions. As consumers we live in a digitally connected world – your mobile phone, service apps – and we can help our clients do the same for their businesses. Our platform provides digital continuity across all applications and propagates changes automatically;
- **Data Driven:** data is at the heart of product innovation. However, this data sits across many disparate systems today at many companies and is not readily visible or easily available. Capabilities of the 3DEXPERIENCE platform enable the indexation of data across different systems and create a new class of applications, in order to leverage the data of an enterprise. Further, data is not just what is generated by the enterprise; there is a lot of relevant data on the internet and with our technologies and apps, enterprises can use these applications to help them extract data from the internet and merge them with enterprise dashboards to improve their innovation, products, their brands and their consumers' experiences;
- **Model-based:** data can be collected, but only data evaluation in context can bring value. Precisely, our 3DEXPERIENCE platform is based on this type of model valuable to ensure innovation effectiveness. The innovation process typically calls for multiple models of varying degrees of fidelity and a variety of simulation techniques. Early in the process, a low fidelity model is employed to understand the systems interactions and behavior; while later as the product definition matures higher accuracy models are adopted to guide optimization along often-conflicting functional attributes and cost. This model-based approach is not confined to the research phase; it is employed in many activities across the enterprise. For example, planners define the process model and simulate the assembly operations to meet cycle-time constraints; service engineers define reliability models to guide maintenance planning. Thus, a model of the entire product from conception to operations is built during product development;
- **Virtual + Real:** Virtual models can replicate real world behavior and physical tests. They can be correlated with actual behavior during the operating life of the product. The knowledge gained from this correlation can be used to enhance the fidelity of the virtual models.

Any enhancements required in the operating product are first simulated in the virtual model, fine-tuned and then optimized, before incorporating in the real world. In fact, the accuracy of the simulation can be significantly enhanced by connecting the virtual model to physical systems, also called Hardware in the Loop. When the physical systems are assembled, they are just a twin of the model. The real and virtual worlds reinforce each other – modelling and simulating the real world virtually and enhancing the virtual model with experiences from the real world.

- **Qualified ecosystem of industrial actors:** the 3DEXPERIENCE Marketplace features a range of services with an ecosystem of recognized experts in their domains that delivers the knowledge and know-how using 3D as a universal language to reduce the distance between the virtual and real worlds. The 3DEXPERIENCE Marketplace manages all aspects of worldwide transactions such as taxes, payments, currencies and billing with full traceability.

See “Research and Development, Technology and Science” below.

Partner for Business Transformation for the 21st century Industrial Renaissance

Our 3DEXPERIENCE software applications portfolio is designed to enable the powering of 3D realistic virtual experiences - and is comprised of our 3D modeling applications, simulation applications, manufacturing applications, social and collaborative applications, and information intelligence applications addressing our clients’ value streams and are available on-premise and on the cloud.

Our ambition is to lead industry to the cloud with the most robust and productive cloud offers on the market. In other words, virtually the vast majority of our portfolio is available on the cloud today, on the single, unified architecture of the 3DEXPERIENCE Platform. Our cloud offer is a comprehensive one incorporating all levels of the service, with the application layer for software and content (SaaS), the platform layer for deployment, supervision and operation services (PaaS) and the infrastructure level for on demand and elastic compute, network and storage resources (IaaS).

Our 3DEXPERIENCE platform and software portfolio embeds a wide array of technologies for:

- **Cognitive Augmented Experiences:** As the 3DEXPERIENCE Platform is a truly big data platform, it elevates the power to discover, analyze, understand and experience the world we live in. With built-in state of the art as well as disruptive Artificial Intelligence technologies, it provides unique ways to capture and use scientific, industrial and value-added Knowledge and Know-How in an experiential approach. CAD is not only Computer Aided Design but Cognitive Augmented Design, revealing hidden information in companies’ patrimonies and guiding the creator’s hand with intelligent companions that have been fed with the industries’ latest expertise and efficiency in context of the augmented New Reality. CAM is not only Computer Aided Manufacturing but Cognitive Augmented Production with automation and agile cobots monitoring, assessing, predicting and prescribing the route of actions of the entire production system. The 3DEXPERIENCE Platform fuels all our industry solutions and our brands with a unique approach: “modeling and simulation to the power of data Artificial Intelligence” embodying a truly new approach of the 21st century with virtuous strategic dialogue between information intelligence, Artificial Intelligence, virtual twins and models;
- **Generative Design:** Function-driven design backed by multiphysics simulation-based optimization and predictive analytics, has led to a new design practice for innovation. We offer an end-to-end solution strategy for function-driven generative design that works for diverse manufacturing methods such as casting, milling and additive manufacturing. Designers can create functional specifications, generate and validate their conceptual shapes before conducting concept trade-offs using business KPIs (e.g: material costs, buy-to-fly ratios, scrap, etc.) and decide the manufacturing process of choice;
- **Additive Manufacturing:** Long used by our clients for prototyping, thanks to innovation in material sciences and equipment, Additive Manufacturing is now an active area of major investments by companies in multiple industries. Today, Additive Manufacturing creates new opportunities in many different areas such as remote fabrication for support and maintenance, rapid prototyping for realizing new concepts and experiences and, perhaps most importantly, backed by our generative design applications, they can now develop functional parts that were heretofore impossible to fabricate. Our offer leverages our multi-discipline expertise in design, engineering, simulation and manufacturing, enabling an end to end, model-based and data-driven digital thread;
- **3DEXPERIENCE Twin:** A digital twin is the joining of a virtual model that represents the behavior of a product with real-time Internet-of-Things sensor data from a real product operating in its native environment. A digital twin can be used to measure, assess, predict the performance of the system and help optimize operation, including maintenance cycles, downtime, and failure mitigation. The 3DEXPERIENCE Twin is even more powerful. When the 3DEXPERIENCE Twin is connected to the original customer requirements and design data, then information can be used to not only predict current performance, but to improve next-generation products in an intelligent way. Not only is the connection between the Virtual World and the Real World reduced to zero, but there is digital continuity and seamless feedback between the two worlds that bring great potential advantages to our future society in all industries. This is a fast-moving, rapidly developing concept in its early stages;
- **Augmented reality (AR), virtual reality (VR) and mixed reality (MR) are covered by what we call “New Reality”:** The 3DEXPERIENCE platform is “VR ready”. Our software portfolio has long utilized virtual reality across multiple applications. Looking forward, we believe that this full spectrum of technologies from augmented and virtual reality to holograms - is one of the most transformative advantages business leaders have ever received. After 50 years of being almost exclusively confined to academic, corporate R&D and military research labs, these technologies are now available at an affordable price for use across B2B, B2C and B2B2C applications.

The **3DEXPERIENCE** 2018 release unveils the value of the **3DEXPERIENCE** platform both as an operating system powering our industry solutions experiences with our brand applications and as a business model powering our marketplace services. Two important developments in the **3DEXPERIENCE** 2018x release include:

- The introduction of **POWER'BY** which will enable all customers to benefit from the **3DEXPERIENCE** platform's value immediately without any need for migration of legacy data. There are three levels: to enable social collaboration; to leverage hybrid data for product configuration and bill of materials; or to use the full capabilities of the **3DEXPERIENCE** platform.
- We have also introduced **3DEXPERIENCE** Marketplace, an online e-commerce environment in which business innovators are able to collaborate and transact with other industrial content and service providers. **3DEXPERIENCE** Marketplace features a range of services with an ecosystem of recognized experts in their domains that delivers the knowledge and knowhow. Its first two services, **Make** and **PartSupply**, deliver on-demand manufacturing and intelligent part sourcing capabilities. **Make** helps businesses seamlessly collaborate with leading manufacturers worldwide across all manufacturing processes by leveraging 3D to go straight from design to parts, all while minimizing errors and risks. **PartSupply** enables businesses to easily search and compare in 3D millions of 3D components from hundreds of suppliers to identify and configure the right component before inserting it within their environment. **Make** and **PartSupply** are the first of many services envisioned for the **3DEXPERIENCE** Marketplace.



Industries and Customers

Our global customer base is comprised of industry leaders, mid-market companies, small companies and startups and also includes government and educational institutions. Our clients include companies in 12 industrial sectors: Transportation & Mobility; Industrial Equipment; Aerospace & Defense; Financial & Business Services; High-Tech; Life Sciences; Energy, Process & Utilities; Consumer Goods & Retail; Natural Resources; Architecture, Engineering & Construction; Consumer Packaged Goods & Retail and Marine & Offshore.

The composition of our software revenue in 2017 by our twelve industries was approximately as follows: Transportation & Mobility about 31%; Industrial Equipment about 16%; Aerospace & Defense about 13%; Business Services about 8%; Diversification Industries represented about 32% of our software revenue in 2017.

Today, the Company has the largest Industry Solution Experiences portfolio on the market. Our Industry Solution Experiences are designed to address key business processes of the respective individual industry and are comprised of industry process experiences and user roles matching up to those of the respective industry.

3DEXPERIENCE Software Applications Portfolio – Addressing the Needs of our User Communities

Dassault Systèmes' 3DEXPERIENCE software applications portfolio is designed to enable the powering of 3D realistic virtual experiences and is comprised of 3D modeling applications, simulation applications, social and collaborative applications, and information intelligence applications. The Company has successively expanded its portfolio of applications and organizes them by brand internally in order to maintain a strong research and development focus on the users served by these applications.

We continue to expand the capabilities of our brands to meet the evolving needs of existing and new users across our expanded addressable market. Dassault Systèmes' investments in research and development, as well as targeted acquisitions, have enabled the Company to deepen and broaden its offerings for customers as well as to bring its significant assets to help advance innovation in other target domains and industries.



History and Development Summary

Dassault Systèmes, the 3DEXPERIENCE Company, has the mission to provide business and people with 3DEXPERIENCE universes to imagine sustainable innovations capable of harmonizing product, nature and life. Unveiled in 2012, this purpose has given birth to a broad portfolio of Industry Solution Experiences whose key strengths are in their scientific content and deep understanding of industrial processes. Our software portfolio is applicable from Natural Resources to Cities, Transportation, Buildings, Smart Products, Consumer Goods, all the way to biological systems, chemistry and materials science. Founded in 1981, Dassault Systèmes has been developing technologies and solutions that propel innovation through business transformation in industries ranging from aerospace to life sciences. As a company, we are participating in more than 50 global initiatives dedicated to advance world-class production technologies and processes. Dassault Systèmes brings value to over 220,000 customers of all sizes, in all industries, in more than 140 countries.

In connection with the launch of 3DEXPERIENCE in 2012, our management system is now organized along three axes with: (i) a strategy to cover customer processes through an industry-focused set of offerings, "Industry Solution Experiences" based upon the Company's underlying software applications portfolio, content and services; (ii) a domain focused portfolio of software applications organized by brand in order to ensure a strong focus on the satisfaction of end user needs; and (iii) a global local specialized organization in order to leverage our global strengths, while at the same time ensuring a strong local proximity with customers and partners and enabling a more flexible management structure responsive to local needs at the client, partner and employee level thanks to our twelve geographic management teams.

Our Industry Solutions Experiences portfolio is powered by our 3DEXPERIENCE business platform which was designed to enable companies to bring their different departments together, in a holistic manner to drive their innovation – in products, in new business models and in customer experience successes. The 3DEXPERIENCE platform has proven uniquely suited to help companies thanks to its ability to improve and connect processes by implementing digital continuity across the principal disciplines, from ideation, design, scientific simulation, manufacturing and operations, to marketing and sales. The 3DEXPERIENCE platform feeds these processes with meaningful data analytics, and ensures the automatic propagation of changes across all disciplines.

Our investments, both through expenditures internally in research and development and through acquisitions, are closely aligned with our strategic roadmap. Our internal R&D investments are the principal driver of our product innovations and enhancements. In addition, with the expanded purpose and Social Industry Experiences strategy we are growing our addressable market along multiple axes: (i) broadening our offer to cover the key disciplines of clients, from enabling the gathering of upstream consumer insights to our core markets of design, engineering, simulation and manufacturing, and extending through to business planning and operations and point of sales and end-consumer experiences; and (ii) expanding our market coverage to address industries focused on the interaction of business and people with nature (geosphere) and business and people with life sciences (biosphere) and (iii) extending the power of 3D to people with 3D for All initiatives

most notably bringing 3D to consumers in an easy manner with our Homebyme solution thanks to artificial intelligence and leveraging new advanced mobile technologies. With our Homebyme solution, consumers all over the world can imagine, easily create and place furniture in rooms, and experience them in a virtual reality experience on mobile devices. We will continue to evaluate potential external investments complementing and extending the value our Company brings to industries, clients and users. See the Company's 2017 Annual Report (*Document de référence*), paragraphs 1.3.1.3 "Dassault Systèmes' Purpose and Strategy", 1.5.1.1 "Summary" and 1.5.1.4 "Research & Development, Technology and Science" for further information.

Research & Development, Technology and Science

Underpinning Dassault Systèmes long-standing market leadership has been its clear and strong commitment to technological innovation, enabling it to define and create new markets, expanding from 3D Design to Digital Mock-Up, to Product Lifecycle Management and to 3DEXPERIENCE.

Important principal areas of investment in R&D include, the 3DEXPERIENCE business platform foundations and services, Modeling Technologies (3D, systems engineering, natural resources and biosystems), technologies for product, production and usage realistic simulation, intelligent information technologies (indexing, dashboarding and data science) and connectivity technologies (for social and structured collaboration and program management & compliance). Moreover, the Company's R&D efforts are centered on advancing breakthrough user experiences, and expanding the reach of its solution with native cloud and mobility and immersive solutions.

Sales and Marketing, Education

We believe the structure of our sales, well-balanced between our direct and indirect sales channels and with our geographic and industry organizations, have enabled us to develop a diverse customer base, by client size, geographic origin and industry, and to deepen our global reach. Our clients range from start-ups to global leaders. Our clients also include educational institutions and government entities.

To ensure sales and marketing coverage of all our customers, we have developed three sales and distribution channels, with approximately 57% of total revenue generated through direct sales and 43% through our two indirect sales channels in 2017. We continue to selectively expand and extend our sales radius, deepen our industry expertise and relationships, as well as domain or discipline knowledge of our three sales channels. No single customer or sales channel partner represented more than 5% of the Company's total revenue in 2017 and 2016.

Our three sales channels include:

- **3DS Business Transformation:** sales to large companies and government entities are generally conducted through our direct sales channel, the 3DS Business Transformation channel. Direct sales, including both software and services revenue, represented 57% and 59% of our total revenue in 2017 and 2016, respectively;
- **3DS Value Solutions:** sales to small and mid-sized companies are generally conducted indirectly through our 3DS Value Solutions channel, a global network of value-added resellers with Industry specialization. This channel represented 21% of our total revenue in both 2017 and 2016;
- **3DS Professional Solutions** (previously Professional Channel): the 3DS Professional Solutions channel is an indirect channel focused on the volume market. It is comprised of a worldwide network of value-added resellers and distributors providing sales, local training, services and support to customers. Sales through this channel represented 22% and 20% of our total revenue in 2017 and 2016, respectively.

In addition to our sales channels, we continue to actively develop and expand close relationships with system integrators with industry and domain expertise.

We see Education as critical to help enable the Workforce of the Future and see 3D as an important vehicle to help improve how students learn. With respect to the development of the workforce of the future, our mission is to help transform the education system, from primary school to university to the professional world, with innovative, holistic and interdisciplinary curricula based on Dassault Systèmes solutions and technologies, thus preparing the talents for now and the future to the needs of Society, Industry and Research. Dassault Systèmes sees Education as a lifelong learning process. It begins at the school level, where our focus is partnering with academia to help develop the 21st century global skill sets needed by industries "enjoying a renaissance". Education has been a long-term focus for us, SOLIDWORKS is a Global Leader in 3D Design education, surpassing more than 3 million seats to date. The robustness of SIMULIA's solver technology is well evidenced by its wide-spread usage in academic research at the post-graduate level. In total, an estimated 6,700,000 students have used our software solutions. About 42,000 schools use our software in their educational programs.

Our Estimated Addressable Market Size, Market Position and Competitors

We have sized our current software Total Addressable Market (TAM) at approximately \$28 billion from \$26 billion in 2017. This increase reflects market growth and expansion of our capabilities. Our total addressable market sizing uses third party estimates of software domains which we analyze and compare to our software capabilities to assess whether such addressable markets are part of what we can address

currently. The third party estimates we use do not take into account internally developed software by companies but only commercially sold software.

We are the world's leading provider in the PLM market, defined as 3D Design, simulation, digital manufacturing and collaboration software. We are also the world's leading 3D Design and Engineering Simulation software provider with our CATIA, SOLIDWORKS and SIMULIA brands. (Based upon internal analysis and external information). In the 3DEXPERIENCE market simulating the user experience encompasses a larger definition of simulation beyond that of the individual physics or multi-physics capabilities of competitors.

We operate in a highly-competitive marketplace. As we continue to broaden our addressable market, by expanding our current product portfolio, diversifying our client base, and developing new applications and markets, we face an increasing level of competition. Our competitors range from technology start-ups to the largest technology and industrial companies in the world. For further information, see Section 1.5.2.6 "Our Estimated Addressable Market Size, Market Position and Competitors" of the Company's 2017 Annual Report (*Document de référence*).

2.2 Risk Factors

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2018 are presented in Section 1.7 "Risk Factors" of the Company's 2017 *Document de référence* filed with the *Autorité des marchés financiers* ("AMF", the French Financial Markets Authority) on March 21, 2018, it being specified that certain information relating to foreign currency and interest rate risks mentioned in said *Document de référence* are updated in Note 14 of the Company's half year consolidated condensed financial statements under Chapter 3 of this Half Year Report.

2.3 Financial Review and Prospects

The executive overview in paragraph 2.3.1. "First Half 2018 Executive Overview" highlights selected aspects of our business during the first six months of 2018. The First Half 2018 Executive Overview, including the Summary Overview, Performance Against our non-IFRS Financial Objectives, Definitions of Key Metrics We Use, Supplemental non-IFRS Financial Information and IFRS 15 implementation, and the more detailed discussion that follows in paragraphs 2.3.2 "2018 IFRS 15 implementation comparison" and 2.4 "Consolidated Information: Financial Review of First Half 2018 compared to First Half 2017" should be read together with our consolidated financial statements and the related notes included under Chapter 3 "Consolidated Financial Statements".

The Company has implemented IFRS 15 effective as of January 1, 2018. While the implementation will not have a material impact on overall growth rates for the full fiscal year, the Company expects that the implementation will cause a variation in quarterly revenue recognition, more specifically for subscription revenue within recurring software revenue, operating income, operating margin, net income and earnings per share. To aid investors and analysts, during 2018, the first year of the implementation of IFRS 15 we are providing IFRS and non-IFRS quarterly, half year and full year financial information in accordance with IFRS 15. We are also providing quarterly, half year and full year IFRS and non-IFRS financial information as well as our quarterly and full year financial objectives on an IAS 18 implementation basis to provide comparability to our 2017 accounts.

2.3.1 First Half 2018 Executive Overview

In millions of Euros, except per share data	IFRS under IFRS15	IFRS under IAS18			Non-IFRS under IFRS15	Non-IFRS under IAS18		
		YTD 2018	Change	Change in cc*		YTD 2018	Change	Change in cc*
YTD 2018 Total Revenue	1,646.4	1,606.6	3%	9%	1,651.3	1,611.4	2%	9%
YTD 2018 Software Revenue	1,475.2	1,435.4	3%	10%	1,480.0	1,440.2	3%	9%
YTD 2018 Services Revenue	171.2	171.2	-4%	2%	171.2	171.2	-4%	2%
YTD 2018 Operating Margin	21.1%	19.1%	+0.7pts		30.4%	28.7%	+0.5pts	
YTD 2018 EPS	1.02	0.91	12%	22%	1.41	1.30	13%	23%

Total Software Revenue in millions of Euros	IFRS under IFRS15	IFRS under IAS18			Non-IFRS under IFRS15	Non-IFRS under IAS18		
		YTD 2018	YTD 2017	Change in cc*		YTD 2018	YTD 2017	Change in cc*
Americas	417.7	417.2	425.7	9%	420.5	420.0	428.9	9%
Europe	631.9	602.9	578.2	7%	632.4	603.4	584.5	6%
Asia	425.6	415.3	384.9	15%	427.1	416.7	385.5	15%

Summary Overview

Dassault Systèmes, the 3DEXPERIENCE Company, has the mission to provide business and people with 3DEXPERIENCE universes to imagine sustainable innovations capable of harmonizing product, nature and life.

We were honored to have Dassault Systèmes ranked first among the 2018 Top 100 Most Sustainable Corporations by Corporate Knights for our vision of harmonizing product, nature and life and for implementing this vision in everything that we do. Empowering industry and people to create 3DEXPERIENCE universes to imagine, invent, and deliver disruptive solutions that advance sustainability in domains as large as energy, mobility of the future, cities, life sciences and high-tech is at the core of our purpose and DNA.

With 3DEXPERIENCE Dassault Systèmes is pioneering the next generation innovation platform supporting breakthroughs for clients in products, customer experiences and new business models. We believe that the 3DEXPERIENCE platform and our industry solutions experiences well address critical needs and requirements of our customers.

Looking at our financial, business and strategic activities during the First Half on an IAS 18 basis:

- We expected a strong start to 2018 and that was the case. First Half Licenses and other software increased 10% (IFRS and non-IFRS) at constant currency and on an organic basis, reflecting improving breadth and balance, with licenses and other software revenue up double-digits for CATIA, SOLIDWORKS, ENOVIA, DELMIA, SIMULIA and GEOVIA.
- We are seeing strong traction for 3DEXPERIENCE thanks to the digital continuity it enables connecting our clients' value streams. During the 2018 First Half 3DEXPERIENCE licenses revenue increased 27% at constant currency. New engagements were signed and new 3DEXPERIENCE programs commenced with global industry leaders, including companies in Aerospace & Defense, High Tech, Transportation & Mobility, Energy, Process & Utilities, Marine & Offshore and Consumer Packaged Goods.

- The Company is continuing to progress in extending our market position in our Core Industries. At the same time we are expanding our footprint in our Diversification Industries. Total revenue increased 9% (IFRS and non-IFRS) in constant currencies, with double-digit software growth in constant currencies in Transportation & Mobility, Marine & Offshore, Consumer Packaged Goods-Retail, Architecture, Engineering & Construction and Natural Resources.
- On a regional basis and at constant currency, Asia software revenue increased 15% (IFRS and Non-IFRS) on double-digit growth across all five of our geos, including China, Japan, India, Korea and Asia Pacific; Europe software revenue grew 7% in IFRS and 6% in Non-IFRS, with notably strong growth in Southern Europe and Russia; and in the Americas software revenue increased 9% (IFRS and Non-IFRS) led by Latin America and a solid contribution from North America. Non-IFRS High Growth countries software revenue increased 21% at constant currency during the 2018 First Half.
- We are also continuing to extend our Addressable Market, investing in markets that are highly promising both in terms of digital maturity and our own growth potential. We have teamed up with Centric Software, the market leader driving digital transformation in the fashion, apparel, luxury and retail sectors with its well-tailored, configurable PLM solution. Together, we aim to boost the innovation and speed to market of all businesses that launch their products by Collections and seek solutions that respond to today's on-trend and on-demand consumers.
- During the First Half the Company also completed the acquisition of No Magic, bringing technology to design and test system of systems and enable connected experiences. The Company also acquired Opera FEA bringing low frequency electro-magnetic analysis, complementing the acquisition of CST in 2016 and bringing additional capabilities to Dassault Systèmes' robust offer for electric vehicles globally.
- Our latest release, the **3DEXPERIENCE 2018** release, extends the power of the **3DEXPERIENCE** platform demonstrating its value both as an operating system powering our clients' industry solutions experiences with our brand applications and as a business model powering our Marketplace services. Two important developments in the **3DEXPERIENCE 2018x** release include:
 - The introduction of **POWER'BY** which will enable all customers to benefit from the **3DEXPERIENCE** platform's value immediately without any need for migration of legacy data. There are three levels: to enable social collaboration; to leverage hybrid data for product configuration and bill of materials; or to use the full capabilities of the **3DEXPERIENCE** platform;
 - The introduction of "**3DEXPERIENCE Marketplace**" – here we are connecting buyers and sellers of design and manufacturing content as well as services. Our first two areas are: what we call "Make" where buyers can find 3D printing suppliers who are connected to the Marketplace and "Part Supply" where users can find the most comprehensive and intelligent catalog of sourceable 3D components.
- Net operating cash flow for the 2018 First Half increased 9% to €645.5 million at June 30, 2018, compared to €592.4 million in the 2017 First Half on growth in net income and non-cash operating adjustments. The Company's uses of cash during the 2018 First Half were principally for payments of acquisitions, net of cash acquired of €51.6 million and acquisition of non-controlling interests of €26.2 and dividends paid in cash of €38.0 million.
- On an IAS 18 basis, at June 30, 2018, our unearned revenue totaled €1.02 billion and increased 8% compared to June 30, 2017 in constant currencies and on an organic basis. With recurring software revenue in excess of €2 billion on a 2017 annual basis, we have a significant level of visibility with respect to our software revenue growth.
- Our net financial position totaled €2.04 billion at June 30, 2018, compared to €1.46 billion at December 31, 2017, reflecting an increase in cash, cash equivalents and short-term investments to €3.04 billion from €2.46 billion at December 31, 2017, with long-term debt of €1.00 billion unchanged.

Performance against Our Non-IFRS Financial Objectives

In discussing and analyzing our results of operations, the Company considers supplemental non-IFRS financial information: (i) non-IFRS revenue data excludes the effect of adjusting the carrying value of acquired companies' deferred revenue; and non-IFRS expense data excludes, (ii) the amortization of acquired intangibles, (iii) share-based compensation expense and related social charges, (iv) certain other operating income and expense, net, (v) certain one-time items included in financial income and other, net, and (vi) certain one-time tax effects and the income tax effects of the above adjustments. A reconciliation of this supplemental non-IFRS financial information with information set forth in the Company's consolidated financial statements and the notes thereto is presented below under paragraph 2.3.3 "Supplemental non-IFRS Financial Information".

Our management uses the supplemental non-IFRS financial information, together with the IFRS financial information, for financial planning and analysis, evaluation of our operating performance, mergers and acquisition analysis and valuation, operational decision-making and for setting financial objectives for future periods. Compensation of our senior management is based in part on the performance of our business measured with the supplemental non-IFRS information. We believe that the supplemental non-IFRS data also provides meaningful information to investors and financial analysts who use the information for comparing the Company's operating performance to its historical trends and to other companies in the software industry, as well as for valuation purposes.

Summary

During the 2018 First Half our financial performance was well aligned with the objectives we set out during the first two quarters of the year and well support our full year financial objectives. During the first half of 2018:

- **Total Non-IFRS Software Revenue:** On an IAS 18 basis, non-IFRS software revenue increased 9% in constant currencies.
- **Non-IFRS Licenses and Other Software Revenue:** On an IAS 18 basis Licenses and other software revenue increased 10% in constant currencies, with double-digit growth for CATIA, SOLIDWORKS, ENOVIA, SIMULIA, DELMIA and GEOVIA.
- **Non-IFRS Recurring Revenue:** Non-IFRS Recurring revenue increased 9% in constant currencies reflecting strong growth in Subscription revenue, including the acquisition of EXA, and continued strong Support renewal rates in all three regions. Non-IFRS Recurring revenue, comprised of Subscription and Support revenue, represented 72% of non-IFRS software revenue.
- **Non-IFRS Operating Income and Margin:** IAS 18 non-IFRS operating income totaled €462.0 million, representing an increase of 3.9% as reported and 13% in constant currencies. The IAS 18 non-IFRS operating margin was 28.7% for the 2018 First Half, compared to 28.2% in the year-ago period, reflecting underlying organic improvement of 160 basis points, offset in part by negative currency effects of 70 basis points and acquisition dilution estimated at 40 basis points.
- **Non-IFRS Earnings per Diluted Share:** IAS 18 non-IFRS diluted net income per share totaled €1.30, representing increases of 13.0% as reported and 23% at constant currency.

2018 Business Outlook

For a discussion of the Company's 2018 business outlook, see paragraph 2.7 "2018 Financial Objectives".

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2018 are presented in Section 1.7 "Risk Factors" of the Company's 2017 Annual Report (*Document de référence*) filed with the *Autorité des marchés financiers* ("AMF", the French Financial Markets Authority) on March 21, 2018, it being specified that certain information relating to foreign currency and interest rate risks mentioned in said *Document de référence* are updated in Note 14 of the Company's half year consolidated condensed financial statements under Chapter 3 of this Half Year Report.

Definitions of Key Metrics We Use

Information in Constant Currencies

We have followed a long-standing policy of measuring our revenue performance and setting our revenue objectives exclusive of currency in order to measure in a transparent manner the underlying level of improvement in our revenue and software revenue by type, industry, region and product lines. We believe it is helpful to evaluate our growth exclusive of currency impacts, particularly to help understand revenue trends in our business.

Therefore, we provide percentage increases or decreases in our revenue and earnings (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values, particularly the U.S. dollar and the Japanese yen, relative to the euro. When trend information is expressed by us "in constant currencies", the results of the "prior" period have first been recalculated using the average exchange rates of the comparable period in the current year, and then compared with the results of the comparable period in the current year.

While constant currency calculations are not considered to be an IFRS measure, we do believe these measures are critical to understanding our global revenue results and to compare with many of our competitors who report their financial results in US dollars. Therefore, we are including this calculation for comparing IFRS revenue figures for comparable periods as well as for comparing non-IFRS revenue figures for comparable periods. All constant currency information is provided on an approximate basis. Unless otherwise indicated, the impact of exchange rate fluctuations is approximately the same for both the Company's IFRS and supplemental non-IFRS financial data.

Information on Growth excluding acquisitions ("organic growth")

In addition to discussing total growth we also provide financial information where we discuss growth excluding acquisitions or growth on an organic basis as used alternatively. In both cases growth excluding acquisitions have been calculated using the following restatements of the scope of consolidation: for entities entering the consolidation scope in the current year, subtracting the contribution of the acquisition from the aggregates of the current year, and for entities entering the consolidation scope in the previous year, subtracting the contribution of the acquisition from January 1st of the current year, until the last day of the month of the current year when the acquisition was made the previous year.

Information on Industrial Sectors

Our global customer base includes companies in 12 industrial sectors: Transportation & Mobility; Industrial Equipment; Aerospace & Defense; Financial & Business Services; High-Tech; Life Sciences; Energy, Process & Utilities; Consumer Goods & Retail; Natural Resources; Architecture, Engineering & Construction; Consumer Packaged Goods & Retail and Marine & Offshore. Commencing in 2012 we implemented an industry go-to-market strategy with the dual objectives of broadening and deepening our presence in our largest industries as well as increasing the contribution from a diversified set of industrial sectors. "Diversification Industries" include: Architecture, Engineering & Construction; Consumer Goods & Retail; Consumer Packaged Goods & Retail; Energy, Process & Utilities; Finance Business Services; High-Tech; Life Sciences; Marine & Offshore; and Natural Resources. "Core Industries" include: Transportation & Mobility, Industrial Equipment, Aerospace & Defense and a portion of Business Services.

3DEXPERIENCE Licenses Revenue and Software Revenue Contribution

To measure the progressive penetration of 3DEXPERIENCE software, we utilize the following ratios: a) for licenses revenue, we calculate the percentage contribution by comparing total 3DEXPERIENCE licenses revenue to licenses revenue for all product lines except SOLIDWORKS and acquisitions ("related licenses revenue"); and, b) for software revenue, we calculate the percentage contribution by comparing total 3DEXPERIENCE software revenue to software revenue for all product lines except SOLIDWORKS and acquisitions ("related software revenue").

2.3.2 2018 IFRS 15 implementation comparison

We have implemented IFRS 15 effective as of January 1, 2018 on a modified retrospective basis. Therefore, we have not restated prior periods. While the implementation of the new standard will not have a material impact on revenue growth rates for the full fiscal year, it will cause a variation in quarterly and half year revenue recognition, more specifically for subscription revenue (formerly called periodic revenue) included within recurring software revenue.

IFRS 15 has an effect on the timing of recognition of subscription revenue from contracts generally for one-year duration, but on a full fiscal year basis there is essentially no difference between IAS 18 and IFRS 15 except when we have multi-year agreements with customers. We reviewed the contracts signed in 2017 and simulated their restatement on an IFRS 15 basis. The difference in revenue between the two standards, IFRS 15 and IAS 18, on these contracts as of December 31, 2017 was estimated at about €11 million. The implementation of IFRS 15 on January 1, 2018 also lead to recognize an amount of €110 million, €80 million after taxes, in stockholders' equity in respect of some portion of subscription agreements concluded in prior years and deferred in the 2017 consolidated financial statements. We continue to fully expense sales commissions under the IFRS 15 standard. See Note 2 to the Condensed consolidated financial statements for a description of this and other accounting policies.

Summary of Principal Differences

	IFRS IFRS15 Basis H1 18	IFRS Difference	IFRS IAS 18 Basis H1 18	Non-IFRS IFRS 15 Basis H1 18	Non-IFRS Difference	Non-IFRS IAS 18 Basis H1 18
<i>(In millions of Euros, except per share data)</i>						
Total Revenue	€1,646.4	€(39.8)	€1,606.6	€1,651.3	€(39.8)	€1,611.4
Software Revenue	1,475.2	(39.8)	1,435.4	1,480.0	(39.8)	1,440.2
- Licenses and other software revenue	396.6	2.7	399.3	396.6	2.7	399.3
- Subscription and support revenue	1,078.6	(42.6)	1,036.0	1,083.4	(42.5)	1,040.9
Recurring Portion of Software revenue	73%		72%	73%		72%
Services Revenue	171.2	-	171.2	171.2	-	171.2
Total Operating Expenses	(1,299.0)	-	(1,299.0)	(1,149.5)	-	(1,149.5)
Operating Income	347.4	(39.8)	307.6	501.8	(39.8)	462.0
Operating Margin	21.1%	(2.0)pts	19.1%	30.4%	(1.7)pt	28.7%
EPS	€1.02	€(0.11)	€0.91	€1.41	€(0.11)	€1.30

See Note 2 to the Condensed consolidated financial statements for a description of the main impacts arising from IFRS 15 implementation.

2.3.3 Supplemental non-IFRS Financial Information

Readers are cautioned that the supplemental non-IFRS financial information is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered in isolation from or as a substitute for IFRS measurements. The supplemental non-IFRS financial information should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS. Furthermore, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. Specific limitations for individual non-IFRS measures are set forth in the Company's 2017 Document de référence.

In evaluating and communicating its results of operations, the Company supplements its financial results reported on an IFRS basis with non-IFRS financial data. As presented above in section 2.3.1 "First Half 2018 Executive Overview – Performance against our Non-IFRS Financial Objectives", the supplemental non-IFRS financial information excludes the effects of: deferred revenue adjustments for acquired companies, amortization of acquired intangibles, share-based compensation expense and related social charges, other operating income and expense, net, certain one-time items included in financial income and other, net, and the income tax effect of the non-IFRS adjustments and certain one-time tax effects. Subject to the limitations set forth in its most recent *Document de référence*, the Company believes that the supplemental non-IFRS financial information provides a consistent basis for period-to-period comparisons which can improve investors' understanding of its financial performance.

The Company's management uses the supplemental non-IFRS financial information, together with its IFRS financial information, to evaluate its operating performance, make operating decisions, and conduct planning and set objectives for future periods. Compensation of its executive officers is based in part on the performance of its business measured with the supplemental non-IFRS information. The Company believes that the supplemental non-IFRS data also provides meaningful information to investors and financial analysts who use the information for comparing the Company's operating performance to its historical trends and to other companies in its industry, as well as for valuation purposes.

The following table sets forth the Company's supplemental non-IFRS financial information, together with the comparable IFRS financial measure and a reconciliation of the IFRS and non-IFRS information, both under IAS 18.

IAS 18 <i>(in millions, except percentages and per share data)</i>	For the First Half Ended June 30,					Increase (Decrease)		
	2018 IFRS	Adjustment	2018 non- IFRS	2017 IFRS	Adjustment ⁽¹⁾	2017 non-IFRS	IFRS	non- IFRS ⁽²⁾
Total Revenue	€1,606.6	€4.8	€1,611.4	€1,566.2	€10.1	€1,576.3	3%	2%
Total revenue by activity								
Software revenue	1,435.4	4.8	1,440.2	1,388.7	10.1	1,398.8	3%	3%
Services and other revenue	171.2	-	171.2	177.5	-	177.5	(4%)	(4%)
Total revenue by geography								
Europe	679.1	0.6	679.7	653.8	6.3	660.1	4%	3%
Americas	474.7	2.8	477.5	490.7	3.2	493.9	(3%)	(3%)
Asia	452.7	1.5	454.2	421.7	0.6	422.3	7%	8%
Total software revenue by product line								
CATIA	491.4	0.5	491.9	486.2	-	486.2	1%	1%
ENOVIA	160.8	-	160.8	158.0	-	158.0	2%	2%
SOLIDWORKS	360.3	-	360.3	350.9	-	350.9	3%	3%
Other Software	422.9	4.4	427.3	393.6	10.1	403.8	7%	6%
Total Operating Expenses	€(1,299.0)	€149.5	€(1,149.5)	€(1,277.3)	€145.4	€(1,131.8)	2%	2%
Share-based compensation expense	(60.2)	60.2	-	(54.4)	54.4	-		
Amortization of acquired intangibles	(82.5)	82.5	-	(80.5)	80.5	-		
Other operating income and expense, net	(6.9)	6.9	-	(10.6)	10.6	-		
Operating Income	307.6	154.4	462.0	288.9	155.6	444.5	6%	4%
Operating Margin	19.1%		28.7%	18.4%		28.2%		
Financial revenue and other, net	9.1	1.1	10.3	22.5	(22.6)	(0.2)		
Income before Income Taxes	316.7	155.5	472.2	311.4	133.0	444.4	2%	6%
Income tax expense	(80.2)	(53.5)	(133.7)	(102.2)	(45.8)	(147.9)	(22%)	(10%)
Non-controlling interest	0.4	-	0.4	(1.3)	-	(1.3)		
Net Income attributable to shareholders	€236.9	€102.0	€339.0	€208.0	€87.2	€295.1	14%	15%
Diluted Net Income Per Share⁽³⁾	€0.91	€0.39	€1.30	€0.81	€0.34	€1.15	12%	13%

(1) In the reconciliation schedule above, (i) all adjustments to IFRS revenue data reflect the exclusion of the deferred revenue adjustment of acquired companies; (ii) adjustments to IFRS operating expense data reflect the exclusion of the amortization of acquired intangibles, share-based compensation expense and related social charges, as detailed below, and other operating income and expense, (iii) adjustments to IFRS financial revenue and other, net reflect the exclusion of certain one-time items included in financial revenue and other, net, and (iv) all adjustments to IFRS income data reflect the combined effect of these adjustments, plus with respect to net income and diluted net income per share, the income tax effect of the non-IFRS adjustments and certain one-time tax effects.

IAS A8 (in millions)	For the First Half Ended June 30,					
	2018 IFRS	Adjustment	2018 Non-IFRS	2017 IFRS	Adjustment	2017 Non-IFRS
Cost of software, services and other revenue	€(240.2)	€2.1	€(238.1)	€(240.1)	€2.2	€(238.0)
Research and development	(314.0)	23.1	(290.9)	(305.9)	23.0	(282.9)
Marketing and sales	(515.8)	13.9	(501.9)	(518.3)	18.1	(500.2)
General and administrative	(139.6)	21.1	(118.4)	(121.8)	11.1	(110.7)
Total share-based compensation expense		60.2			54.4	

(2) The non-IFRS percentage change compares non-IFRS measures for the two different periods. In the event there is an adjustment to the relevant measure for only one of the periods under comparison, the non-IFRS change compares the non-IFRS measure to the relevant IFRS measure;

(3) Based on a weighted average of 260.0 million diluted shares for the 2018 First Half and 257.1 million diluted shares for the 2017 First Half.

2.4 Consolidated Information: Financial Review of First Half 2018 Compared to First Half 2017

2.4.1 Revenue

Our total revenue is comprised of (i) software revenue, which is our primary source of revenue, and (ii) services revenue. During the 2018 First Half software revenue represented 89.3% (88.7% in H117) and services revenue represented 10.7% (11.3% in H117) of our IAS 18 IFRS total revenue.

in millions of Euros except per share data	For the Half Year Ended June 30,					
	IFRS 15 Basis 2018	Difference	IAS 18 Basis 2018	IAS 18 Basis 2017	IAS 18 Change	IAS 18 Change in cc*
Total Revenue*	€1,646.4	€(39.8)	€1,606.6	€1,566.2	3%	9%
Total Software Revenue	1,475.2	(39.8)	1,435.4	1,388.7	3%	10%
- Licenses and Other software	396.6	2.7	399.3	384.8	4%	10%
- Subscription and Support revenue	1,078.6	(42.6)	1,036.0	1,003.9	3%	9%
Americas total software	417.7	(0.5)	417.2	425.7	(2%)	9%
Europe total software	631.9	(29.0)	602.9	578.2	4%	7%
Asia total software	425.6	(10.3)	415.3	384.9	8%	15%
Services Revenue	€171.2	-	€171.2	€177.5	(4%)	2%

* The Company's largest national markets as measured by total revenue were the United States, Germany, Japan, France and the United Kingdom for the year ended December 31, 2017 and for the first half ended June 30, 2018.

On an IAS 18 basis and in constant currencies, total revenue increased 9% (both in IFRS and non-IFRS). Excluding acquisitions, IAS 18 non-IFRS total revenue and software revenue increased 6% and 7%, respectively, at constant currency.

2.4.1.1 Software Revenue

Software revenue is comprised of new licenses revenue and other software revenue and subscription (formerly entitled periodic licenses) and support revenue (formerly entitled maintenance subscription revenue). Subscription and support revenue are referred to together as "recurring revenue".

Our software applications are principally licensed pursuant to one of two payment structures: (i) licenses, for which the customer pays an initial or one-time fee for a perpetual license or (ii) subscription revenue, for which the customer pays periodic fees to keep the subscription active. Support revenue represents periodic fees associated with the sale of unspecified product updates on a when-and-if-available basis and technical support. Subscription licenses entitle the customer to product updates without additional charge and to technical support. Product updates include improvements to existing products but do not cover new products. Other software revenue is comprised of the

Company's product development revenue relating to the development of additional functionalities of standard products requested by customers and reinstated maintenance.

<i>(in millions of euros, except percentages)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Software revenue by type:			
Licenses and Other software revenue	€396.6	€399.3	€384.8
Subscription and Support revenue	1,078.6	1,036.0	1,003.9
Total software revenue	€1,475.2	€1,435.4	€1,388.7
(as % of total revenue)	89.6%	89.3%	88.7%

On an IAS 18 basis and in constant currencies: Software revenue increased 10% (IFRS) and 9% (non-IFRS). Licenses and other software revenue increased 10% (IFRS and non-IFRS), with double-digit growth for CATIA, SOLIDWORKS, ENOVIA, SIMULIA, DELMIA and GEOVIA. IAS 18 IFRS (and non-IFRS) recurring software revenue, comprised of Subscription and Support revenue, represented 72% of total software revenue. Recurring revenue increased 10% in IFRS and 9% in Non-IFRS reflecting strong growth in Subscription revenue, including the acquisition of EXA, and continued strong Support renewal rates in all three regions.

2.4.1.2 Services Revenue

Services revenue is principally comprised of revenue from consulting services in methodology for design, deployment and support, training services and engineering services. In addition, services revenue also includes content-related digital production for use in 3D visualization, advertising, sales and marketing.

<i>(in millions of euros, except percentages)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Services revenue	€171.2	€171.2	€177.5
(as % of total revenue)	10.4%	10.7%	11.3%

IAS 18 IFRS services revenue decreased 3.5% as reported. On a IAS non-IFRS basis, services revenue increased 2% in constant currencies, with double-digit growth in 3DEXPERIENCE related services activity, offset principally by lower marketing related services engagement revenue in the 2018 First Half.

2.4.2 Operating expenses

<i>(in millions of euros)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Operating expenses	€1,299.0	€1,299.0	€1,277.3
Non-IFRS adjustments	(149.5)	(149.5)	(145.4)
Non-IFRS operating expenses	€1,149.5	€1,149.5	€1,131.8

The Company continues to expense sales commissions under the IFRS 15 standard. Therefore, there are no capitalized sales commissions. As a result, the Company's operating expenses are identical under IFRS 15 and under the former IAS 18 standard.

The adjustments and non-IFRS operating expenses in the table above reflect adjustments to the Company's financial information prepared in accordance with IFRS by excluding (i) the amortization of acquired intangibles of €32.5 million and €30.5 million for the 2018 and 2017 First Half, respectively, (ii) share-based compensation expense and related social charges of €60.2 million and €54.4 million for the 2018 and 2017 First Half, respectively, and (iii) other operating income and (expense), net of €(6.9) million and €(10.6) million for the 2018 and 2017 First Half, respectively. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see paragraph 2.3.3 "Supplemental Non-IFRS Financial Information" further above and the discussion of Amortization of acquired intangibles and Other operating income and expense, net below herein.

Cost of Software Revenue

The cost of software revenue includes principally software personnel costs, licensing fees paid for third-party components integrated into the Company's own products, hosting and other cloud-related costs and other expenses.

<i>(in millions of euros, except percentages)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Cost of software revenue (excluding amortization of acquired intangibles)	€79.0	€79.0	€78.4
(as % of total revenue)	4.8%	4.9%	5.0%

Cost of software revenue (excluding amortization of acquired intangibles) increased 0.8%. Non-IFRS IAS 18 cost of software revenue increased 1.0% to €78.1 million as reported and increased 8% at constant currency (5% on an organic basis), primarily reflecting increased expenses related to third-party product royalties.

Cost of Services Revenue

The cost of services revenue includes principally personnel and other costs related to organizing and providing consulting, deployment services, content creation and educational services less the technical support provided to sales operations.

<i>(in millions of euros, except percentages)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Cost of services revenue	€161.2	€161.2	€161.8
(as % of total revenue)	9.8%	10.0%	10.3%

Cost of services and other revenue decreased 0.4%. Non-IFRS costs of services and other revenue totaled €160.0 million, representing a decrease of 0.4% as reported, reflecting a slight increase of the business offset by favorable exchange rates, but an increase of 5% at constant currency (3% on an organic basis) on growth in personnel expenses as well as subcontracting costs.

Research and Development Expenses

We conduct our research in Europe (mainly France, Germany, the United Kingdom, the Netherlands, Lithuania and Poland), the Americas (the United States and Canada) and Asia Pacific (mainly India, Malaysia and Australia).

Expenses for R&D include primarily personnel costs as well as the rental, depreciation and maintenance expenses for computers and computer hardware used in R&D, development tools, computer networking and communication expenses.

Costs for R&D of software are expensed in the period in which they were incurred. A small percentage of R&D personnel pursue R&D activities in the context of providing clients with software maintenance, and their cost is thus included under cost of software revenue.

Expenses for R&D are recorded net of grants recognized from various governmental authorities to finance certain R&D activities (mainly R&D tax credits in France).

<i>(in millions of euros, except percentages)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Research and development expenses	€14.0	€14.0	€05.9
(as % of total revenue)	19.1%	19.5%	19.5%

During the 2018 First Half, research and development expenses increased 2.6%. On a non-IFRS basis, research and development expenses totaled €291.0 million and increased 2.9% as reported and 7% at constant currency (3% on an organic basis). Growth reflected higher personnel costs including headcount growth and slightly higher cloud costs offset in part by higher government grants included in research and development in the amount of €14.5 million compared to €12.9 million in the 2017 First Half.

Marketing and Sales Expenses

Marketing and sales expenses consist primarily of personnel costs, which include sales commissions and personnel for processing sales transactions; marketing and communications expenses, including advertising; travel expenses; and marketing infrastructure costs, such as information technology resources used for marketing.

	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
<i>(in millions of euros, except percentages)</i>			
Marketing and sales expenses	€15.8	€15.8	€18.3
(as % of total revenue)	31.3%	32.1%	33.1%

Marketing and sales expenses decreased 0.5% principally driven by lower share-based expenses and favorable exchange rates. Non-IFRS marketing and sales expenses totaled €501.9 million, representing an increase of 0.4% and an increase of 6% at constant currency, with higher sales investments offset in part by lower marketing expenses.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs of the finance, procurement, human resources and other departments, including legal; third-party professional fees (excluding acquisition-related fees) and other expenses; travel expenses; related infrastructure costs, including information technology resources as well as other expenses related to these departments.

	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
<i>(in millions of euros, except percentages)</i>			
General and administrative expenses	€139.6	€139.6	€121.8
(as % of total revenue)	8.5%	8.7%	7.8%

General and administrative expenses increased 14.6%, principally reflecting the increase in the expenses related to the performance share plans whose underlying growth is due to share price growth, and to changes in the scope. On a non-IFRS basis, general and administrative expenses totaled €118.4 million, increasing 7.0% or 10% at constant currency, with the growth principally driven by higher other general & administrative personnel costs.

Amortization of Acquired Intangibles

Amortization of acquired intangibles includes mainly amortization of acquired technology and acquired customer relationships.

	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
<i>(in millions of euros)</i>			
Amortization of acquired intangibles	€2.5	€2.5	€0.5

Amortization of acquired intangibles increased 2.5% in the 2018 First Half, reflecting new acquisitions.

Other Operating Income and Expense, Net

Other operating income and (expense), net, includes the impact of events that are unusual, infrequent or generally non-recurring in nature.

	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
<i>(in millions of euros)</i>			
Other operating income (expense), net	€(6.9)	€(6.9)	€(10.6)

Other operating income (expense), net decreased €3.7 million with lower early retirement and relocation costs related to vacant premises reconfiguration of €5.1 million offset in part by an increase in acquisition-related fees and restructuring costs of €1.3 million.

See Note 8 to the consolidated financial statements.

2.4.3 Operating income

<i>(in millions of euros)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Operating income	€47.4	€307.6	€288.9

IAS 18 IFRS operating income increased 6.5% or €18.7 million for the 2018 First Half principally driven by revenue growth as well as IFRS operating margin improvement of 70 basis points.

On an IAS 18 non-IFRS basis, operating income totaled €462.0 million, representing an increase of 3.9% as reported or 13% at constant currency. The IAS 18 non-IFRS operating margin was 28.7% for the 2018 First Half, compared to 28.2% in the year-ago period, reflecting underlying organic improvement of 160 basis points, which more than offset negative currency effects of 70 basis points and acquisition dilution estimated at 40 basis points.

Currency had a net negative impact on IAS 18 IFRS and non-IFRS operating income growth of approximately 9 percentage points during the 2018 First Half.

2.4.4 Financial revenue and other, net

Financial revenue and other, net includes (i) interest income and interest expense, net; (ii) foreign exchange gains or losses, net, primarily composed of realized and unrealized exchange gains and losses on receivables and loans denominated in foreign currencies; and (iii) one-time items, net principally composed of net gains or losses on sales of investments.

<i>(in millions of euros)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Financial revenue and other, net	€9.1	€9.1	€22.5

Financial revenue and other, net was mainly comprised of (i) interest income and (expense), net of €8.2 million (2017 H1: €7.7 million) on growth in interest income mainly related to higher US interest rates offset in part by higher interest expense, (ii) net exchange revenue of €0.1 million (2017: €(5.1) million), (iii) and other income/(loss) net of €0.9 (2017: €19.9 million principally related to the gain which arose from the remeasurement of the fair value of the previously held equity interest in Outscale). See Note 9 to the consolidated financial statements.

2018 First Half IAS 18 non-IFRS financial revenue and other, net was €10.3 million, compared to €(0.2) million in the 2017 First Half on higher financial net income and foreign exchange gain, net compared to a foreign exchange loss, net in the 2017 First Half.

2.4.5 Income tax expense

<i>(in millions of euros, except percentages)</i>	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Income tax expense	€1.5	€30.2	€102.2
Effective consolidated tax rate	25.6%	25.3%	32.8%

For the 2018 First Half, the Company's IAS 18 IFRS and non-IFRS effective tax rates decreased 7.5 points to 25.3% and 5.0 points to 28.3%, respectively, principally reflecting the U.S. Tax Reform Act of 2017.

IAS 18 IFRS income tax expense decreased 21.5% in the 2018 First Half compared to the 2017 First Half, reflecting principally a decrease in the effective tax rate.

On a non-IFRS IAS 18 basis, income tax expense decreased 9.6% to €133.7 million for 2018 First Half, compared to €147.9 million for the 2017 First half, reflecting a decrease in the non-IFRS effective tax rate to 28.3% for 2018 First Half, compared to 33.3% for 2017 First Half offset in part by reported growth of 6.3% in non-IFRS pre-tax income to €472.2 million.

2.4.6 Net income and net income per diluted share

(in millions of euros, except percentages)	For the First Half Ended June 30,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Net income attributable to shareholders	€65.5	€36.9	€08.0
Net income per diluted share	€1.02	€0.91	€0.81
Weighted average diluted shares outstanding	260.0	260.0	257.1

During the 2018 First Half, currency headwinds had a strong influence on our reported net income attributable to shareholders and net income per diluted share growth rates of approximately 10 percentage points on both an IFRS and non-IFRS basis.

IAS 18 IFRS net income per diluted share increased 12.3% to €0.91, principally reflecting the benefit of a lower effective tax rate in the 2018 First Half compared to the 2017 First Half and a 1.7% increase in pre-tax income as reported, largely offset by negative currency impacts representing an estimated 10 percentage points of growth.

IAS 18 non-IFRS diluted net income per share totaled €1.30, representing increases of 13.0% as reported and 23% at constant currency.

2.4.7 Variability in Quarterly Financial Results

Our quarterly licenses revenue growth has varied significantly and is likely to vary significantly in the future, reflecting business seasonality, clients' decision processes and licenses and subscription licensing mix. Services revenue activity also vary by quarter reflecting clients' decision processes as well as our decisions regarding service engagements to be performed by us or by system integrators we work with.

Our total software revenue growth, however, is less sensitive to quarterly variation due to the significant level of recurring software revenue, which is comprised of subscription revenue and support revenue. In combination, recurring revenue represented 70% for the year end December 31, 2017 and 72% of total IAS 18 IFRS software revenue for both the first half of 2018 and 2017. This significant level of recurring software revenue has served as a stabilizing factor during periods of macroeconomic softness.

We have implemented IFRS 15 effective as of January 1, 2018. While the implementation will not have a material impact on overall growth rates for the full fiscal year, the implementation has resulted in some variation in quarterly revenue recognition, more specifically for subscription revenue included within recurring software revenue. Since a higher proportion of our subscription contracts renew as of January 1st and are for an annual period, the percentage of revenue recognized in the first quarter of 2018 is higher compared to the prior year's first quarter, leading to a slightly different seasonality pattern for recurring software revenue for the 2018 First Half compared to the 2017 First Half. On an IFRS 15 basis, recurring software revenue represented 73% of total IFRS 15 software revenue for the 2018 First Half compared to 72% under the former IAS 18 standard.

Acquisitions and divestitures can also cause the different elements of our revenue to vary from quarter to quarter. Rapid changes in currency exchange rates could also cause reported revenue, operating income and earnings per share and their respective reported growth rates to vary from quarter to quarter.

A significant portion of license sales typically occurs in the last month of each quarter, and we normally experience our highest licenses sales for the year in our fiscal fourth quarter ended December 31. In addition, software revenue, total revenue, operating income, operating margin and net income have generally been highest in the fourth quarter of each year.

In 2017, IFRS IAS 18 total revenue for the fourth, third, second and first quarters represented, respectively, 28.2% (28.8% in 2016), 23.3% (24.0% in 2016), 25.0% (24.6% in 2016) and 23.5% (22.6% in 2016) of the Company's total revenue for the year.

Nonetheless, it is possible that our quarterly total revenue could vary significantly and that our net income could vary significantly, reflecting the change in revenues, together with the effects of our investment plans. See paragraph 1.7.1.11 "Variability in Quarterly Operating Results" in Risk Factors in our 2017 *Document de référence*.

2.4.8 Capital Resources

We have significant financial flexibility thanks to our strong capital position, with our key uses of cash focused on capital returns to shareholders in the form of dividends, share repurchases to minimize share dilution from stock-based employee performance programs and select acquisitions undertaken consistent with our Mission, Strategy and Addressable Market expansion objectives.

Our net financial position increased to €2.04 billion at June 30, 2018, compared to €1.46 billion at December 31, 2017, with an increase in cash, cash equivalents and short-term investments of €0.58 billion to €3.04 billion from €2.46 billion, less long-term debt of €1.0 billion.

During the 2018 First Half our principal sources of liquidity were cash from operations of €645.5 million, and proceeds from the exercise of stock options amounting to €43.7 million. During the first half of 2018 our uses of cash were principally for payment for acquisitions, net of cash acquired of €51.6 million and for acquisition of non-controlling interests of €26.2 million; cash dividends of €38.0 million (based upon the shareholders electing payment of the dividend in cash), capital expenditures, net of €31.3 million and shares repurchases of €2.3 million.

In the 2017 First Half, our principal sources of liquidity were cash from operations aggregating €592.4 million. During the 2017 First Half cash obtained from operations was used principally to distribute cash dividends of €51.3 million, share repurchases of €44.8 million, capital expenditures, net of €45.8 million; and payment for acquisitions, net of cash acquired of €8.0 million. The Company received cash for stock options exercised of €21.8 million.

Exchange rate fluctuations had a positive translation effect on cash and cash equivalent balances, of €44.8 million as of June 30, 2018, and had a negative translation effect on cash and cash equivalent balances of €127.8 million as of June 30, 2017.

We follow a conservative policy for investing its cash resources, mostly relying on short-term maturity investments. Investment rules are defined by our financial management team and controlled by the Treasury department of Dassault Systèmes SE.

See also the Consolidated Statements of Cash Flows.

2.5 Related party transactions

Related-party transactions were identified and described in the *Document de référence* of Dassault Systèmes filed with the French *Autorité des marchés financiers* on March 21, 2018, in Chapter 4.1.1, Note 26. No new related party transactions occurred during the 2018 First Half.

The transactions entered into with Dassault Aviation and mentioned in the 2017 *Document de référence* continued during the first six months of 2018 and were reinforced as a result of the cooperation agreement between Dassault Systèmes and Dassault Aviation announced on May 28, 2018. There was no modification which could significantly impact the financial position or the income of Dassault Systèmes during the 2018 First Half.

2.6 2018 First Half Significant Events

Corporate Event

On June 14, 2018, we announced the signing of a definitive agreement to acquire a majority ownership position in Centric Software, a privately-owned industry market leader driving digital transformation with software innovation in the fashion, apparel, luxury and retail sectors. With this investment, Dassault Systèmes aims to accelerate the digital transformation of companies seeking solutions for the increasingly complex development of collections that respond to today's on-trend and on-demand consumers, representing a multi-billion, dollar total addressable market. Headquartered in California's Silicon Valley and with offices in 13 countries, Centric Software provides product lifecycle management software solutions to more than 600 globally-recognized brands including ASICS, Bass Pro, Belle China, Bestseller, Etam, Kate Spade, Loblaws, Louis Vuitton, Michael Kors, Samsonite, Ted Baker, Tommy Hilfiger and others. Centric Software's industry-specific collaborative PLM platform is used for merchandise planning, product specifications, materials management, product sourcing, cost scenarios, collection management, calendar management and quality management, on desktop and also optimized for mobile devices, to increase efficiency, accelerate time to market, and improve sales and product margins. Pursuant to the terms of the agreement, on July 24, 2018, Dassault Systèmes paid in cash approximately \$350 million to acquire majority ownership of Centric Software, representing 63% of the total shares, and to make an advance payment on the acquisition of the remainder of the shares, which will take place in 2020 and 2021. The total consideration for the acquisition of 100 percent of Centric Software's equity will depend on Centric Software's revenue growth and profitability in 2019 and 2020, and will be comprised between three and six times 2019 or 2020 revenues.

On June 20, 2018 Dassault Systèmes announced the completion of the acquisition of No Magic, a global solutions company focused on model-based systems engineering, architecture modeling for software, system of systems and enterprise business processes modeling. No Magic is headquartered in Allen, Texas and has offices in Lithuania and Thailand. While providing continuity for No Magic's customers, Dassault Systèmes will empower No Magic's solutions with its 3DEXPERIENCE platform, complementing and reinforcing CATIA applications. This will provide a "single source of truth" allowing any user within a company to implement continuous 3D digital processes and to address all lifecycle aspects of an experience, from requirements, system of systems architecture models, systems and sub-systems architecture to functional, conceptual, logical and physical 3D modeling simulations. Enterprise customers, small companies and professionals in the aerospace and defense (NASA/JPL, Boeing, Lockheed Martin), transportation and mobility (Ford, Renault, Honda, BMW, Nissan), and other industries (Sony, Panasonic, John Deere, GE Healthcare, Pfizer, J.P. Morgan, PayPal) rely on No Magic's solutions including its core product, MagicDraw, part of the Cameo Suite, for business process, architecture, software and system modeling with teamwork support. They gain dynamic visual insight, mitigate enterprise risk, lower costs and eliminate operational pain points caused by complex business and IT systems having multiple technologies and standards.

On January 17, 2018, Dassault Systèmes announced evolutions to its Executive Committee. Thibault de Tersant, previously Senior Executive Vice President and CFO, has taken the position of Senior Executive Vice President, General Secretary (Secrétaire Général) and

Pascal Daloz, previously Executive Vice President, Brands and Corporate Development, has been named Chief Financial Officer & Corporate Strategy Officer, with the changes effective February 5, 2018. Florence Verzellen has joined as Executive Vice President, Industry Solutions, Marketing, Global Affairs and Communication, effective January 15, 2018. The retirement of Philippe Forestier, Executive Vice President, Global Affairs & Communities and a founding member of Dassault Systèmes when it was created in 1981 and the resignation for family reasons of Monica Menghini, formerly Executive Vice President, Chief Strategy Officer were effective as of February 28, 2018.

Other Corporate Events

On May 22, 2018, at the Annual Shareholders' Meeting, Dassault Systèmes' shareholders approved a dividend for the fiscal year 2017 equivalent to €0.58 per share, representing an increase of 9.4% compared to the prior year €0.53 per share. The Shareholders' Meeting approved offering shareholders the option to receive payment of their dividend in the form of new Dassault Systèmes shares and/or to receive the payment of the dividend in cash. Shareholders who opted to receive payment of the 2017 dividend in the form of new Dassault Systèmes shares represented approximately 74% of Dassault Systèmes' shares, resulting in the issuance of 1,034,543 new ordinary Dassault Systèmes' shares, representing 0.40% of the share capital (on a non-diluted basis) and 0.27% of the Dassault Systèmes' (unadjusted) voting rights calculated on the basis of the share capital and voting rights as of May 22, 2018. On June 19, 2018, the new shares were delivered and listed on Euronext Paris the same day and the cash dividend was paid in the aggregate amount of €38.0 million.

2.7 2018 Financial Objectives

We announced our initial 2018 financial objectives on February 1, 2018, which were given in IAS 18 and on a non-IFRS basis, at the time of the release of our unaudited annual financial results for 2017. We are confirming our non-IFRS IAS financial objectives and are updating them for i) currency, with lower than expected currency headwinds in the second quarter of 2018, ii) the addition of acquisitions, principally Centric Software as well as No Magic, and a somewhat lower 2018 effective tax rate than initially estimated.

Our objectives are subject to the assumptions and cautionary statements set forth below and are subject to revision, as market and business conditions as well as currency exchange rates evolve during 2018 and to reflect any new acquisitions.

Our confirmed and updated 2018 financial objectives are given in IAS 18 on a non-IFRS basis, and are as follows:

- 2018 non-IFRS revenue growth objective range of about 9% to 10% (formerly 8% to 9%) in constant currencies at €3.41 billion to €3.44 billion reflecting the principal 2018 currency exchange rate assumptions below for the US dollar and Japanese yen as well as the potential impact from additional currencies (principally the British pound, Korean won, and Chinese yuan) representing about 17% of our total revenue in 2017;
- 2018 non-IFRS operating margin of about 31.0% to 31.5%, (maintaining the former range) and reflecting acquisition dilution from existing and new acquisitions and currency headwinds offset in part by organic underlying improvement in the non-IFRS operating margin at constant currency;
- 2018 non-IFRS earnings per share of about €2.95 to €3.00 (formerly €2.83-2.88) representing a growth objective of about 10% to 12% as reported, or about 15% to 17% on a constant currency basis;
- These financial objectives are based upon an average exchange rate assumption of U.S. dollar 1.20 per euro for the 2018 third and fourth quarters and Japanese yen of 135.0 per euro for the 2018 third and fourth quarters. Based upon these assumptions, we expect that our second half financial results as reported will be less affected than the first half from currency headwinds, but that for the year in total currency will remain an important headwind to our reported growth rates for revenue, operating income, net income and earnings per share.

Our financial objectives are prepared and communicated only on a non-IFRS basis and are given in IAS 18. The 2018 annual non-IFRS objectives set forth above do not take into account the following accounting elements and are based upon the 2018 currency exchange rate assumptions above: deferred revenue write-downs currently estimated at approximately €5 million for 2018; share-based compensation expense, including related social charges, currently estimated at approximately €121 million for 2018 (€104 million in 2017) and amortization expense for acquired intangibles currently estimated at approximately €163 million for 2018. These objectives do not include any impact from other operating income and expense, net principally comprised of acquisition, integration and restructuring expenses. These estimates do not include any new stock option or share grants, or any new acquisitions or restructurings completed after July 25, 2018.

In addition to our non-IFRS financial objectives for 2018, we have had in place since June 13, 2014 a mid-term objective to double our addressable market and grow our non-IFRS EPS to about €3.50 for 2019. Since 2014, our addressable market has more than doubled and our addressable software market has increased almost three-fold. We are maintaining our non-IFRS EPS goal for 2019 as it largely reflects our growth expectations as well as some softening of currency headwinds.

In conjunction with our 2018 Capital Markets Day, we introduced a 2018-2023 plan to double our non-IFRS EPS, to a goal of about €6.00. From a revenue perspective, principal growth drivers already in action include the 3DEXPERIENCE software cycle, our expanding global footprint bringing diversification and balance by industry and geography, and new usage opportunities with the Cloud. Complementing our principal growth drivers are new initiatives, including our recently introduced Marketplace and potential acquisitions in close connection with our purpose. Both of these levers can positively animate our 2023 non-IFRS EPS objective and importantly set in motion future growth drivers beyond 2023.

The information above includes statements that express objectives for the Company's future financial performance. Such forward-looking statements are based on Dassault Systèmes' management current views and assumptions as of July 25, 2018 and involve known and unknown risks and uncertainties.

The exchange rates mentioned above constitute a working hypothesis; currency values fluctuate, and the Company's results of operations may be significantly affected by changes in exchange rates if actual exchange rates are different.

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2018 are presented in Section 1.7 "Risk Factors" of the Company's 2017 *Document de référence* filed with the AMF on March 21, 2018, with the exception of foreign currency and interest rate risks which are updated in Note 14 of the Company's half year consolidated condensed financial statements under Chapter 3 of this Half Year Report.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2018

Consolidated Statements of Income

	Six months, ended June 30,		
	2018	2017*	
<i>(in millions, except per share data)</i>	Notes	(unaudited)	(unaudited)
Licenses and other software revenue		€396.6	€384.8
Subscription and support revenue		1,078.6	1,003.9
Software revenue	5	1,475.2	1,388.7
Services revenue		171.2	177.5
TOTAL REVENUE		1,646.4	1,566.2
Cost of software revenue		(79.0)	(78.4)
Cost of services revenue		(161.2)	(161.8)
Research and development		(314.0)	(305.9)
Marketing and sales		(515.8)	(518.3)
General and administrative		(139.6)	(121.8)
Amortization of acquired intangibles		(82.5)	(80.5)
Other operating income and expense, net	8	(6.9)	(10.6)
OPERATING INCOME		347.4	288.9
Interest income and expense, net	9	8.2	7.7
Other financial income and expense, net	9	1.0	14.8
INCOME BEFORE INCOME TAXES		356.6	311.4
Income tax expense		(91.5)	(102.2)
NET INCOME		€265.1	€209.2
Attributable to:			
Equity holders of the Company		€265.5	€208.0
Non-controlling interest		€(0.4)	€1.3
Earnings per share			
Basic net income per share		€1.03	€0.82
Diluted net income per share		€1.02	€0.81

*The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Comprehensive Income

<i>(in millions)</i>	Notes	Six months, ended June 30,	
		2018 (unaudited)	2017* (unaudited)
NET INCOME		€65.1	€09.2
(Losses) Gains on cash flow hedges	15	(9.8)	5.6
Foreign currency translation adjustment		73.6	(216.7)
Income tax on items to be reclassified		3.4	(1.8)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		67.3	(212.9)
Remeasurements of defined benefit pension plans		1.2	2.3
Income tax on items not being reclassified		(0.2)	(0.6)
Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax		1.1	1.7
OTHER COMPREHENSIVE INCOME, NET OF TAX		68.3	(211.2)
TOTAL COMPREHENSIVE INCOME, NET OF TAX		€33.4	€(1.9)
Attributable to:			
Equity holders of the Company		€333.8	€(2.7)
Non-controlling interest		€(0.4)	€0.8

*The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Balance Sheets

		June 30, 2018	December 31, 2017*
<i>(in millions)</i>	Notes	(unaudited)	(audited)
Assets			
Cash and cash equivalents		€3,043.2	€2,459.4
Short-term investments		0.5	1.3
Trade accounts receivable, net	10	677.2	895.9
Contract assets		36.3	–
Income tax receivable		121.5	74.5
Other current assets		151.6	168.3
TOTAL CURRENT ASSETS		4,030.3	3,599.5
Property and equipment, net		169.1	169.0
Non-current financial assets		167.1	162.3
Deferred tax assets		117.0	108.9
Intangible assets, net	12	1,032.3	1,066.4
Goodwill	12	1,991.3	1,923.7
TOTAL NON-CURRENT ASSETS		3,476.9	3,430.3
TOTAL ASSETS		€7,507.2	€7,029.8
Liabilities and equity			
<i>(in thousands)</i>			
Trade accounts payable		€132.7	€149.3
Accrued compensation and other personnel costs		338.8	325.7
Contract liabilities - Unearned revenue		882.3	876.4
Income tax payable		57.1	18.4
Other current liabilities		113.4	157.6
TOTAL CURRENT LIABILITIES		1,524.3	1,527.4
Deferred tax liabilities		196.7	186.6
Borrowings, non-current	13	1,000.0	1,000.0
Other non-current liabilities		303.7	319.7
TOTAL NON-CURRENT LIABILITIES		1,500.3	1,506.3
Common stock		131.2	130.5
Share premium		747.4	645.8
Treasury stock		(149.7)	(312.3)
Retained earnings and other reserves		3,733.5	3,579.0
Other items		18.6	(48.7)
Parent shareholders' equity		4,481.1	3,994.2
Non-controlling interest		1.5	1.9
TOTAL EQUITY	15	4,482.5	3,996.0
TOTAL LIABILITIES AND EQUITY		€7,507.2	€7,029.8

* The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(in millions)</i>	Notes	Six months ended June 30,	
		2018	2017*
Net income		€265.1	€209.2
Adjustments for non-cash items	16	148.3	117.9
Changes in operating assets and liabilities	16	232.1	265.2
Net cash provided by operating activities		645.5	592.4
Additions to property, equipment and intangibles		(31.3)	(45.8)
Purchases of short-term investments		(41.6)	(45.4)
Proceeds from sales and maturities of short-term investments		42.3	49.1
Payment for acquisition of businesses, net of cash acquired		(51.6)	(8.0)
Other		(1.5)	6.4
Net cash used in investing activities		(83.7)	(43.7)
Proceeds from exercise of stock options		43.7	21.8
Cash dividends paid	15	(38.0)	(51.3)
Repurchase of treasury stock	15	(2.3)	(44.8)
Acquisition of non-controlling interest		(26.2)	(14.1)
Net cash used in financing activities		(22.8)	(88.4)
Effect of exchange rate changes on cash and cash equivalents		44.8	(127.8)
INCREASE IN CASH AND CASH EQUIVALENTS		583.8	332.5
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,459.4	2,436.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD		€3,043.2	€2,769.2
Supplemental disclosure			
Income taxes paid		€81.0	€61.8
Cash paid for interest		€6.9	€5.7

* The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statements of Shareholders' Equity

<i>(in millions)</i>				Retained	Other items			Parent	Non-	Total
	Common	Share	Treasury	earnings	Cash	Foreign	shareholders'			
	stock	premium	stock	and	flow	currency	equity	interest		
	reserves	other	Available-	other	hedges	translation				
	securities	for-sale	for-sale	reserves	adjustment					
January 1, 2017*	€129.0	€500.1	€(222.9)	€3,173.6	–	€0.5	€279.9	€3,860.2	€22.6	€3,882.8
Net income	–	–	–	208.0	–	–	–	208.0	1.3	209.2
Other comprehensive income, net of tax	–	–	–	1.7	–	3.8	(216.2)	(210.7)	(0.5)	(211.2)
Comprehensive income, net of tax	–	–	–	209.7	–	3.8	(216.2)	(2.7)	0.8	(1.9)
Dividends	0.5	82.7	–	(134.5)	–	–	–	(51.3)	–	(51.3)
Exercise of stock options	0.4	26.7	–	–	–	–	–	27.1	–	27.1
Treasury stock transactions	–	–	(41.1)	(3.7)	–	–	–	(44.8)	–	(44.8)
Share-based payments	–	–	–	47.6	–	–	–	47.6	–	47.6
Transactions with non-controlling interests	–	–	–	(47.9)	–	–	–	(47.9)	(20.9)	(68.8)
Other changes	–	–	–	2.5	–	–	–	2.5	–	2.5
June 30, 2017 (unaudited)	€129.9	€609.4	€(264.0)	€3,247.4	–	€4.3	€63.7	€3,790.7	€2.5	€3,793.2
Net income	–	–	–	311.4	–	–	–	311.4	(0.6)	310.8
Other comprehensive income, net of tax	–	–	–	2.4	3.4	0.9	(121.1)	(114.4)	–	(114.4)
Comprehensive income, net of tax	–	–	–	313.8	3.4	0.9	(121.1)	197.0	(0.6)	196.4
Dividends	–	–	–	–	–	–	–	–	–	–
Exercise of stock options	0.5	36.3	–	–	–	–	–	36.9	–	36.9
Treasury stock transactions	–	–	(48.3)	(39.9)	–	–	–	(88.2)	–	(88.2)
Share-based payments	–	–	–	44.9	–	–	–	44.9	–	44.9
Other changes	–	–	–	12.8	–	–	–	12.8	–	12.8
January 1, 2018	€130.4	€645.8	€(312.3)	€3,579.0	€3.4	€5.2	€(57.3)	€3,994.2	€1.9	€3,996.1
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	80.4	–	–	–	80.4	–	80.4
January 1, 2018 Adjusted balance	€130.4	€645.8	€(312.3)	€3,659.4	€3.4	€5.2	€(57.3)	€4,074.6	€1.9	€4,076.5
Net income	–	–	–	265.5	–	–	–	265.5	(0.4)	265.1
Other comprehensive income, net of tax	–	–	–	1.1	–	(6.3)	73.6	68.3	–	68.3
Comprehensive income, net of tax	–	–	–	266.5	–	(6.3)	73.6	333.8	(0.4)	333.4
Dividends	0.5	111.8	–	(150.4)	–	–	–	(38.0)	–	(38.0)
Exercise of stock options	0.6	49.1	–	–	–	–	–	49.7	–	49.7
Treasury stock transactions	(0.4)	(59.3)	162.6	(105.3)	–	–	–	(2.3)	–	(2.3)
Share-based payments	–	–	–	34.7	–	–	–	34.7	–	34.7
Other changes	–	–	–	28.5	–	–	–	28.5	–	28.5
June 30, 2018 (unaudited)	€131.2	€47.4	€(149.7)	€3,733.5	€3.4	€(1.1)	€16.3	€4,481.1	€1.5	€4,482.5

* The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended June 30, 2018

Note 1	Description of Business	Note 10	Trade Accounts Receivable, Net
Note 2	Summary of Significant Accounting Policies	Note 11	Business Combinations
Note 3	Seasonality	Note 12	Intangible Assets and goodwill
Note 4	Segment Information	Note 13	Borrowings
Note 5	Software Revenue	Note 14	Derivatives
Note 6	Government Grants	Note 15	Shareholders' Equity
Note 7	Share-based Payments	Note 16	Consolidated Statements of cash Flows
Note 8	Other Operating Income and Expense, Net	Note 17	Commitments and Contingencies
Note 9	Interest Income and Expense, Net and Other Financial Income and Expense, Net		

Note 1 Description of Business

The “Company” or the “Group” refers to Dassault Systèmes SE and its subsidiaries. The Company provides end-to-end software solutions and services, designed to support companies’ innovation processes, from specification and design of a new product, to its manufacturing, supply and sale to the customer, through all stages of digital mock-up, simulation, and realistic 3D virtual experiences representing the end-user experience.

The Company’s global customer base includes companies in 12 industrial sectors: Transportation & Mobility; Industrial Equipment; Aerospace & Defense; Financial & Business Services; High-Tech; Life Sciences; Energy, Process & Utilities; Consumer Goods & Retail; Natural Resources; Architecture, Engineering & Construction; Consumer Packaged Goods & Retail and Marine & Offshore. To serve its customers, the Company has developed a broad software applications portfolio, comprised of 3D modeling applications, simulation applications, social and collaborative applications, and information intelligence applications, powered by its 3DEXPERIENCE platform.

Dassault Systèmes SE is a European company (*Societas Europaea*), incorporated under the laws of France. The Company’s registered office is located at 10, rue Marcel Dassault, in Vélizy-Villacoublay, France. The Dassault Systèmes SE shares are listed in France on Euronext Paris. These condensed interim consolidated financial statements were established under the responsibility of the Board of Directors on July 24, 2018.

Note 2 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements were prepared based on the same accounting policies as those applied in the consolidated financial statements as of December 31, 2017, except for those described in paragraph “Changes in accounting policies” and for specific requirements applicable to interim financial reporting as set out in IAS 34 Interim financial reporting:

- Income tax expense is based on an estimate of the weighted average annual income tax rate expected for the full financial year adjusted for non-recurring events of the half-year, which are recognized in the period in which they arise;
- Unless there is a specific event or material change in actuarial assumptions during the period, pension costs are estimated based on actuarial reports prepared for the previous fiscal year.

The Company undertakes no early application of any standard or interpretation or associated amendments which were already published in the Official Journal of the European Union at June 30, 2018.

The condensed interim consolidated financial statements are presented in millions of euros, unless otherwise specified. Some total rounding difference may occur.

The Company’s significant accounting policies are summarized in the notes to the annual consolidated financial statements for the year ended December 31, 2017. Paragraphs “Changes to Previous Significant Accounting Policies” provides updates applied in 2018 interim consolidated financial statements.

Changes in accounting policies

Changes in accounting policies mainly related to IFRS 15 and IFRS 9. These changes are described hereafter.

Several other amendments and other interpretation apply for the first time in 2018, but do not have an impact on the interim condensed financial statements of the Group.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes the accounting principles that an entity shall apply to recognize revenue from contracts with customers. It replaces the previous standards and interpretations related to revenue recognition, notably IAS 18 “Revenue” and IAS 11 “Construction contracts” and IFRIC 13 “Customer Loyalty Programmes”. The standard provides a single, principle-based, five-step model to be applied in order to define the timing and the amount of revenue arising from a contract. It includes a guide to applying the standard, notably regarding the licenses and specific provisions for how to recognize incremental costs of obtaining or fulfilling a contract, that are not addressed by other standards. The standard requires the disclosure of new qualitative and quantitative information in the notes to the consolidated accounts.

The Company is adopting IFRS 15 for the fiscal year beginning January 1, 2018. The main change impact relates to Subscription offers that bundle license and support for a term generally of one year (Yearly License Charge), which revenue is recognized, until the fiscal year ended December 31, 2017, ratably over the contract period. Based on the new criteria established by IFRS 15, a bundled Periodic License is split into two performance obligations: software license and support. While revenue from software license is recognized when

the control of the license is transferred to the customer, the revenue from support is recognized ratably over the term of the license. Therefore, a significant proportion of revenue from periodic licenses is recognized when the license is transferred to the customer for new contracts or contract renewals. In effect, the total amount of revenue recognized from bundled Periodic Licenses remains unchanged, but only the pattern of recognition over the contract period (generally one year) is modified.

The Company implements IFRS 15 using the modified-retrospective transition method (also called cumulative effect method), elects the practical expedient to apply the requirements only to the contracts that are open at the date of initial application. The Company also elects the practical expedient to apply the contract modification guidance to contract modification that occur at the date of initial application.

Under this method, the transition effect is accounted for within the consolidated equity at the date of initial application, January 1, 2018, without any adjustment to the prior year comparative information. The positive equity adjustment is as follows:

<i>(in millions of euros)</i>	Impact of adopting IFRS 15 at January 1, 2018
RETAINED EARNINGS	
Gross effect	€110.1
Related tax	(29.7)
Impact at January 1, 2018	€80.4

The following tables summarize the impacts of adopting IFRS 15 on the Group's interim Consolidated Statements of Income and of Comprehensive Income, on its Interim Balance Sheet and on its Consolidated Statements of Cash Flows as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the Consolidated Statements of Income and on the Consolidated statements of Comprehensive Income:

<i>(in millions)</i>	Six months ended June 30, 2018		
	As reported	Adjustments	without adaption of IFRS 15
Licenses and other software revenue	€396.6	€2.7	€399.3
Subscription and support revenue	1,078.6	(42.6)	1,036.0
Software revenue	1,475.2	(39.8)	1,435.4
TOTAL REVENUE	1,646.4	(39.8)	1,606.6
OPERATING INCOME	347.4	(39.8)	307.6
INCOME BEFORE INCOME TAXES	356.6	(39.8)	316.7
Income tax expense	(91.5)	11.3	(80.2)
NET INCOME	€265.1	€(28.6)	€236.5
Net income attributable to equity holders of the Company	265.5	(28.6)	236.9
Foreign currency translation adjustment	73.6	(1.8)	71.8
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	67.3	(1.8)	65.5
OTHER COMPREHENSIVE INCOME, NET OF TAX	68.3	(1.8)	66.5
TOTAL COMPREHENSIVE INCOME, NET OF TAX	€333.4	€(30.4)	€303.0
Total comprehensive income, net of tax attributable to equity holders of the Company	€333.8	€(30.4)	€303.4

Impact on the consolidated balance sheet:

<i>(in millions)</i>	June 30, 2018		
	As reported	Adjustments	without adoption of IFRS 15
Assets			
Trade accounts receivable, net	€677.2	€18.3	€695.5
Contract assets, net	36.3	(36.3)	–
TOTAL CURRENT ASSETS	4,030.3	(18.0)	4,012.3
Deferred tax assets	117.0	8.4	125.4
TOTAL NON-CURRENT ASSETS	3,476.9	8.4	3,485.3
TOTAL ASSETS	€7,507.2	€(9.7)	€7,497.5
Liabilities and equity			
Contract liabilities - Unearned revenue	€882.3	€133.7	€1,016.0
Income tax payable	57.1	(26.9)	30.2
TOTAL CURRENT LIABILITIES	1,524.3	106.8	1,631.1
Deferred tax liabilities	196.7	(5.7)	190.9
TOTAL NON-CURRENT LIABILITIES	1,500.3	(5.7)	1,494.6
Retained earnings and other reserves	3,733.5	(108.8)	3,624.8
Other items	18.6	(1.8)	16.8
Parent Shareholders' equity	4,481.1	(110.7)	4,370.4
TOTAL EQUITY	4,482.5	(110.7)	4,371.9
TOTAL EQUITY AND LIABILITIES	€7,507.2	€(9.7)	€7,497.5

Impact on the Consolidated Statements of Cash Flows:

<i>(in millions of euros)</i>	Six months ended June 30, 2018		
	As reported	Adjustments	without adaption of IFRS 15
Net income	€265.1	€(28.6)	€236.5
Changes in operating assets and liabilities	232.1	28.6	260.7
Net cash provided by operating activities	€497.2	–	€497.2

Changes to Previous Significant Accounting Policies related to IFRS 15**Revenue recognition**

The Company derives revenue from two primary sources: (1) licenses, other software revenue (which includes the development of additional functionalities of standard products requested by clients), subscription and support (which includes software license updates and technical support); (2) consulting and training services.

Revenues are disclosed net of taxes collected from customers and remitted to governmental authorities.

The Company accounts for a contract with a client when there is a written agreement that creates legally enforceable rights and obligations, including payment terms, when the contract has commercial substance and when collection consideration is probable. A performance obligation is a promise in a contract with a client to transfer products or services that are distinct from the other promises of the contract.

Revenue is recognized when, or as, control of a promised product or service is transferred to a client, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services.

Company's products are also sold by value-added resellers (VARs) that are assessed as principal in the transaction because they generally have the primary responsibility for fulfillment to the end-customer. As a result, the Company recognizes revenue in the amount of the fee it expects to be entitled to, i.e. the consideration paid by the distributor, assuming all other revenue recognition criteria have been met.

Licenses, subscription, support and other software revenue

Software license revenue represents fees earned from granting customers licenses to use the Company's software. The Company's software license revenue consists of perpetual and periodic license sales of software products. Software license revenue is recognized at a point in time for an arrangement when control is transferred to the client.

Subscription generally have a one-year term and contain two separate performance obligations pertaining to software license and support. The revenue from such arrangements is recognized in line with revenue from arrangements with multiple performance obligations.

Support revenue represents periodic fees associated with the sale of unspecified product updates on a when-and-if-available basis and technical support. Support agreements are entered into in connection with the initial software license purchase. Support may be renewed by the customer at the conclusion of each term. Revenue from support is recognized on a straight-line basis over the term of the support agreement as the Company has a standing ready obligation to provide services.

Other software revenue mainly relates to the development of additional functionalities of standard products requested by clients and is recognized as the development work is performed.

Recurring fees for subscription and support are reported within Software Revenue.

Revenue under arrangements with multiple performance obligations, which typically include software licenses, support and/or services agreements sold together is allocated to each distinct performance obligation based on their standalone selling price.

The stand-alone selling price is the price at which the Company would sell a promised product or service separately to a client. The Company generally establishes stand-alone selling price based on the observable prices of products or services sold separately in comparable circumstances to similar clients. Estimating stand-alone selling price is a formal process that includes review and approval by the Company's management.

In certain instances, e.g. perpetual software licenses only sold bundled with one year of support, the Company is not able to establish a standalone selling price range based on observable prices. The stand-alone selling price is then determined by applying the residual approach.

When a sale of a license goes along with a service essential to the software functionality, the two performance obligations (software and service) are not distinct. Therefore, the license revenue is recognized in accordance with the pattern of recognition of the service obligation.

Services Revenue

Services revenue consist primarily of fees from consulting services in methodology for design, deployment and support, and training services. Services generally do not require significant modification or customization of software products and are accounted for separately to the extent they are not essential to the functionality of software products.

Performance obligation from fixed price contracts are usually satisfied over the time. The revenue is recognized using percentage of completion based on the labor costs incurred to date as a percentage of the total estimated labor costs to fulfill the contract.

Service revenues derived from time and material contracts are recognized over the time on an output basis as labor hours are delivered and/or direct expenses are incurred.

Incremental Costs of Obtaining a Contract

The Company does not to capitalize the incremental costs incurred to obtain a contract (e.g. sales commissions), and expenses them as incurred.

Contract Assets / Liabilities and Accounts Receivable

The Company classifies the right to consideration in exchange for products or services transferred to a client as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional as compared to a contract asset, which is a right to consideration that is conditional upon factors other than the passage of time.

The majority of the Company's contract assets represent unbilled amounts related to Fixed price services contracts when revenue recognized exceeds the amount billed to the client, and the right to consideration is subject to milestone completion or client acceptance.

The amount of billing in excess of revenue recognized is classified as contract liabilities.

IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" is replacing IAS 39 "Financial Instruments: Recognition and Measurement". The new Standard addresses the classification and measurement of financial instruments, the impairment of financial assets and the hedge accounting.

The Company applies IFRS 9 from January 1, 2018, retrospectively except for the new requirements related to hedge accounting. As allowed by IFRS 9 the Company did not restate its 2017 comparative information in its 2018 condensed interim consolidated financial statements.

IFRS 9 introduces a new impairment model based on expected credit loss, while IAS 39 is based on an incurred credit loss model. The Company applies the simplified approach to account for the expected losses on trade accounts receivables.

Financial instruments that were accounted for using hedge accounting under IAS 39 are eligible to hedge accounting under IFRS 9 too and are accounted for as such.

IFRS 9 implementation did not result in any material changes to the classification and measurement of its financial assets and liabilities.

Changes to Previous Accounting Policies related to IFRS 9

Non-Current Financial Assets – The Company elected the classification at fair value through Other comprehensive income for all its equity securities. As such, net gains and losses related to equity securities are recognized in Other comprehensive income and are never reclassified to profit or loss.

Standard issued but not yet applied by the entity

IFRS 16 – Lease

On January 13, 2016, the IASB issued the new accounting standard IFRS 16 “Leases”. IFRS 16 is a major revision in the accounting of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. Based on this model, the amortization of assets will be accounted for in operating expense, and the cost of the debt towards the lessor will be accounted for in financial expense. Under the current standard, rent expense is recorded in operating expense. The Group has chosen to take the two exemptions provided by the new standard and keep accounting for an operating rent expense for leases with a lease term of 12 months or less or leases with underlying asset of low value.

The Company will adopt IFRS 16 for the fiscal year beginning January 1, 2019 using the simplified retrospective approach.

The Company identified its lease contracts and measured the lease liabilities of the main contributing entities and analysed available IT solutions. The Company is currently updating its information systems and procedures to collect and process any lease data in accordance with the new provisions introduced by IFRS 16.

Note 3 Seasonality

The Company’s business activities are influenced by certain seasonal effects. Historically, revenue, operating income and net income tend to be highest in the fourth quarter, as has been typical in the software industry.

Note 4 Segment Information

Operating segments are components of the Company for which discrete financial information is available and whose operating results are regularly reviewed by management to assess performance and allocate resources. The Company operates in a single operating segment, the sale of software solutions, whose aim is to offer customers an integrated innovation process, from the development of a new concept to the realistic experience of the resultant product, through all stages of detailed design, scientific simulation and manufacturing, thanks to the 3DEXPERIENCE platform.

The assessment of the operating segment's performance is based on the Group's supplemental non-IFRS financial information (see paragraph 2.3.3 "Supplemental Non-IFRS Financial Information"). The accounting policies used differ from those described in Note 2 Summary of Significant Accounting Policies as follows:

- operating segment revenue and income are reported under the former IAS 18 rules for comparison purposes.
- the measure of operating segment revenue and income includes the whole revenue that was recognized by acquired companies had they remained stand-alone entities but which is partially excluded from Group revenue to reflect the fair value of obligations assumed;
- the measure of operating segment income excludes share-based compensation expense and associated payroll taxes (see Note 7 Share-based Payments), amortization of acquired intangibles, and other operating income and expense, net (see Note 8 Other Operating Income and Expense, Net).

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
TOTAL REVENUE FOR OPERATING SEGMENT	€1,611.4	€1,576.4
Impact of change in accounting policy	39.8	-
Adjustment for unearned revenue of acquired companies	(4.8)	(10.1)
TOTAL REVENUE	€1,646.4	€1,566.2

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
INCOME FOR OPERATING SEGMENT	€462.0	€444.5
Impact of change in accounting policy	39.8	-
Adjustment for unearned revenue of acquired companies	(4.8)	(10.1)
Share-based compensation expense and related payroll taxes	(60.2)	(54.4)
Amortization of acquired intangibles	(82.5)	(80.5)
Other operating income and expense, net	(6.9)	(10.6)
OPERATING INCOME	€347.4	€288.9

Note 5 Software Revenue

Software revenue is comprised of the following:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017*
Licenses revenue	€394.4	€379.1
Subscription and Support revenue ⁽¹⁾	1,078.6	1,003.9
Other software revenue	2.2	5.7
SOFTWARE REVENUE	€1,475.2	€1,388.7

(1) Out of which €175.9 million of euros at a point in time and €902.7 million over time in 2018.

* The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Breakdown of software revenue by main product line is as follows:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017*
CATIA software revenue	€500.6	€486.2
SOLIDWORKS software revenue	355.7	350.9
ENOVIA software revenue	162.0	158.0
Other	456.9	393.6
SOFTWARE REVENUE	€1,475.2	€1,388.7

* The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Note 6 Government Grants

Government grants and other government assistance were recorded in the consolidated statements of income as a reduction to research and development expenses and to other expenses, as follows:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
Research and development	€14.5	€12.9
Other expenses	0.5	0.4
TOTAL GOVERNMENT GRANTS	€15.0	€13.3

Note 7 Share-based Payments

Compensation expense related to share-based payments, including associated payroll taxes, was recorded in the consolidated statements of income as follows:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
Research and development	€(23.1)	€(23.0)
Marketing and sales	(13.9)	(18.1)
General and administrative	(21.1)	(11.1)
Cost of revenue	(2.1)	(2.2)
TOTAL COMPENSATION EXPENSE RELATED TO SHARE-BASED PAYMENTS	€(60.2)	€(54.4)

Changes during the six months ended June 30, 2018 of unvested options and performance shares were as follows:

	Number of awards		
	Performance shares	Stock options	Total
UNVESTED AT JANUARY 1, 2018	3,434,320	3,813,357	7,247,677
Granted	1,115,730	1,985,201	3,100,931
Vested	(1,781,145)	(1,200,253)	(2,981,398)
Forfeited	(64,400)	(326,960)	(391,360)
UNVESTED AT JUNE 30, 2018	2,704,505	4,271,345	6,975,850

Performance shares

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on September 4, 2015, the Board of Directors at the meeting held on May 22, 2018 decided to grant 815,730 performance shares to some employees and executives (Plan 2018-A) and 300,000 shares to Mr. Bernard Charlès, Vice Chairman of the Board of Directors and Chief Executive Officer as part of a plan of progressively associating him with the Company's capital (Plan 2018-B). Such shares shall be acquired as at May 22, 2021. They shall be vested subject to the condition that the beneficiary is an employee or a director of the Company at the end of a two-year presence period and subject to the achievement of a condition based on the Company non-IFRS diluted earnings per share growth. This condition is based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2020, excluding foreign currency effects, and the one achieved in the year 2017 (non-vesting condition).

The weighted average grant-date fair value of shares granted in 2018 was €66.5. It was estimated based on the quoted price of the Company's common stock on the date of grant, adjusted to include the non-vesting condition based on the non-IFRS diluted earnings per share using a Monte Carlo model. The model simulates the performance of the non-IFRS diluted earnings per share of the Company excluding foreign currency effects. Assumptions used are an expected volatility of 9.70% and an average risk-free interest rate of (0.12)%.

Stock option

The main features of the Group stock option plans are as follows: Options vest over various periods ranging from one to four years, subject to continued employment, options expire eight to ten years from grant date, or after termination of employment, whichever is earlier, options have generally been granted at an exercise price equal to or greater than the grant-date market value of the Company's share.

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 26, 2016, the Board of Directors at the meeting held on May 22, 2018 decided to grant 1,985,201 options to subscribe to Dassault Systèmes shares to certain employees, at an exercise price of €110.00 (Plan 2018-01).

Such options shall be vested at the end of an acquisition period of one to three years, subject to the condition that the beneficiary be an employee of the Company at the acquisition date and to the achievement of certain non-market performance objectives for the years 2018, 2019 and 2020. The options expire ten years from grant date or after termination of employment, whichever is earlier.

The weighted average grant-date fair value of options granted in 2018 was €15.82. It was estimated on the date of grant using a Black-Scholes option pricing model. Assumptions used are as follows: weighted-average expected life of 6 years, expected volatility rate of 20%, expected dividend yield of 0.70% and average risk-free interest rate of 0.48%. The expected volatility was determined using a combination of the historical volatility of the Company's stock and the implied volatility of the Company's exchange-traded options.

Note 8 Other Operating Income and Expense, Net

Other operating income and expense, net are comprised of the following:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
Acquisition costs	€(2.1)	€(1.9)
Restructuring costs	(2.0)	(0.9)
Costs incurred in connection with early retirement plan ⁽¹⁾	(1.9)	(4.0)
Costs incurred in connection with relocation activities ⁽²⁾	(0.9)	(3.9)
OTHER OPERATING INCOME AND EXPENSE, NET	€(6.9)	€(10.6)

(1) In June 2016, the Group has implemented for French subsidiaries a voluntary early retirement plan over 3 years. This plan allows eligible employees to retire early while receiving a replacement income until they can access their full pension. This plan is treated as a post-employment benefit, where estimated costs are based on an assumption of the expected proportion of employees to enter the plan and then accrued taking into account the employees estimated residual service period.

(2) In 2017, these costs are primarily composed of provisions for vacant leasehold properties of a new building at the 3DS Paris Campus before the commissioning that occurred in May 2017.

Note 9 Interest Income and Expense, Net and Other Financial Income and Expense, Net

Interest income and expense, net and other financial income and expense, net for the six months ended June 30, 2018 and 2017 are as follows:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
Interest income ⁽¹⁾	€17.0	€11.0
Interest expense ⁽²⁾	(8.9)	(3.3)
INTEREST INCOME AND EXPENSE, NET	8.2	7.7
Foreign exchange gains (losses), net	0.1	(5.1)
Other, net ⁽³⁾	0.9	19.9
OTHER FINANCIAL INCOME AND EXPENSE, NET	€1.0	€14.8

(1) Interest income is primarily composed of interests on cash, cash equivalents and short-term investments.

(2) In 2018, mainly includes interest expense of €6.8 million due pursuant to two term loan facility agreements entered into in October 2015 and June 2013, for €650 and €350 million, respectively (see Note 13. Borrowings). In 2017, mainly includes interest expense of €5.6 million due pursuant to these two term loan facility agreements.

(3) In 2017, mainly includes (i) the gain on sale of an investment and, (ii) following the acquisition of Outscale during the first half of 2017, the remeasurement to fair value of equity interests of Outscale and of the convertible bond, both were previously held by the Company.

Note 10 Trade Accounts Receivable, Net

Trade accounts receivable are measured at amortized cost.

<i>(in millions)</i>	June 30, 2018	December 31, 2017
Trade accounts receivable	€695.0	€920.8
Allowance for trade accounts receivable	(17.8)	(24.9)
TRADE ACCOUNTS RECEIVABLE, NET	€677.2	€895.9

The maturities of trade accounts receivable, net, were as follows:

<i>(in millions)</i>	June 30, 2018	December 31, 2017
Trade accounts receivable past due at closing date:		
Less than 3 months past due	€74.3	€98.6
3 to 6 months past due	20.4	9.1
More than 6 months past due	11.4	8.9
TRADE ACCOUNTS RECEIVABLE PAST DUE	106.1	116.6
Trade accounts receivable not yet due	571.1	779.3
TOTAL TRADE ACCOUNTS RECEIVABLE, NET	€677.2	€895.9

Note 11 Business Combinations

In May 2018, the Company completed the business combinations of Opera and No Magic for cash consideration of approximately €58.5 million (including €2.6 million contingent consideration to be paid at a later date). These transactions resulted in €28.6 million of goodwill.

Pro forma results of operations reflecting these acquisitions are not presented because the results of operations of the acquired companies are immaterial to the Company's interim results of operations.

Note 12 Intangible Assets and Goodwill

Intangible assets consist of the following:

<i>(in millions)</i>	Six months ended June 30, 2018			Year ended December 31, 2017		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Software	€1,302.5	€(700.7)	€601.8	€1,251.2	€(645.7)	€605.5
Customer relationships	1,070.7	(654.9)	415.8	1,050.2	(603.6)	446.6
Other intangible assets	33.6	(18.9)	14.7	32.7	(18.4)	14.3
TOTAL INTANGIBLE ASSETS	€2,406.8	€(1,374.5)	€1,032.3	€2,334.1	€(1,267.7)	€1,066.4

The change in the carrying amount of intangible assets as of June 30, 2018 is as follows:

<i>(in millions)</i>	Software	Customer relationships	Other intangible assets	Total intangible assets
NET INTANGIBLE ASSETS AS OF JANUARY 1, 2018	€605.5	€446.6	€14.3	€1,066.4
Business combinations	29.2	-	-	29.2
Other additions	6.3	0.1	0.6	7.0
Amortization for the period	(48.8)	(37.9)	(0.3)	(87.0)
Exchange differences	9.6	7.1	0.0	16.7
NET INTANGIBLE ASSETS AS OF JUNE 30, 2018	€601.8	€415.9	€14.6	€1,032.3

The change in the carrying amount of goodwill as of June 30, 2018 is as follows:

<i>(in millions)</i>	
GOODWILL AS OF JANUARY 1, 2018	€1,923.7
Business combinations	39.8
Exchange differences and other changes	27.8
GOODWILL AS OF JUNE 30, 2018	€1,991.3

Note 13 Borrowings

In October 2015, the Company entered into a five-year term loan facility agreement, which maturity can be extended by two additional years, for €650 million. The facility was immediately fully drawn down and bears interest at Euribor 1 month plus 0.50% *per annum*. In October 2016 then October 2017, the Company exercised the option extension for one year, bringing the new term to October 2022.

In June 2013, the Company entered into a term loan facility agreement for €350 million, which was immediately fully drawn down. The facility provides credit for a period of 6 years and bears interest at Euribor 1 month plus 0.55% *per annum*.

The table below provides a breakdown of total borrowings by contractual maturity date as of June 30, 2018:

<i>(in millions)</i>	Total	Payments due by period		
		Less than 1 year	1-3 years	3-5 years
Term loan facilities in euros	€1,000.0	€	€350.0	€650.0

Note 14 Derivatives

The fair market values of derivative instruments were determined by financial institutions using option pricing models.

All financial instruments related to the foreign currency hedging strategy of the Company have maturity dates of less than 2 years when the maturity of interest rate swap instruments is less than 5 years. Management believes counter-party risk on financial instruments is minimal since the Company deals with major banks and financial institutions.

A description of market risks the Company is exposed to is provided in the 2017 Annual Report paragraph 1.7.2 "Financial and Market Risks".

Foreign currency risk

The Company transacts in various foreign currencies, primarily U.S. dollars and Japanese yen.

To manage currency exposure, the Company generally uses foreign exchange forward contracts. Except as indicated in the table below, the derivative instruments held by the Company are designated as accounting hedges, have high correlation with the underlying exposure and are highly effective in offsetting underlying price movements.

The effectiveness of forward contracts and currency options is measured using forward rates and the forward value of the underlying hedged transaction. During the first half of 2018 and 2017, the ineffective portion of hedges was nil.

At June 30, 2018 and December 31, 2017, the fair value of instruments used to manage the currency exposure was as follows:

<i>(in millions)</i>	Six months ended June 30,		Year ended December 31,	
	2018		2017	
	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale ⁽¹⁾	€141.8	€1.6	€71.1	€12.6
Forward exchange contract euros/Indian rupees – sale ⁽¹⁾	28.4	(0.0)	23.7	0.0
Forward exchange contract euros/ U.S. dollars – sale ⁽¹⁾	-	-	42.5	(0.5)
Forward exchange contract U.S. dollars/Indian rupees – sale ⁽¹⁾	24.1	(0.9)	15.5	0.7
Forward exchange contract Japanese yen/ U.S. dollars – sale ⁽¹⁾	62.3	0.9	-	-
Forward exchange contract British pounds/euros – sale ⁽¹⁾	11.3	(0.1)	22.5	(0.1)
Cross currency swaps Canadian dollars/euros ⁽²⁾	66.9	2.6	68.6	0.8
Cross currency swaps Australian dollars/euros ⁽²⁾	67.7	5.1	69.6	3.2
Other instruments ⁽²⁾	47.5	0.3	51.2	(0.2)

(1) Instruments entered into by the Company to hedge the foreign currency exchange risk of forecasted sales.
(2) Derivatives not designated as hedging instruments. Changes in the derivatives' fair value were recorded in other financial income and expense, net in the consolidated statement of income. Cross currency swaps mainly relate to the acquisition of Gemcom.

Interest rate risk

In October 2015, the Company entered into interest rate swap agreements for a total amount of €650 million with the objective of modifying forecasted interest obligations relating to the €650 million French term loan facility (see Note 13 Borrowings) so that the interest payable effectively becomes fixed at 0.72% from October 2015 until October 2020.

In July 2013 and October 2014, the Company entered into interest rate swap agreements for a total amount of €350 million with the objective of modifying forecasted interest obligations relating to the €350 million French term loan facility (see Note 13 Borrowings) so that the interest payable effectively becomes fixed at 1.48% from June 2014 until June 2018 and 1.04% from June 2018 until July 2019.

The effectiveness of interest rate swap agreements is measured using forward interest rates. During the first half of 2016, hedge accounting has been discontinued as interest rate swaps no longer met the effectiveness criteria for hedge accounting given the expected trend of negative interest rates. Consequently, changes in fair value of interest rate swaps are recognized in interest income and expense, net for €1.5 million at June 30, 2018 and for €6.9 at June 30, 2017. Accumulated gains and losses on changes in fair value recognized in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (€(2.0) million at June 30, 2018 and €(2.8) million at June 30, 2017).

At June 30, 2018 and December 31, 2017, the fair value of instruments used to manage the interest rate risk was as follows:

<i>(in millions)</i>	Six months ended June 30,		Year ended December 31,	
	2018		2017	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps in euros	€1,000.0	€(10.4)	€1,000.0	€(11.9)

Note 15 Shareholders' Equity

Shareholders' equity activity

As of June 30, 2018, Dassault Systèmes SE had 262,443,189 common shares issued with a nominal value of €0.50 per share.

Changes in shares outstanding as of June 30, 2018 are as follows:

(in number of shares)

SHARES ISSUED AS OF JANUARY 1, 2018	260,932,531
Dividend paid in shares	1,034,543
Exercise of stock options	1,199,172
Cancellation of treasury stock	(723,057)
SHARES ISSUED AS OF JUNE 30, 2018	262,443,189
Treasury stock as of June 30, 2018	2,407,884
SHARES OUTSTANDING AS OF JUNE 30, 2018	260,035,305

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and for the purpose of increasing the profitability of shareholders' equity and earnings per share. The Company manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Dividend rights

In 2018, the General Meeting of Shareholders approved the distribution of a dividend of €150.4 million for 2017, and offered shareholders the option to receive payment of their dividend in the form of new Dassault Systèmes shares. Shareholders who opted to receive payment, in whole or in part, of the 2017 dividend in the form of new Dassault Systèmes shares represented approximately 74.4% of Dassault Systèmes' shares, resulting in the issuance of 1,034,543 new ordinary shares. The cash dividend was paid in an aggregate amount of €38.0 million.

Stock repurchase programs

The General Meeting of Shareholders authorized the Board of Directors to implement a share repurchase program limited to 10,000,000 of Dassault Systèmes' shares. Under this authorization, the Company may not buy shares at a price exceeding €150 per share or above a maximum annual aggregate amount of €500 million.

Furthermore, the Group signed a liquidity agreement for an initial period until December 31, 2016, automatically renewable for subsequent 12-month terms. On June 30, 2018, 476,914 shares were purchased, at an average price of €106.7 and 536,005 shares were sold, at an average price of €105.

Components of other comprehensive income

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
Cash flow hedges:		
(Losses) Gains arising during the year	€(7.5)	€1.5
Less: reclassification adjustments for gains or (losses) included in the income statement	2.2	(4.1)
	€(9.8)	€5.6

Finalization of the acquisition of 3DPLM

On March 2, 2017, the Company finalized the acquisition of 3D PLM Software Solutions Limited (3DPLM), its joint venture in India with Geometric Ltd, increasing its share in 3DPLM capital from 42% to 100%. This transaction was entered into in April 2016 with Geometric Ltd through a court-approved scheme which was subject to shareholders, High Court and other Indian statutory approvals.

In exchange for the ownership in 3DPLM, shareholders of Geometric Ltd. received one listed redeemable preference share of Indian rupees 68 in 3DPLM against every one share of Geometric Ltd., refundable for a period of 15 months and with an annual 7 percent preferential dividend. As of December 31, 2017, the remaining debt related to the acquisition of additional shares of Geometric Ltd was €27.2 million and was accounted for in other current liabilities. It was fully repaid during the first semester of 2018.

3DPLM being already fully consolidated in the Company's consolidated financial statements, the transaction was treated as an equity transaction and accounted for in shareholders' equity in the consolidated financial statements in 2017.

Note 16 Consolidated Statements of Cash Flows

Adjustments for non-cash items consist of the following:

<i>(in millions)</i>	Notes	Six months ended June 30,	
		2018	2017
Depreciation of property and equipment		€28.2	€22.9
Amortization of intangible assets	12	87.0	84.6
Deferred taxes		(8.4)	(8.2)
Non-cash share-based payment expense		34.7	47.6
Other		6.7	(29.0)
ADJUSTMENTS FOR NON-CASH ITEMS		148.3	117.9

Changes in operating assets and liabilities consist of the following:

<i>(in millions)</i>	Six months ended June 30,	
	2018	2017
Decrease in trade accounts receivable and contract assets	€190.5	€181.9
(Decrease) in accounts payable	(14.2)	(0.7)
(Decrease) in accrued compensation	(5.6)	(18.3)
(Decrease) increase in income tax payable	(25.1)	13.6
Increase in unearned revenue	105.6	120.4
Changes in other assets and liabilities	(19.1)	(31.6)
CHANGES IN OPERATING ASSETS AND LIABILITIES	232.1	€65.2

Note 17 Commitments and Contingencies

Litigation and other proceedings

The Company is involved in litigation and other proceedings, such as civil, commercial and tax proceedings, incidental to normal operations.

The Company is subject to ongoing tax audits and tax reassessments in jurisdictions in which the Company has or had operations. Certain of these reassessments, in particular those related to acquisition financing, are being challenged by the Company which is strongly confident in the technical merits of its positions and will continue to defend them with the relevant tax authorities. In this context, the Company made payments to the French tax authorities for a total amount of €123.1 million from 2014 to 2016, but disputed them with the relevant authorities. In March and December 2017, the Company appealed first instance judgments in relation to this dispute.

It is not possible to determine with certainty the outcome of the dispute and notably the resulting expense for the Group, if any. However, in the opinion of management, after consultation with its lawyers, the resolution of such litigation and proceedings should not have a material effect on the consolidated financial statements of the Company.

Agreement on the acquisition of a majority share of the capital of Centric Software

In June 2018, Dassault Systèmes signed an agreement whereby it would acquire a majority share of the capital of Centric Software, a software company providing product lifecycle management (PLM) solutions in the fashion, apparel, luxury and retail sectors. Under this agreement, a put option exercisable in the first quarters of 2020 and 2021 and a call option exercisable in the second quarter of 2021 would be entered into with the minority shareholders for their remaining shares, based on a business value that depends on the profitability and revenue of Centric Software. An advance payment would be made for the shares held by the minority shareholders and shall be an offset to the exercise price of the Call Right and Put Right. It will be refundable in case neither the put nor the call is exercised.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 HALF-YEAR FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Dassault Systèmes, for the six months ended June 30, 2018;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the effects of the application of the IFRS 15 standard on revenue from contracts with customers detailed in the paragraph "Changes in accounting policies" of note 2 of the financial statements.

2. Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 25, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Ernst & Young et Autres

Thierry Leroux

Nour-Eddine Zanouda