



# HALF-YEAR FINANCIAL REPORT

## JUNE 30, 2016

European company

Share capital: 128,565,541 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, 2016 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.

# Table of Contents

<b>1</b>	<b>RESPONSIBILITY .....</b>	<b>2</b>
1.1	Person Responsible for the Half Year Financial Report .....	2
1.2	Statement by the Person Responsible for the Half Year Financial Report .....	2
<b>2</b>	<b>HALF YEAR ACTIVITY REPORT .....</b>	<b>3</b>
2.1	Summary Description of Dassault Systèmes .....	3
2.2	Risk Factors .....	6
2.3	General Presentation .....	7
2.3.1	Basis of Presentation of Financial Information .....	7
2.3.2	2016 First Half Financial Summary .....	8
2.3.3	Supplemental non-IFRS Financial Information .....	10
2.4	Financial review of operations as of June 30, 2016 .....	12
2.4.1	Revenue .....	12
2.4.2	Operating expenses .....	13
2.4.3	Operating income .....	15
2.4.4	Financial income (expense) and other, net .....	16
2.4.5	Income tax expense .....	16
2.4.6	Net income and diluted net income per share .....	16
2.4.7	Capital Resources .....	17
2.5	Related party transactions .....	17
2.6	2016 First Half Business & Corporate Highlights .....	17
2.7	2016 Financial Objectives .....	18
<b>3</b>	<b>CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2016 .....</b>	<b>19</b>
	Consolidated Statements of Income .....	19
	Consolidated Statements of Comprehensive Income .....	20
	Consolidated Balance Sheets .....	21
	Consolidated Statements of Cash Flows .....	22
	Consolidated Statements of Shareholders' Equity .....	23
	Notes to the Condensed consolidated Financial Statements for the Half-Year Ended June 30, 2016 .....	24
	<b>Note 1</b> Description of Business .....	25
	<b>Note 2</b> Summary of Significant Accounting Policies .....	25
	<b>Note 3</b> Seasonality .....	25
	<b>Note 4</b> Segment Information .....	26
	<b>Note 5</b> Software Revenue .....	26
	<b>Note 6</b> Government Grants .....	27
	<b>Note 7</b> Share-based Payments .....	27
	<b>Note 8</b> Other Operating Income and Expense, Net .....	28
	<b>Note 9</b> Interest Income and Expense, Net and Other Financial Income and Expense, Net .....	29
	<b>Note 10</b> Trade Accounts Receivable, Net .....	29
	<b>Note 11</b> Intangible Assets and Goodwill .....	30
	<b>Note 12</b> Borrowings .....	30
	<b>Note 13</b> Derivatives .....	31
	<b>Note 14</b> Shareholders' Equity .....	32
	<b>Note 15</b> Consolidated Statements of Cash Flows .....	33
	<b>Note 16</b> Commitments and Contingencies .....	33
<b>4</b>	<b>STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 HALF-YEAR FINANCIAL INFORMATION .....</b>	<b>34</b>

# 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, 2016

"I hereby declare that, to the best of my knowledge, the 2016 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  
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 Summary Description of Dassault Systèmes

### *Overview*

Dassault Systèmes, the **3DEXPERIENCE** Company, has the mission to provide business and people with **3DEXPERIENCE** universes to imagine sustainable innovations harmonizing product, nature and life. This purpose has given birth to a unique portfolio of products and Industry Solutions Experiences whose key strength is in their scientific content and deep understanding of industrial processes. The Company's software portfolio spans a wide spectrum of domains from modelling and scientific simulation to production and logistics optimization, and is applicable from Natural Resources to Cities, Transportation, Buildings, Smart Products, Consumer Goods, all the way to biological systems and chemistry.



Dassault Systèmes is the world leader of the global Product Lifecycle Management market based upon end user software revenue (source: CIMdata, June 2016), a position which it has held since 1999. Its world leadership reflects its core DNA as a scientific company, combining science, technology and art to help advance the success of customers and users with the Company's Industry Solution Experiences.

The Company's software offerings address users all across a company's product development loop enabling the Group to provide customers with a comprehensive perspective, encompassing:

- product ideation and specification;
- design with early 3D digital models to full digital mock-ups;
- virtual testing of products;
- virtual production and manufacturing operations management;
- operations planning and optimization;
- digital marketing and sales;
- end-consumer shopping experience.

In connection with the Company's **3DEXPERIENCE** strategy and reflecting its broad software applications capabilities, the Company has organized itself along three axes: (i) a strategy to cover customer processes based upon 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 group 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 its global strengths, while at the same time ensuring a strong local understanding and field operations.

The Company's investments, both through expenditures on its internal R&D efforts and through acquisitions, are closely aligned with its strategic roadmap. The Company's internal R&D investments are the principal driver of its product innovations and enhancements. In addition, with its expanded purpose and Industry Solution Experiences strategy the Company is growing its addressable market along two axes: (i) broadening its offer to cover the key product disciplines of clients adding upstream consumer insights to its 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 its market coverage to address industries focused on the interaction of business and people with nature (geosphere) and business and people with life sciences (biosphere). As a result, the Company will continue to evaluate potential external investments complementing and extending the business value it brings to industries, clients and users.

### ***Industries Served***

The Company's global customer base includes companies in 12 vertical sectors: Aerospace & Defense; Transportation & Mobility; Marine & Offshore; Industrial Equipment; High-Tech; Architecture, Engineering & Construction; Consumer Goods & Retail; Consumer Packaged Goods & Retail; Life Sciences; Energy, Process & Utilities; Financial & Business Services; and Natural Resources.

For its latest fiscal year ended December 31, 2015, the composition of end user software revenue by major industry was approximately as follows: Transportation & Mobility about 32% (30% in 2014); Industrial Equipment about 15% (19% in 2014); Aerospace & Defense about 14% (12% in 2014); Business Services about 9% (11% in 2014); and Diversification Industries about 30% (28% in 2014).

To deepen its penetration of each industry, the Company undertakes the continuing development of industry specific solutions, both through internal development and by acquisition, and increasing its expertise through partnerships with leading companies and system integrators and the addition of specialized direct sales and sales partners.

### ***3DEXPERIENCE Industry Solutions***

The **3DEXPERIENCE** platform is a business experience platform. It provides software solutions for every organization within a company – from engineering to marketing and sales – that help clients, in their value creation process, to create differentiating consumer experiences. With a single, easy-to-use interface, the **3DEXPERIENCE** platform, available on premise and on cloud, powers Industry Solution Experiences – based on 3D design, analysis, simulation, and intelligence software in a collaborative, interactive environment.

Dassault Systèmes offers industry-leading applications delivered on the **3DEXPERIENCE** platform: Design & Engineering, Manufacturing & Production, Simulation, Governance & Lifecycle, 3D Design Experience for Professionals, and a number of solutions and processes. The **3DEXPERIENCE** platform and Industry Solution Experiences on premise and on cloud were first introduced in February 2014. The **3DEXPERIENCE** Process Portfolio On Cloud is offered as Software as a Service (SaaS) on a public or private Cloud to provide increased flexibility and fast deployment. In addition to offering the same software applications which are also available on premise for a broad portfolio of Processes and Roles, it includes the operation of the Cloud environment in the price of the Processes. The public cloud operates permanently, and includes maintenance, licensing, and upgrades. Total Cost of Ownership is improved by reducing requirements for computing and storage, as well as facility and human resources costs.

A single user interface – the 3D Compass – provides easy-to-use navigation, search, and collaboration in the **3DEXPERIENCE** platform environment that is extensible to any discipline in a company – engineering, manufacturing, simulation, sales, marketing, finance, procurement, and management.

The V6 architecture unifies the user experience for all Processes and Industries. Built to answer customer and industry specific needs for ease of use and lower training costs, it allows customization and the integration of customer data into a single environment. It provides a single source for truth by integrating all data required to improve processes while eliminating costly IT operations, such as database replication.

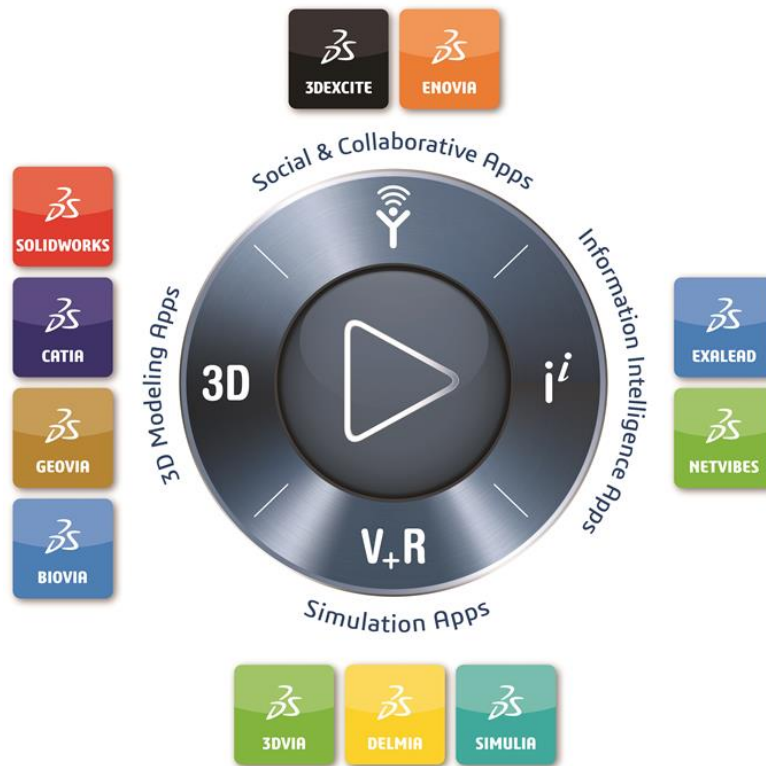
See "Technology and Science" below.

### ***3DEXPERIENCE Software Applications Portfolio – Addressing the Needs of its User Communities***

The Company's **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.

Since its inception, the Company has focused on creating a portfolio of leading brands, each focused on specific user groups. The Company continues to expand its brands and create new brands to meet the evolving needs of existing and new users across its expanded addressable market and, in addition, began introducing in 2012 Industry Solution Experiences. These solutions are designed on an industry-

by-industry basis, and are designed to trigger and connect the value created by each discipline in an industry to ensure that the Company value stream is not interrupted.



## History and Development

Dassault Systèmes, the **3DEXPERIENCE** Company, provides software applications and services, designed to support companies' innovation processes. The Company's software applications and services span design from ideation, to early 3D digital conceptual design drawings to full digital mock up; virtual testing of products; end-to-end global industrial operations, including manufacturing management to operations planning & optimization; and in marketing and sales from digital marketing and advertising to end consumer shopping experience. The Group brings value to over 210,000 customers of all sizes, in all industries, in more than 140 countries.

Dassault Systèmes was established in 1981 through the spin-off of a small team of engineers from Dassault Aviation, which was developing software to design wind tunnel models and therefore reduce the cycle time for wind tunnel testing, using modeling in three dimensions ("3D"). The Company entered into a distribution agreement with IBM the same year and started to sell its software under the CATIA brand. With the introduction of its Version 3 ("V3") architecture in 1986, the foundations of 3D modeling for product design were established.

Through its work with large industrial customers, the Company learned how important it was for them to have a software solution that would support the design of highly diversified parts in 3D. The growing adoption of 3D design for all components of complex products, such as airplanes and cars, triggered the vision for transforming the 3D part design process into an integrated product design. The Version 4 ("V4") architecture was created, opening new possibilities to realize full digital mock ups ("DMU") of any product. The V4 architected software solutions helped customers reduce the number of physical prototypes and realize substantial savings in product development cycle times, and it made global engineering possible as engineers were able to share their ongoing work across the globe virtually.

In order to fulfill the mission to provide a robust 3D Product Lifecycle Management ("PLM") solution supporting the entire product lifecycle from design to manufacturing, the Company developed and introduced its next software architecture in 1999, Version 5 ("V5"). In conjunction with its strategy and product portfolio development plans, the Company undertook a series of targeted acquisitions expanding its software applications portfolio offering to include digital manufacturing, realistic simulation, product data management and enterprise business process collaboration.

In 2012, the Company unveiled its current horizon, **3DEXPERIENCE**, based on the Company's technology architecture Version 6 ("V6") and designed to support its clients in their innovation process so that they can invent the future through the prism of their users' experiences. **3DEXPERIENCE** builds upon the Company's work in 3D, DMU, and PLM, and reflects the evolution Dassault Systèmes began to see among its clients in different industry verticals. It can be used on premise or online, in a public or private cloud.

## **Technology and Science**

Dassault Systèmes has a substantial commitment to technological innovation. Important areas of investment in R&D include, among others, the business **3DEXPERIENCE** 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 also project management and compliance) and connectivity technologies (for social and structured collaboration). 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 solutions.

## **Sales and Marketing**

The Company's customers range from start-ups, small- and mid-sized companies to the largest companies in the world as well as educational institutions and government departments. To ensure sales and marketing coverage of all its customers, the Company has developed three sales and distribution channels, with approximately 59% of revenue generated through direct sales and 41% through the Company's two indirect sales channels in 2015. No single customer or sales channel partner represented more than 5% of the Company's total revenue in 2015 and 2014.

- 3DS Business Transformation channel: sales to large companies and government entities are generally conducted through the Company's direct sales channel, the 3DS Business Transformation channel. Direct sales represented 59% and 58% of revenue in 2015 and 2014, respectively.
- 3DS Value Solutions channel: sales to small- and mid-sized companies are conducted indirectly generally through the Company's Value Solutions channel, a global network of value added resellers with Industry specialization. This channel represented 21% and 23% of the Company's revenue in 2015 and 2014, respectively.
- 3DS Professional channel: the 3DS Professional channel is an indirect channel focused on the volume market. It is comprised of a network of value added resellers and distributors worldwide providing sales, local training, services and support to customers. Sales through this channel represented 20% and 19% of the Company's total revenue in 2015 and 2014, respectively.

In addition to its sales channels, the Company is actively developing and expanding relationships with system integrators with industry and domain expertise.

## **Competition**

The Company operates in a highly competitive marketplace. As it continues to broaden its addressable market, by expanding its current product portfolio, diversifying its client base in new sectors of activity, and developing new applications and markets, the Company faces competition, from new competitors ranging from technology start-ups to the largest technology companies in the world. The Company's competitors generally compete with it in specific areas of its portfolio or in a specific set of industries, but due to the breadth of the Company's activities, no single company competes with it across its entire scope. For further information, see Section 1.4.2.7 "Competition" of the Company's 2015 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 2016 are presented in Section 1.6 "Risk Factors" of the Company's 2015 *Document de référence* filed with the *Autorité des marchés financiers* ("AMF", the French Financial Markets Authority) on March 23, 2016, it being specified that certain information relating to foreign currency and interest rate risks mentioned in said *Document de référence* are updated in Note 13 of the Company's half year consolidated condensed financial statements under Chapter 3 of this Half Year Report.

## 2.3 General Presentation

### 2.3.1 Basis of Presentation of Financial Information

---

The summary below highlights selected aspects of the Company's financial results for the first half of 2016 under International Financial Reporting Standards ("IFRS"). The summary, the supplemental non-IFRS financial information and the more detailed discussion that follows should be read together with the Company's interim condensed consolidated financial statements and the related notes included under Chapter 3 of this Half Year Report.

In discussing and analyzing its results of operations, the Company considers supplemental non-IFRS financial information which adjusts the Company's IFRS financial information to exclude:

- the deferred revenue adjustment of acquired companies;
- amortization of acquired intangibles, including amortization of acquired technology;
- share-based compensation expense and related social charges;
- other operating income and expense, net;
- certain one-time items included in financial revenue and other, net; and
- certain one-time tax effects.

A reconciliation of this supplemental non-IFRS financial information with information set forth in the Company's consolidated condensed financial statements and the notes thereto is presented below in section 2.3.3 "Supplemental Non-IFRS Financial Information" and a description of this supplemental non-IFRS financial information can be found in the Company's *Document de référence* for 2015 in paragraph 3.1.1.2.

When the Company believes it would be helpful for understanding trends in its business, it restates percentage increases or decreases in selected financial data 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 below "in constant currencies", the results of the prior year have first been recalculated using the average exchange rates of the most recent year, and then compared with the results of the most recent year. All constant currency information is provided on an approximate basis.

The Company's quarterly new licenses revenue has varied significantly and is likely to vary significantly in the future according to business seasonality and clients' decision process. The Company's total revenue is, however, less sensitive to quarterly variation due to its significant level of recurring software revenue, which serves as a stabilizing factor when new licensing activity is impacting revenue and net income.

A significant portion of sales typically occurs in the last month of each quarter, and, as is typical in the software market, the Company normally experiences its highest licensing activity for the year in December. Software revenue, total revenue, operating income, operating margin and net income have generally been highest in the fourth quarter of each year.

Nonetheless, it is possible that the Company's quarterly total revenue could vary significantly and that its net income could vary significantly reflecting the change in revenues, together with the effects of the Company's investment plans.



## 2.3.2 2016 First Half Financial Summary

The table below sets forth the Company's financial summary for the half year periods ended June 30, 2016 and 2015, respectively, and provides growth rates on a reported basis and in constant currencies.

<i>(in millions, except percentages and per share data)</i>	IFRS			Non-IFRS		
	H1 2016	Change	Change in cc*	H1 2016	Change	Change in cc*
Total Revenue	€1,445.4	5.7%	7%	€1,447.5	4.2%	5%
Software Revenue	1,281.6	6.3%	7%	1,283.3	4.6%	6%
Services & other revenue	163.8	1.6%	2%	164.2	1.2%	2%
Operating Income	283.9	5.9%	-	410.9	7.0%	-
Operating Margin	19.6%	-	-	28.4%	+0.7 pt	-
EPS	€0.74	10.4%	-	1.08	12.5%	-

<i>Software revenue (in millions of Euros except percentages)</i>	IFRS			Non-IFRS		
	H1 2016	Change	Change in cc*	H1 2016	Change	Change in cc*
Europe	540.5	5.1%	8%	540.9	3.8%	6%
Americas	387.4	9.0%	10%	388.4	6.1%	7%
Asia	353.7	5.2%	5%	354.0	4.4%	4%

\* In constant currencies

### First Half 2016 Review

#### Summary Overview

Dassault Systèmes, the **3DEXPERIENCE** company, provides software applications and services, designed to support companies' innovation processes. Since the introduction of its market vision of **3DEXPERIENCE** and its Social Industry Experience strategy in 2012, the Company has undergone a deep transformation in its go-to-market strategy, in the orientation of its software applications, and in its regional organization structure to better position itself to double its addressable market between 2014 and 2019. The Company estimates that its addressable software market now reaches approximately \$24 billion, representing an estimated doubling of its addressable software market since 2012.

Overall, the Company delivered a 2016 First Half well aligned with its non-IFRS financial objectives with non-IFRS diluted earnings per share growth of 13% to €1.08. Non-IFRS total revenue of €1.45 billion increased 5% in constant currencies driven by non-IFRS software revenue growth of 6% in constant currencies; non-IFRS operating income increased 7% to €410.9 million and non-IFRS operating margin expanded 70 basis points.

At the top-line key drivers of new activity growth were the Company's **3DEXPERIENCE** platform and Industry Solution Experiences and Industry Diversification. Brands leading total software growth in the first half of 2016 included ENOVIA with software revenue growth of 12% in constant currencies, SOLIDWORKS with software revenue growth of 10% in constant currencies and SIMULIA, DELMIA and Quintiq. Recurring software revenue represented 72% of non-IFRS software revenue for the 2016 First Half and increased 9% in constant currencies. Non-IFRS new licenses revenue increased 2% in constant currencies during the First Half reflecting the Company's view of a back-end weighted year of investments by clients.

The Company is seeing **3DEXPERIENCE** sales momentum increasing thanks to transactions and references building in Transportation & Mobility, Aerospace & Defense, High Tech, Energy, Process & Utilities and Marine & Offshore among others with a wide array of companies from global leaders to start-ups and small professional firms. During the 2016 First Half **3DEXPERIENCE** platform and industry solution experiences new licenses revenue increased 68% in constant currencies.

Diversification Industries represented approximately 31% of total software revenue in the 2016 First Half, increasing one percentage point in comparison to the 2015 First Half. In these industries, strongest software revenue growth was recorded in Energy, Process & Utilities, High Tech, and Marine & Offshore, in particular. In the Company's core industries software revenue growth was strongest in Industrial Equipment.

The Company sees a year of solid growth in revenue for 2016: with a first half led by strong recurring software revenue growth, and anticipates a marked acceleration in new licenses revenue growth in the second half of 2016 based upon traction with **3DEXPERIENCE**, industry diversification and improving sales trends in its Professional channel with SOLIDWORKS.

From an operational perspective the Company maintains an ongoing focus on driving underlying growth in its non-IFRS operating margin excluding any currency effects and this is visible in its first half 2016 non-IFRS operating margin performance, increasing 70 basis points.

For the full year 2016, the Company expects to deliver underlying operating margin improvement while also increasing investments as it prepares its growth for 2017.

The Company continues to evaluate potential acquisitions well aligned with its strategy leading to the announcement of two acquisitions. During the second quarter, the Company completed the acquisition of Ortems, focused on production planning and scheduling and to be included in the Company's global industrial operations product line with DELMIA. On July 21, 2016 the Company announced that it has entered into a definitive agreement to acquire CST - Computer Simulation Technology AG, the technology leader in electromagnetic simulation to extend SIMULIA's Multiphysics simulation capabilities.

#### **Summary Financial Highlights** (revenue and software revenue growth figures in constant currencies)

**Total Revenue:** IFRS total revenue increased 7%. Non-IFRS total revenue increased 5%, with software revenue growth of 6% and services and other revenue growth of 2%.

**Software Revenue by Region:** On a regional basis, Americas and Europe posted the strongest non-IFRS software revenue growth increasing 7% and 6%, respectively. Growth in Americas was led by North America. In Europe, growth was delivered by all geos, led by Southern Europe. Software revenue growth in Asia was led by China and Japan. Total Asia growth of 4% reflected mixed results. Europe represented 42% of non-IFRS total software revenue, Americas 30% and Asia 28%.

**Software Revenue:** Non-IFRS software revenue increased 6% on strong growth of recurring software revenue. Non-IFRS periodic licenses, maintenance and other software revenue increased 10%. Non-IFRS new licenses software revenue increased 2%, and reflected the expectation by the Company of a more back-end weighted year of new licenses revenue activity.

**Recurring Software Revenue:** Recurring software revenue represented 72% of non-IFRS total software revenue for the 2016 First Half and was comprised of maintenance subscriptions and rental subscriptions. All sales channels reported a high level of maintenance renewals.

**Operating Income and Margin:** Non-IFRS operating income increased to €410.9 million, representing an increase of 7.0% or 9% excluding net negative currency effects. Non-IFRS operating margin was 28.4% for the 2016 First Half, increasing 70 basis points compared to 27.7% for the 2015 First Half.

**Earnings per Share:** IFRS diluted net income per share increased 10.4%. Non-IFRS diluted net income per share increased 12.5% to €1.08 per diluted share, compared to €0.96 per diluted share. Both IFRS and non-IFRS net income reflected revenue and operating income growth, as well as lower effective tax rates offset in part by a net negative impact from currencies.

**Cash Flow:** Net operating cash flow increased 8% to €449.1 million for the six months ended June 30, 2016, compared to €416.8 million for the 2015 First Half, reflecting higher net income.

In the 2016 First Half, the Company uses of cash were principally for cash dividends of €101.9 million, share repurchases of €43.3 million, payment for acquisitions of €11.2 million, and capital expenditures of €18.4 million. The Company received cash for stock options exercised of €10.5 million.

**Other Financial Highlights:** The Company's net financial position increased to €1.64 billion at June 30, 2016, compared to €1.35 billion at December 31, 2015, reflecting an increase in cash, cash equivalents and short-term investments to €2.64 billion from €2.35 billion, with long-term debt of €1.00 billion unchanged.

**Currency:** During the 2016 First Half currency exchange rate evolution had a net negative impact on the Company's reported revenue, operating income, earnings per share and their respective growth rates. In the 2015 First Half currency exchange rates had a material, net positive impact on reported revenue, operating income and earnings per share and their respective growth rates.

#### **2016 Business Outlook**

For a discussion of the Company's 2016 business outlook, see paragraph 2.7 "2016 Financial Objectives".

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2016 are presented in Section 1.6 "Risk Factors" of the Company's 2015 *Document de référence* filed with the *Autorité des marchés financiers* ("AMF", the French Financial Markets Authority) on March 23, 2016, it being specified that certain information relating to foreign currency and interest rate risks mentioned in said *Document de référence* are updated in Note 13 of the Company's half year consolidated condensed financial statements under Chapter 3 of this Half Year Report.

## 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 2015 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 "Basis of presentation of financial information", 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.

<i>(in millions, except percentages and per share data)</i>	For the First Half Ended June 30,						Increase (Decrease)	
	2016 IFRS	Adjust- ment <sup>(1)</sup>	2016 non-IFRS	2015 IFRS	Adjust- ment <sup>(1)</sup>	2015 non-IFRS	IFRS	non- IFRS <sup>(2)</sup>
<b>Total Revenue</b>	<b>€1,445.4</b>	<b>€2.1</b>	<b>€1,447.5</b>	<b>€1,367.2</b>	<b>€21.4</b>	<b>€1,388.6</b>	<b>6%</b>	<b>4%</b>
<b>Total revenue by activity</b>								
Software revenue	1,281.6	1.7	1,283.3	1,206.0	20.4	1,226.4	6%	5%
Services and other revenue	163.8	0.4	164.2	161.2	1.0	162.2	2%	1%
<b>Total revenue by geography</b>								
Europe	612.6	0.6	613.2	587.8	7.2	595.0	4%	3%
Americas	448.2	1.1	449.3	417.3	11.0	428.3	7%	5%
Asia	384.6	0.4	385.0	362.1	3.2	365.3	6%	5%
<b>Total Operating Expenses</b>	<b>€(1,161.5)</b>	<b>€124.9</b>	<b>€(1,036.6)</b>	<b>€(1,099.0)</b>	<b>€94.5</b>	<b>€(1,004.5)</b>	<b>6%</b>	<b>3%</b>
Share-based compensation expense	(34.0)	34.0	-	(10.6)	10.6	-		
Amortization of acquired intangibles	(77.4)	77.4	-	(77.7)	77.7	-		
Other operating income and expense, net	(13.5)	13.5	-	(6.2)	6.2	-		
<b>Operating Income</b>	<b>€283.9</b>	<b>€127.0</b>	<b>€410.9</b>	<b>€268.2</b>	<b>€115.9</b>	<b>€384.1</b>	<b>6%</b>	<b>7%</b>
<b>Operating Margin</b>	<b>19.6%</b>		<b>28.4%</b>	<b>19.6%</b>		<b>27.7%</b>		
Financial revenue and other, net	(16.8)	11.8	(5.0)	3.8	-	3.8		
<b>Income before Income Taxes</b>	<b>€267.1</b>	<b>€138.8</b>	<b>€405.9</b>	<b>€272.0</b>	<b>€115.9</b>	<b>€387.9</b>	<b>(2)%</b>	<b>5%</b>
Income tax expense	(73.5)	(52.6)	(126.1)	(99.4)	(39.2)	(138.6)	(26)%	(9)%
Non-controlling interest	(2.4)	-	(2.4)	(2.4)	-	(2.4)		
<b>Net Income attributable to shareholders</b>	<b>€191.2</b>	<b>€86.2</b>	<b>€277.4</b>	<b>€170.2</b>	<b>€76.7</b>	<b>€246.9</b>	<b>12%</b>	<b>12%</b>
<b>Diluted Net Income Per Share<sup>(3)</sup></b>	<b>€0.74</b>	<b>€0.34</b>	<b>€1.08</b>	<b>€0.67</b>	<b>€0.29</b>	<b>€0.96</b>	<b>10%</b>	<b>13%</b>

(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.

<i>(in millions)</i>	For the First Half Ended June 30,					
	2016 IFRS	Adjustment	2016 Non-IFRS	2015 IFRS	Adjustment	2015 Non-IFRS
Cost of software, services and other revenue	(€231.0)	€1.4	(€229.6)	(€217.0)	€0.3	(€216.7)
Research and development	(269.2)	13.9	(255.3)	(251.6)	4.4	(247.2)
Marketing and sales	(460.0)	11.8	(448.2)	(445.7)	4.0	(441.7)
General and administrative	(110.4)	6.9	(103.5)	(100.9)	1.9	(99.0)
<b>Total share-based compensation expense</b>		<b>34.0</b>			<b>10.6</b>	

(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 257.3 million diluted shares for the 2016 First Half and 255.9 million diluted shares for the 2015 First Half.

## 2.4 Financial review of operations as of June 30, 2016

### 2.4.1 Revenue

The Company's total revenue is comprised of (i) software revenue, which is its primary source of revenue, representing 89% of total revenue in the 2016 First Half, and (ii) services and other revenue, which represented 11% of total revenue in the 2016 First Half.

<i>(in millions, except percentages)</i>	<b>Half Year Ended June 30, 2016</b>	<b>% change</b>	<b>% change in constant currencies</b>	<b>Half Year Ended June 30, 2015</b>
<b>Total Revenue</b>	<b>€1,445.4</b>	<b>5.7%</b>	<b>7%</b>	<b>€1,367.2</b>
<b>Total revenue by activity</b>				
Software revenue	1,281.6	6.3%	7%	1,206.0
Services and other revenue	163.8	1.6%	2%	161.2
<b>Total revenue by geographic region*</b>				
Europe	612.6	4.2%	7%	587.8
America	448.2	7.4%	8%	417.3
Asia	384.6	6.2%	6%	362.1

\* 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, 2015.

For the 2016 First Half IFRS total revenue increased 5.7% to €1.45 billion and excluding negative currency effects increased an estimated 7%. Non-IFRS total revenue increased 4.2% to €1.45 billion and excluding currency effects increased 5%. Software was the principal driver of growth, increasing 7% (IFRS) and 6% (non-IFRS) excluding currency effects as the Company seeks to extend its relationship with system integrators and sales partners to expand its capacity for implementation of its software solutions.

#### 2.4.1.1 Software Revenue

Software revenue is primarily comprised of new licenses revenue and periodic licenses, maintenance and other software-related revenue. Periodic licenses subscription and maintenance subscription revenue are referred to together as "recurring revenue".

The Company's software applications are principally licensed pursuant to one of two payment structures: (i) new licenses, for which the customer pays an initial or one-time fee for a perpetual license or (ii) periodic (rental subscription or cloud subscription) licenses, for which the customer pays periodic fees to keep the license active. Access to maintenance and unspecified product updates or upgrades requires the payment of a fee, which is recorded as maintenance revenue. Periodic (rental subscription or cloud subscription) licenses entitle the customer to corrective maintenance and product updates without additional charge. Product updates include improvements to existing products but do not cover new products. Other software-related revenue is comprised of the Company's product development revenue relating to the development of additional functionalities of standard products requested by customers.

<i>(in millions, except percentages)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Software revenue</b>		
New licenses revenue	€348.9	€333.9
Periodic licenses, maintenance and other software-related revenue	932.7	872.1
<b>Total software revenue</b>	<b>€1,281.6</b>	<b>€1,206.0</b>
(as a % of total revenue)	88.7%	88.2%

For the 2016 First Half, IFRS software revenue increased 6.3%. Non-IFRS software revenue increased 4.6% and 6% excluding negative currency effects and totaled €1.28 billion compared to €1.23 billion for the 2015 First Half.

New licenses revenue increased 4.5% for the 2016 First Half. Non-IFRS new licenses revenue of €349.5 million increased 0.9% and 2% in constant currencies. New licenses revenue increased in Europe and the Americas while decreasing in Asia on a strong comparison base as well as softer market conditions in certain countries within Asia. Non-IFRS new licenses revenue represented 27% of total software revenue for both the 2016 and 2015 First Half.

Recurring software revenue, comprised of periodic (rental and cloud) subscription and maintenance subscription, increased 8% and totaled €927.5 million for the 2016 First Half, compared to €858.8 million in the 2015 First Half. Non-IFRS recurring software revenue increased 7.1% and 9% in constant currencies and totaled €928.6 million for the 2016 First Half compared to €866.7 million in the 2015 First Half. Excluding negative currency effects, recurring software revenue growth reflected strong maintenance subscription performance in all three regions, benefiting from high renewal rates generally and growth in maintenance subscription from prior new licenses activity. In addition, growth in rental subscription revenue in all three regions contributed to the increase in recurring software revenue.

IFRS and non-IFRS recurring software revenue represented 72% and 71% of total software revenue for the 2016 and 2015 First Half, respectively.

Other software revenue totaled €5.2 million for the 2016 First Half compared to €13.3 million in 2015 First Half and was comprised of revenue related to the development of additional functionalities of standard products requested by clients and reinstated maintenance.

## 2.4.1.2 Services and Other Revenue

Services and other revenue are principally comprised of revenue from consulting services in methodology for design, deployment and support, training services and engineering services. In addition, service and other revenue also include content-related digital production for use in 3D visualization, advertising, sales and marketing principally related to the Company's 3DEXCITE brand.

<i>(in millions, except percentages)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Services and other revenue</b>	<b>€163.8</b>	<b>€161.2</b>
<i>(as a % of total revenue)</i>	11.3%	11.8%

Services and other revenue increased 1.6%. Non-IFRS services and other revenue of €164.2 million increased 1.2% and approximately 2% in constant currencies, compared to €162.2 million in the 2015 First Half reflecting the Company's focus on extending its relationships with system integrators and sales partners to expand its capacity for implementation of its software solutions. The non-IFRS services and other revenue gross margin decreased during the 2015 First Half from 10.7% to 5.6%.

## 2.4.2 Operating expenses

<i>(in millions)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating expenses</b>	<b>€1,161.5</b>	<b>€1,099.0</b>
Adjustments <sup>(1)</sup>	(124.9)	(94.5)
<b>Non-IFRS operating expenses<sup>(1)</sup></b>	<b>€1,036.6</b>	<b>€1,004.5</b>

(1) *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 €77.4 million and €77.7 million for the 2016 and 2015 First Half, respectively, (ii) share-based compensation expense of €34.0 million and €10.6 million for the 2016 and 2015 First Half, respectively, and (iii) other operating income and expense, net of €(13.5) million and €(6.2) million for the respective 2016 and 2015 periods. For the reconciliation of this non-IFRS financial information with information set forth in its financial statements and the notes thereto, see section 2.3.3 "Supplemental non-IFRS Financial Information" above.*

### 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)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cost of software revenue (excl. amortization of acquired intangibles)</b>	<b>€75.2</b>	<b>€72.0</b>

Cost of software revenue (excluding amortization of acquired intangibles) increased 4.4%. Non-IFRS cost of software revenue increased 3.9% to €74.6 million, or 4% excluding currency effects, and primarily reflected higher personnel-related costs on headcount growth and

increased Cloud costs. The cost of software revenue (excluding amortization of acquired intangibles) represented 5.2% and 5.3% of total revenue in the First Half of 2016 and 2015, respectively.

### **Cost of Services Revenue**

The cost of services and other 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)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cost of services and other revenue</b>	<b>€155.8</b>	<b>€145.0</b>

Cost of services and other revenue increased 7.4%. Non-IFRS costs of services and other revenue totaled €155.0 million, representing an increase of 7.0%, or 9% excluding currency effects. The increase in non-IFRS cost of services and other revenue, largely reflected higher personnel costs including subcontractors and selective personnel increases. The cost of services and other revenue amounted to 10.8% and 10.6% of total revenue in the First Half of 2016 and 2015, respectively.

### **Research and Development Expenses**

The Company believes that its ongoing significant investment in R&D is one of the most important elements of its success. The Company conducts its research in Europe (mainly France, Germany, the United Kingdom, the Netherlands 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. The Company generally does not capitalize any R&D costs. 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, except percentages)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Research and development expenses</b>	<b>€269.2</b>	<b>€251.6</b>
<i>(as % of total revenue)</i>	18.6%	18.4%

At June 30, 2016 personnel in research and development represented 41.8% of the Company's total workforce.

During the 2016 First Half, research and development expenses increased 7.0%. On a non-IFRS basis, research and development expenses totaled €255.3 million and increased 3.3%, or 4% excluding currency impacts, and reflected higher personnel costs including headcount growth and increased subcontracting costs.

### **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.

<i>(in millions, except percentages)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Marketing and sales expenses</b>	<b>€460.0</b>	<b>€445.7</b>
<i>(as % of total revenue)</i>	31.8%	32.6%

Marketing and sales expenses increased 3.2%. Non-IFRS marketing and sales expenses totaled €448.2, representing an increase of 1.5% or 2% excluding currency impacts principally due to growth in sales expenses on personnel costs including growth in headcount offset in part by lower marketing expenses.

### General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs of the finance, 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.

<i>(in millions, except percentages)</i>	For the First Half Ended June 30,	
	2016	2015
<b>General and administrative expenses</b>	<b>€110.4</b>	<b>€100.9</b>
<i>(as % of total revenue)</i>	7.6%	7.4%

General and administrative expenses increased 9.4%. On a non-IFRS basis, general and administrative expenses totaled €103.5 million, increasing 4.5% or 5% excluding currency effects. The growth of non-IFRS general and administrative expenses was principally related to higher personnel related costs.

### Amortization of Acquired Intangibles

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

<i>(in millions)</i>	For the First Half Ended June 30,	
	2016	2015
<b>Amortization of acquired intangibles</b>	<b>€77.4</b>	<b>€77.7</b>

Amortization of acquired intangibles decreased €0.3 million during the 2016 First Half compared to the year-ago period.

### Other Operating Income and Expense, Net

Other operating income and expense, net, are principally comprised of acquisition costs, costs incurred in connection with relocation activities, and restructuring costs incurred from time to time.

<i>(in millions)</i>	For the First Half Ended June 30,	
	2016	2015
<b>Other operating income and (expense), net</b>	<b>€(13.5)</b>	<b>€(6.2)</b>

For the 2016 First Half Other operating expense, net increased €(7.3) million due to an early retirement program accrual of €(6.7) million as well as increased expenses related to the reorganization of the Group's premises of €(2.4) million and restructuring costs of €(1.6) million offset in part by lower acquisition-related third-party professional fees of €3.0 million principally. See Note 8 to the consolidated financial statements.

## 2.4.3 Operating income

<i>(in millions)</i>	For the First Half Ended June 30,	
	2016	2015
<b>Operating income</b>	<b>€283.9</b>	<b>€268.2</b>

Operating income increased 5.9% principally reflecting higher revenues.

Non-IFRS operating income increased 7.0% to €410.9 million for the 2016 First Half compared to €384.1 million in the prior year period due principally to higher revenues and in part to operating margin expansion. Currency had a net negative impact of 2 percentage points on non-IFRS operating income growth.



The non-IFRS operating margin increased to 28.4% from 27.7% in the 2015 First Half, reflecting underlying improvement in the non-IFRS operating margin of 90 basis points offset in part by negative currency effects of 20 basis points.

## 2.4.4 Financial income (expense) and other, net

Financial income (expense) 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) other items, net principally composed of net gains or losses on sales of investments.

<i>(in millions)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Financial income (expense) and other, net</b>	<b>€(16.8)</b>	<b>€3.8</b>

2016 First Half financial revenue and other, net was mainly comprised of interest income and (expense), net of €(16.0) million (2015 H1: €9.4 million), including the impact of discontinued hedge accounting for interest rate swaps given the expected trend of negative interest rates for €(18.6) million; exchange gain/(loss) of €(8.1) million (2015 H1: €(5.5) million), and other income/(loss) of €7.3 million (2015 H1: €(0.1) million), including a gain on sale of investment. See Note 9 to the consolidated financial statements.

On a non-IFRS basis, financial revenue and other, net totaled €(5.5) million compared to €3.8 million in the year-ago period and principally reflected lower net financial interest income due to the increase in long-term debt in October of 2015, as well as lower interest income on interest-earning assets and higher exchange losses.

## 2.4.5 Income tax expense

<i>(in millions, except percentages)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Income tax expense</b>	<b>€73.5</b>	<b>€99.4</b>
Effective consolidated tax rate	27.5%	36.5%

During the 2016 First Half income tax expense decreased 26.1%, reflecting a lower consolidated effective tax rate due principally to the reversal of a tax reserve as well as lower tax rates in key jurisdictions, in particular in France and Japan.

On a non-IFRS basis, while income before income taxes increased 4.6% to €405.9 million, income tax expense decreased 9.0% to €126.1 million for the 2016 First Half, compared to €138.6 million in the year-ago period, reflecting a decrease in the estimated non-IFRS effective consolidated tax rate to 31.1% in the 2016 First Half compared to 35.7% in the prior year period.

## 2.4.6 Net income and diluted net income per share

<i>(in millions, except per share data)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Net income attributable to shareholders</b>	<b>€191.2</b>	<b>€170.2</b>
<b>Diluted net income per share</b>	<b>€0.74</b>	<b>€0.67</b>
<b>Diluted weighted average shares outstanding</b>	<b>257.3</b>	<b>255.9</b>

Diluted net income per share increased 10.4%. Non-IFRS net income increased 12.4% to €277.4 million and non-IFRS net income per diluted share increased 12.5% to €1.08 per share, compared to €0.96 per share in the 2015 First Half.

## 2.4.7 Capital Resources

---

Cash, cash equivalents and short-term investments totaled €2.64 billion and €2.35 billion as of June 30, 2016 and December 31, 2015, respectively. The Company's net financial position increased to €1.64 billion at June 30, 2016, compared to €1.35 billion at December 31, 2015, and was comprised of cash, cash equivalents and short-term investments, less long-term debt unchanged at €1.00 billion.

In the 2016 First Half, the Company's principal sources of liquidity were cash from operations amounting to €449.1 million, comprised of net income in the amount of €288.0 million excluding non-cash items and an increase in working capital of €161.1 million. During the 2016 First Half cash obtained from operations was used primarily to distribute cash dividends aggregating €101.9 million, as well as to fund share repurchases of €43.3 million and to make acquisitions of €11.2 million.

In the 2015 First Half, the Company's principal sources of liquidity were cash from operations amounting to €416.8 million, comprised of net income in the amount of €255.0 million excluding non-cash items and an increase in working capital of €161.8 million. During the 2015 First Half cash obtained from operations was used primarily to distribute cash dividends aggregating €95.6 million.

Exchange rate fluctuations had a mixed translation effect on cash and cash equivalent balances of the Group, leading to a net neutral impact of €0.1 million as of June 30, 2016 compared to a net positive impact of €38.5 million as of June 30, 2015.

See also the Consolidated Statements of Cash Flows in Financial Statements.

The Company follows a conservative policy for investing its cash resources, mostly relying on short-term maturity investments. Investment rules are defined by the Company's financial management and controlled by the treasury department of Dassault Systèmes.

## 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 23, 2016, in Chapter 4.1.1, Note 26. No new related party transactions occurred during the 2016 First Half.

The transactions entered into with Dassault Aviation during the first six months of 2016 and mentioned in the *Document de référence* continued without any modifications which could significantly impact the financial position or the income of Dassault Systèmes during the 2016 First Half.

## 2.6 2016 First Half Business & Corporate Highlights

### **Acquisitions**

On July 21, 2016, Dassault Systèmes announced that it has entered into a definitive agreement to acquire CST, the technology leader in electromagnetic (EM) simulation, for approximately €220 million in an all-cash transaction. Based in Darmstadt, Germany, the privately-held CST will extend Dassault Systèmes capabilities for realistic multiphysics simulation to include full spectrum electromagnetic simulation. CST's software is used by designers and engineers at more than 2,000 companies in the high-tech, transportation and mobility, aerospace and defense, and energy industries to analyze and solve EM interference, compatibility and environmental effects issues during electronics product development and systems integration. Customers include Airbus Defence and Space, BMW, Continental Automotive, LG, Raytheon, Samsung, and Siemens Energy. The acquisition is expected to be completed in the fourth quarter of 2016, subject to regulatory approvals.

On April 1, 2016, jointly with Geometric Ltd., Dassault Systèmes announced plans to acquire full ownership of 3D PLM Software Solutions Ltd. (3DPLM), its joint venture in India with Geometric Ltd. 3DPLM, formed in 2002, comprises a talented team of 2,000 people in India working on research and development and services related to Dassault Systèmes' 3DEXPERIENCE platform and brand applications. Becoming a fully integrated part of Dassault Systèmes' global R&D will enhance the contribution and value-add of 3DPLM to Dassault Systèmes development projects, while offering even greater career development opportunities for its employees. Closing of the transaction is expected to take place during the fourth quarter of 2016. Prior to this transaction, 3DPLM was already fully consolidated in Dassault Systèmes financial statements.

### **Other Corporate Events**

On May 26, 2016, at the Annual Shareholders' Meeting, Dassault Systèmes' shareholders approved a dividend for the fiscal year 2015 equivalent to €0.47 per share, representing an increase of 9% compared to the prior year. 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 2015 dividend in the form of new Dassault Systèmes shares represented approximately 16% of Dassault Systèmes' shares, resulting in the issuance of 280,734 new ordinary Dassault Systèmes' shares, representing 0.11% of the share capital (on a non-diluted basis) and 0.07% of the Dassault Systèmes' (unadjusted) voting rights calculated on the basis of the share capital and voting rights as of May 31, 2016. On June 24, 2016, the new shares were delivered and listed on Euronext Paris the same day and the cash dividend was paid in the aggregate amount of €100.1 million.

The Board dated May 26, 2016 has appointed Mr. Bernard Charlès as Vice-Chairman of the Board. Therefore, M. Charlès shall serve as Chairman on an interim basis, in the case of a temporary incapacity of the Chairman.

The Board dated July 20, 2016 has co-opted Mrs. Catherine Dassault as director of the Company, in replacement of Mrs. Nicole Dassault who resigned. The term of Mrs. Catherine Dassault will end on the General Meeting to be held in 2019 to approve the annual accounts.

## 2.7 2016 Financial Objectives

The Company reaffirmed its 2016 financial objectives in conjunction with its second quarter earnings press release issued on July 21, 2016, as follows:

- 2016 non-IFRS revenue growth objective range of about 6% to 7% in constant currencies at €2.990 to €3.015 billion (reflecting the principal 2016 currency exchange rate assumptions below);
- 2016 non-IFRS operating margin of about 31%, compared to 2015 where the non-IFRS operating margin was 30.8%;
- 2016 non-IFRS diluted earnings per share (EPS) of about €2.40, representing a growth objective of about 7%; as reported, and currently embedding about 4 percentage points of currency headwinds.

These financial objectives are based upon an assumed average US dollar to euro exchange rate of US\$1.13 per €1.00 and an average Japanese yen to euro exchange rate of JPY122.2 to €1.00 for 2016, which take into account the actual average exchange rates for the US dollar and Japanese yen in the first and second quarters of 2016 and assumes an average US\$1.15 per €1.00 euro exchange rate for the third and fourth quarters and a Japanese yen to euro assumed average rate of JPY120 to €1.00 for these two periods.

In addition to the 2016 objectives stated above, while the Company sees a more volatile macro-environment in 2016, based upon an increase in 3DEXPERIENCE activity, it sets a goal of organic double-digits new licenses revenue growth in constant currencies for the second half 2016. The Company anticipates selective increases in investments in R&D and Sales resources in 2016, especially in the second half. It has set a goal targeting an increase in the organic operating margin of about 50 basis points in constant currencies for 2016.

The Company's financial objectives are prepared and communicated only on a non-IFRS basis and are subject to the cautionary statement set forth below. The 2016 annual non-IFRS objectives set forth above exclude the following accounting elements and are estimated based upon the 2016 currency exchange rate assumptions outlined above: 2016 deferred revenue write-downs estimated at approximately €2 million, share-based compensation expense including related social charges estimated at approximately €78 million and amortization of acquired intangibles estimated at approximately €149 million. The above objectives do not include any impact from other operating income and expense, net principally comprised of acquisition, integration and restructuring expenses, from one-time items included in financial revenue and from one-time tax restructuring gains and losses. Finally, these estimates do not include any new stock option or share grants, or any new acquisitions or restructurings completed after July 21, 2016.

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 21, 2016 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.

In addition to its 2016 financial objectives, the Company reaffirmed its 2019 non-IFRS EPS objective of about €3.50 in conjunction with its Capital Markets Day held on June 10, 2016. The 2019 objective was initially outlined on June 13, 2014 at the Company's prior capital markets day.

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2016 are presented in Section 1.6 "Risk Factors" of the Company's 2015 *Document de référence* filed with the AMF on March 23, 2016, with the exception of foreign currency and interest rate risks which are updated in Note 13 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, 2016

## Consolidated Statements of Income

	Notes	Six months, ended June 30,	
		2016	2015
(in thousands, except per share data)		(unaudited)	(unaudited)
New licenses revenue		€348,897	€333,813
Periodic licenses, maintenance and other software revenue		932,656	872,147
<b>Software revenue</b>	<b>5</b>	<b>1,281,553</b>	<b>1,205,960</b>
Services and other revenue		163,814	161,266
<b>TOTAL REVENUE</b>		<b>1,445,367</b>	<b>1,367,226</b>
Cost of software revenue		(75,222)	(71,980)
Cost of services and other revenue		(155,819)	(144,988)
Research and development		(269,208)	(251,575)
Marketing and sales		(459,925)	(445,662)
General and administrative		(110,418)	(100,891)
Amortization of acquired intangibles		(77,371)	(77,652)
Other operating income and expense, net	8	(13,533)	(6,228)
<b>OPERATING INCOME</b>		<b>283,871</b>	<b>268,250</b>
Interest income and expense, net	9	(16,025)	9,345
Other financial income and expense, net	9	(785)	(5,585)
<b>INCOME BEFORE INCOME TAXES</b>		<b>267,061</b>	<b>272,010</b>
Income tax expense		(73,471)	(99,372)
<b>NET INCOME</b>		<b>€193,590</b>	<b>€172,638</b>
<b>Attributable to:</b>			
Equity holders of the Company		€191,154	€170,200
Non-controlling interest		€2,436	€2,438
<b>Earnings per share</b>			
Basic net income per share		€0.75	€0.68
Diluted net income per share		€0.74	€0.67

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

## Consolidated Statements of Comprehensive Income

	Notes	Six months, ended June 30,	
		2016	2015
<i>(in thousands)</i>		(unaudited)	(unaudited)
<b>NET INCOME</b>		<b>€193,590</b>	<b>€172,638</b>
(Losses) Gains on cash flow hedges	14	(23,416)	4,635
Foreign currency translation adjustment		(29,911)	138,447
Income tax on items to be reclassified		9,068	(1,635)
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(44,259)</b>	<b>141,447</b>
Remeasurements of defined benefit pension plans		(18,927)	9,209
Income tax on items not being reclassified		6,212	(3,163)
<b>Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(12,715)</b>	<b>6,046</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>(56,974)</b>	<b>147,493</b>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>		<b>€136,616</b>	<b>€320,131</b>
Attributable to:			
Equity holders of the Company		€135,604	€315,885
Non-controlling interest		€1,012	€4,246

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

## Consolidated Balance Sheets

<i>(in thousands)</i>	<b>Notes</b>	<b>June 30, 2016</b> (unaudited)	<b>December 31, 2015</b> (audited)
<b>Assets</b>			
Cash and cash equivalents		€2,585,841	€2,280,534
Short-term investments		50,384	70,752
Trade accounts receivable, net	10	622,561	739,141
Income tax receivable		74,651	48,367
Other current assets		96,676	102,386
<b>TOTAL CURRENT ASSETS</b>		<b>3,430,113</b>	<b>3,241,180</b>
Property and equipment, net		128,497	135,326
Non-current financial assets		175,824	132,498
Deferred tax assets		147,846	115,284
Intangible assets, net	11	951,835	1,024,809
Goodwill	11	1,657,034	1,662,333
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,061,036</b>	<b>3,070,250</b>
<b>TOTAL ASSETS</b>		<b>€6,491,149</b>	<b>€6,311,430</b>
<b>Liabilities and equity</b>			
Trade accounts payable		€114,921	€119,802
Accrued compensation and other personnel costs		259,343	274,933
Unearned revenue		932,658	778,036
Income tax payable		41,236	47,570
Other current liabilities		99,830	91,525
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,447,988</b>	<b>1,311,866</b>
Deferred tax liabilities		197,463	213,854
Borrowings, non-current	12	1,000,000	1,000,000
Other non-current liabilities		325,104	298,012
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,522,567</b>	<b>1,511,866</b>
Common stock		128,757	128,357
Share premium		484,600	454,448
Treasury stock		(152,209)	(108,921)
Retained earnings and other reserves		2,886,870	2,797,556
Other items		154,256	197,091
<b>Parent shareholders' equity</b>		<b>3,502,274</b>	<b>3,468,531</b>
Non-controlling interest		18,320	19,167
<b>TOTAL EQUITY</b>	<b>14</b>	<b>3,520,594</b>	<b>3,487,698</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>€6,491,149</b>	<b>€6,311,430</b>

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

## Consolidated Statements of Cash Flows

<i>(in thousands)</i>	Notes	Six months ended June 30,	
		2016	2015
<b>Net income</b>		<b>€193,590</b>	<b>€172,638</b>
Adjustments for non-cash items	15	94,386	82,356
Changes in operating assets and liabilities	15	161,104	161,760
<b>Net cash provided by operating activities</b>		<b>449,080</b>	<b>416,754</b>
Additions to property, equipment and intangibles		(18,446)	(18,038)
Purchases of short-term investments		(63,738)	(29,684)
Proceeds from sales and maturities of short-term investments		83,543	45,939
Payment for acquisition of businesses, net of cash acquired		(11,178)	(18,055)
Other		605	(3,535)
<b>Net cash used in investing activities</b>		<b>(9,214)</b>	<b>(23,373)</b>
Proceeds from exercise of stock options		10,564	19,548
Cash dividends paid	14	(101,944)	(95,641)
Repurchase of treasury stock	14	(43,288)	(5,104)
Repayment of borrowings	12	-	(10,804)
<b>Net cash used in financing activities</b>		<b>(134,668)</b>	<b>(92,001)</b>
Effect of exchange rate changes on cash and cash equivalents		109	38,472
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>305,307</b>	<b>339,852</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>2,280,534</b>	<b>1,104,206</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>€2,585,841</b>	<b>€1,444,058</b>
Supplemental disclosure			
Income taxes paid		€163,313	€134,812
Cash paid for interest		€5,552	€2,738

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

## Consolidated Statements of Shareholders' Equity

<i>(in thousands)</i>	Common stock	Share premium	Treasury stock	Other items			Parent shareholders' equity	Non-controlling interest	Total Equity
				Retained earnings and other reserves	Cash flow hedges	Foreign currency translation adjustment			
<b>January 1, 2015</b>	€128,182	€484,208	€(187,085)	€2,489,667	€(6,428)	€34,916	€2,943,460	€16,044	€2,959,504
Net income	–	–	–	170,200	–	–	170,200	2,438	172,638
Other comprehensive income, net of tax	–	–	–	6,046	2,701	136,938	145,685	1,808	147,493
<b>Comprehensive income, net of tax</b>	–	–	–	<b>176,246</b>	<b>2,701</b>	<b>136,938</b>	<b>315,885</b>	<b>4,246</b>	<b>320,131</b>
Dividends	93	12,801	–	(108,535)	–	–	(95,641)	–	(95,641)
Exercise of stock options	520	20,510	–	–	–	–	21,030	–	21,030
Treasury stock transactions	(802)	(76,901)	72,599	–	–	–	(5,104)	–	(5,104)
Share-based payments	–	–	–	10,596	–	–	10,596	–	10,596
Other changes	–	–	–	310	–	–	310	(272)	38
<b>June 30, 2015 (unaudited)</b>	<b>€127,993</b>	<b>€440,618</b>	<b>€(114,486)</b>	<b>€2,568,284</b>	<b>€(3,727)</b>	<b>€171,854</b>	<b>€3,190,536</b>	<b>€20,018</b>	<b>€3,210,554</b>
Net income	–	–	–	231,978	–	–	231,978	1,335	233,313
Other comprehensive income, net of tax	–	–	–	(5,297)	(6,924)	35,888	23,667	(1,341)	22,326
<b>Comprehensive income, net of tax</b>	–	–	–	<b>226,681</b>	<b>(6,924)</b>	<b>35,888</b>	<b>255,645</b>	<b>(6)</b>	<b>255,639</b>
Dividends	–	–	–	–	–	–	–	(2,777)	(2,777)
Exercise of stock options	364	13,830	–	–	–	–	14,194	–	14,194
Treasury stock transactions	–	–	5,565	(28,756)	–	–	(23,191)	–	(23,191)
Share-based payments	–	–	–	29,598	–	–	29,598	–	29,598
Other changes	–	–	–	1,749	–	–	1,749	1,932	3,681
<b>January 1, 2016</b>	<b>€128,357</b>	<b>€454,448</b>	<b>€(108,921)</b>	<b>€2,797,556</b>	<b>€(10,651)</b>	<b>€207,742</b>	<b>€3,468,531</b>	<b>€19,167</b>	<b>€3,487,698</b>
Net income	–	–	–	191,154	–	–	191,154	2,436	193,590
Other comprehensive income, net of tax	–	–	–	(12,715)	(13,649)	(29,186)	(55,550)	(1,424)	(56,974)
<b>Comprehensive income, net of tax</b>	–	–	–	<b>178,439</b>	<b>(13,649)</b>	<b>(29,186)</b>	<b>135,604</b>	<b>1,012</b>	<b>136,616</b>
Dividends	140	19,062	–	(119,287)	–	–	(100,085)	(1,859)	(101,944)
Exercise of stock options	260	11,090	–	–	–	–	11,350	–	11,350
Treasury stock transactions	–	–	(43,288)	–	–	–	(43,288)	–	(43,288)
Share-based payments	–	–	–	30,303	–	–	30,303	–	30,303
Other changes	–	–	–	(141)	–	–	(141)	–	(141)
<b>June 30, 2016 (unaudited)</b>	<b>€128,757</b>	<b>€484,600</b>	<b>€(152,209)</b>	<b>€2,886,870</b>	<b>€(24,300)</b>	<b>€178,556</b>	<b>€3,502,274</b>	<b>€18,320</b>	<b>€3,520,594</b>

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, 2016

---

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

## 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: Aerospace & Defense; Transportation & Mobility; Marine & Offshore; Industrial Equipment; High-Tech; Architecture, Engineering & Construction; Consumer Goods & Retail; Consumer Packaged Goods & Retail; Life Sciences; Energy, Process & Utilities; Financial & Business Services and Natural Resources. 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, all 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 20, 2016.

## Note 2 Summary of Significant Accounting Policies

---

### Basis of preparation of condensed interim consolidated financial statements

The condensed interim consolidated financial statements for the six months ended June 30, 2016 were prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, and as such do not include all the information and disclosures required in annual consolidated financial statements. They should be read in conjunction with the Company’s financial statements as of December 31, 2015, prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted in the European Union.

The condensed interim consolidated financial statements are presented in thousands of euros except where otherwise indicated.

### 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, 2015, except for specific standards applicable to 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.

New standards, interpretations or amendments effective beginning on January 1, 2016 did not have a significant impact on the Company’s condensed interim consolidated financial statements. New standards, interpretations or amendments effective beginning on January 1, 2017 were not early adopted by the Company.

The Company’s significant accounting policies are summarized in the notes to the annual consolidated financial statements for the year ended December 31, 2015.

## 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 it is 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:

- the measure of operating segment revenue and income includes the whole revenue that would have been 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 thousands)</i>	Six months ended June 30,	
	2016	2015
<b>TOTAL REVENUE FOR OPERATING SEGMENT</b>	<b>€1,447,475</b>	<b>€1,388,593</b>
Adjustment for unearned revenue of acquired companies	(2,108)	(21,367)
<b>TOTAL REVENUE</b>	<b>€1,445,367</b>	<b>€1,367,226</b>

<i>(in thousands)</i>	Six months ended June 30,	
	2016	2015
<b>INCOME FOR OPERATING SEGMENT</b>	<b>€410,842</b>	<b>€384,093</b>
Adjustment for unearned revenue of acquired companies	(2,108)	(21,367)
Share-based compensation expense and related payroll taxes	(33,959)	(10,596)
Amortization of acquired intangibles	(77,371)	(77,652)
Other operating income and expense, net	(13,533)	(6,228)
<b>OPERATING INCOME</b>	<b>€283,871</b>	<b>€268,250</b>

## Note 5 Software Revenue

Software revenue is comprised of the following:

<i>(in thousands)</i>	Six months ended June 30,	
	2016	2015
New licenses revenue	€348,897	€333,813
Periodic licenses and maintenance revenue	927,421	858,822
Other software revenue	5,235	13,325
<b>SOFTWARE REVENUE</b>	<b>1,281,553</b>	<b>€1,205,960</b>

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

<i>(in thousands)</i>	Six months ended June 30,	
	2016	2015
CATIA software revenue	€465,479	€454,579
SOLIDWORKS software revenue	303,683	282,930
ENOVIA software revenue	152,610	136,876
Other	359,781	331,575
<b>SOFTWARE REVENUE</b>	<b>€1,281,553</b>	<b>€1,205,960</b>

## 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 cost of services and other revenue expenses, as follows:

<i>(in thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Research and development	€13,796	€12,261
Costs of services and other revenue	407	709
<b>TOTAL GOVERNMENT GRANTS</b>	<b>€14,203</b>	<b>€12,970</b>

Government grants notably include research and development tax credits received in France.

## Note 7 Share-based Payments

Compensation expense related to share-based payments is recorded in the consolidated statements of income as follows:

<i>(in thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Research and development	€(12,894)	€(4,385)
Marketing and sales	(10,935)	(4,039)
General and administrative	(5,138)	(1,906)
Cost of revenue	(1,336)	(266)
<b>TOTAL COMPENSATION EXPENSE RELATED TO SHARE-BASED PAYMENTS</b>	<b>€(30,303)</b>	<b>€(10,596)</b>

Changes during the six months ended June 30, 2016 of unvested options and performance shares were as follows:

	<b>Number of awards</b>		
	<b>Performance shares</b>	<b>Stock options</b>	<b>Total</b>
<b>UNVESTED AT JANUARY 1, 2016</b>	<b>2,673,390</b>	<b>2,405,255</b>	<b>5,078,645</b>
Granted	1,082,950	1,947,785	3,030,735
Vested	-	(101,708)	(101,708)
Forfeited	(26,860)	(149,443)	(176,303)
<b>UNVESTED AT JUNE 30, 2016</b>	<b>3,729,480</b>	<b>4,101,889</b>	<b>7,831,369</b>

As of June 30, 2016, total compensation cost related to unvested awards expected to vest but not yet recognized was estimated at €111.0 million, and the Company expects to recognize this expense over a weighted average period of 2 years, no later than May 26, 2019.

### **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 decided to grant on May 26, 2016 782,950 performance shares to some employees and executives and 300,000 performance shares to the 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. Such shares shall be vested at the end of an acquisition period of two to three years, subject to the condition that the beneficiary be an employee or a director of the Company at the acquisition date and to the achievement of certain performance objectives. The shares granted to the Vice Chairman of the Board of Directors and Chief Executive Officer are also subject to an additional performance condition related to his variable compensation itself dependent on achieving performance criteria previously established by the Board.

The performance condition for the first tranche will be measured based on the average performance of two criteria: the growth of the non-IFRS diluted earnings per share of the Group for the year 2017, excluding foreign currency effects, compared to the year 2015 (non-market condition), and the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index between February 2016 and February 2018 (market condition). Such growth and outperformance must be at least equal to a threshold established by the Board.

The performance condition for the second tranche will be measured based on two cumulative criteria: the growth of the non-IFRS diluted earnings per share of the Group for the year 2018, excluding foreign currency effects, compared to the year 2015 (non-market

condition), and the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index between February 2016 and February 2019 (market condition). Such growth and outperformance must be at least equal to a threshold established by the Board.

The weighted average grant-date fair value of shares granted in 2016 was €48.08. It was estimated based on the quoted price of the Company's common stock on the date of grant, adjusted to include the market condition using a Monte Carlo model when applicable. The model simulates the performance of Dassault Systèmes share price and compares it against the performance of the CAC 40 index. Assumptions used are as follows: expected volatility rate of 22%, expected dividend yield of 0.70% and average risk-free interest rate of (0.29)%.

### **Stock options**

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 26, 2016, the Board of Directors decided on the same day to grant 1,947,785 options to subscribe to Dassault Systèmes shares to certain employees, at an exercise price of €69.

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 2016, 2017 and 2018. 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 2016 was €13.19. 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 21%, expected dividend yield of 0.70% and average risk-free interest rate of (0.05)%. 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 thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Costs incurred in connection with early retirement plan <sup>(1)</sup>	€(6,679)	€-
Costs incurred in connection with relocation activities <sup>(2)</sup>	(4,501)	(2,149)
Restructuring costs	(2,147)	(552)
Acquisition costs	(206)	(3,269)
Other	-	(258)
<b>OTHER OPERATING INCOME AND EXPENSE, NET</b>	<b>€(13,533)</b>	<b>€(6,228)</b>

(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 to their full pension. This plan is treated as a post-employment benefit which estimated costs are based on an assumption of expected proportion of employees to enter the plan and accrued over the employees estimated residual service period.

(2) In 2016 and 2015, primarily composed of provisions for vacant leasehold properties related to the reorganization of the Group's premises in North America.

## 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, 2016 and 2015 are as follows:

<i>(in thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Interest income <sup>(1)</sup>	€8,939	€12,066
Interest expense <sup>(2)</sup>	(24,964)	(2,721)
<b>INTEREST INCOME AND EXPENSE, NET</b>	<b>(16,025)</b>	<b>9,345</b>
Foreign exchange losses, net <sup>(3)</sup>	(8,128)	(5,500)
Other, net <sup>(4)</sup>	7,343	(85)
<b>OTHER FINANCIAL INCOME AND EXPENSE, NET</b>	<b>€(785)</b>	<b>€(5,585)</b>

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

(2) In 2016, includes interest expense of €5.5 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 12. Borrowings), and the impact of discontinued hedge accounting for interest rate swaps for €18.6 million given the expected trend of negative interest rates (see Note 13. Derivatives). In 2015, mainly includes interest expense of €2.7 million due pursuant to a term loan facility agreement entered into in June 2013 for €350 million.

(3) Foreign exchange losses, net are primarily composed of realized and unrealized exchange gains and losses on receivables and loans denominated in Malaysian ringgits and British pounds in 2016, and U.S. dollars in 2015.

(4) In 2016, mainly includes a gain on sale of investment.

## Note 10 Trade Accounts Receivable, Net

Trade accounts receivable are measured at amortized cost.

<i>(in thousands)</i>	<b>June 30,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>
Trade accounts receivable	€641,408	€759,609
Allowance for trade accounts receivable	(18,847)	(20,468)
<b>TRADE ACCOUNTS RECEIVABLE, NET</b>	<b>€622,561</b>	<b>€739,141</b>

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

<i>(in thousands)</i>	<b>June 30,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>
Trade accounts receivable past due at closing date:		
Less than 3 months past due	€89,862	€77,814
3 to 6 months past due	12,033	12,970
More than 6 months past due	10,560	8,065
<b>TRADE ACCOUNTS RECEIVABLE PAST DUE</b>	<b>112,455</b>	<b>98,849</b>
Trade accounts receivable not yet due	510,106	640,292
<b>TOTAL TRADE ACCOUNTS RECEIVABLE, NET</b>	<b>€622,561</b>	<b>€739,141</b>

## Note 11 Intangible Assets and Goodwill

Intangible assets consist of the following:

<i>(in thousands)</i>	Six months ended June 30, 2016			Year ended December 31, 2015		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Software	€1,032,841	€(535,758)	€497,083	€1,030,711	€(503,038)	€527,673
Customer relationships	974,698	(526,303)	448,395	972,529	(482,146)	490,383
Other intangible assets	28,313	(21,956)	6,357	27,796	(21,043)	6,753
<b>TOTAL INTANGIBLE ASSETS</b>	<b>€2,035,852</b>	<b>€(1,084,017)</b>	<b>€951,835</b>	<b>€2,031,036</b>	<b>€(1,006,227)</b>	<b>€1,024,809</b>

The change in the carrying amount of intangible assets as of June 30, 2016 is as follows:

<i>(in thousands)</i>	Software	Customer relationships	Other intangible assets	Total intangible assets
<b>NET INTANGIBLE ASSETS AS OF JANUARY 1, 2016</b>	<b>€527,673</b>	<b>€490,383</b>	<b>€6,753</b>	<b>€1,024,809</b>
Business combinations	8,482	-	-	8,482
Other additions	2,810	81	310	3,201
Amortization for the period	(39,290)	(42,121)	(377)	(81,788)
Exchange differences	(2,592)	52	(329)	(2,869)
<b>NET INTANGIBLE ASSETS AS OF JUNE 30, 2016</b>	<b>€497,083</b>	<b>€448,395</b>	<b>€6,357</b>	<b>€951,835</b>

The change in the carrying amount of goodwill as of June 30, 2016 is as follows:

<i>(in thousands)</i>	
<b>GOODWILL AS OF JANUARY 1, 2016</b>	<b>€1,662,333</b>
Business combinations	6,403
Exchange differences and other changes	(11,702)
<b>GOODWILL AS OF JUNE 30, 2016</b>	<b>€1,657,034</b>

## Note 12 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 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.

In April 2010, the Company entered into a term loan facility in Japan for JPY14,500 million (the equivalent of €115.0 million as of the draw date) in order to finance a portion of the IBM PLM acquisition. The facility bore interest at Japanese yen Libor 1 month plus 0.60% per annum and was scheduled to be repaid in ten equal semi-annual installments. The Company repaid the last installment in June 2015.

The table below provides a breakdown of total borrowings by contractual maturity date as of June 30, 2016:

<i>(in thousands)</i>	Total	Payments due by period		
		Less than 1 year	1-3 years	3-5 years
Term loan facilities in euros	€1,000,000	€-	€350,000	€650,000

## Note 13 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 2015 Annual Report paragraph 1.6.2 "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 2016 and 2015, the portion of gains or losses from hedging instruments excluded from the assessment of effectiveness and the ineffective portion of hedges was nil.

At June 30, 2016 and December 31, 2015, the fair value of instruments used to manage the currency exposure was as follows:

	Six months ended June 30,		Year ended December 31,	
	2016		2015	
(in thousands)	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale <sup>(1)</sup>	€208,909	€(19,156)	€133,832	€(792)
Forward exchange contract euros/Indian rupees – sale <sup>(1)</sup>	20,287	244	27,189	1,865
Forward exchange contract euros/ U.S. dollars – sale <sup>(1)</sup>	-	-	36,741	(666)
Forward exchange contract U.S. dollars/Indian rupees – sale <sup>(1)</sup>	21,372	175	20,467	471
Forward exchange contract Japanese yen/ U.S. dollars – sale <sup>(1)</sup>	99,792	(7,208)	-	-
Forward exchange contract British pounds/euros – sale <sup>(1)</sup>	12,253	461	-	-
Cross currency swaps Canadian dollars/euros <sup>(2)</sup>	64,821	3,482	61,683	6,449
Cross currency swaps Australian dollars/euros <sup>(2)</sup>	71,581	2,433	71,735	2,082
Other instruments <sup>(2)</sup>	62,536	1,674	51,906	(40)

(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 12 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 12 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 2015, the portion of gains or losses from hedging instruments excluded from the assessment of effectiveness and the ineffective portion of hedges was nil. 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 were recognized in interest income and expense, net for €(15.8) million at June 30, 2016. 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 (€(2.8) million at June 30, 2016).



At June 30, 2016 and December 31, 2015, the fair value of instruments used to manage the interest rate risk was as follows:

	Six months ended June 30, 2016		Year ended December 31, 2015	
	Nominal amount	Fair value	Nominal amount	Fair value
<i>(in thousands)</i>				
Interest rate swaps in euros	€1,000,000	€(29,180)	€1,000,000	€(13,426)

## Note 14 Shareholders' Equity

### Shareholders' equity activity

As of June 30, 2016, Dassault Systèmes SE had 257,514,908 common shares issued with a nominal value of €0.50 per share.

Changes in shares outstanding as of June 30, 2016 are as follows:

<i>(in number of shares)</i>	
<b>SHARES ISSUED AS OF JANUARY 1, 2016</b>	<b>256,714,186</b>
Dividend paid in shares	280,734
Exercise of stock options	519,988
Cancellation of treasury stock	-
<b>SHARES ISSUED AS OF JUNE 30, 2016</b>	<b>257,514,908</b>
Treasury stock as of June 30, 2016	(3,528,650)
<b>SHARES OUTSTANDING AS OF JUNE 30, 2016</b>	<b>253,986,258</b>

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 2016, the Shareholders' Meeting approved the distribution of a dividend of €119.3 million for 2015, 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 2015 dividend in the form of new Dassault Systèmes shares represented approximately 16% of Dassault Systèmes' shares, resulting in the issuance of 280,734 new ordinary shares. The cash dividend was paid in an aggregate amount of €100.1 million.

A dividend of €1.8 million was paid to non-controlling interest in 2016.

### Stock repurchase programs

The General Meeting of Shareholders authorized the Board of Directors to implement a share repurchase program limited to 10% of the Company's share capital. Under this authorization, the Company may not buy shares at a price exceeding €100 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, 2015, automatically renewable for subsequent 12-month terms. On June 30, 2016, 155,659 shares were purchased, at an average price of €68.48 and 131,568 shares were sold, at an average price of €68.24.

## Components of other comprehensive income

<i>(in thousands)</i>	Six months ended June 30,	
	2016	2015
<b>Cash flow hedges:</b>		
(Losses) Gains arising during the year	€(28,245)	€4,724
Less: reclassification adjustments for gains or losses included in the income statement	(4,829)	89
	<b>€(23,416)</b>	<b>€4,635</b>

## Note 15 Consolidated Statements of Cash Flows

Adjustments for non-cash items consist of the following:

<i>(in thousands)</i>	Notes	Six months ended June 30,	
		2016	2015
Depreciation of property and equipment		€21,365	€21,033
Amortization of intangible assets	11	81,788	81,706
Deferred taxes		(36,611)	(25,939)
Non-cash share-based payment expense	7	30,303	10,596
Other		(2,459)	(5,040)
<b>ADJUSTMENTS FOR NON-CASH ITEMS</b>		<b>€94,386</b>	<b>€82,356</b>

Changes in operating assets and liabilities consist of the following:

<i>(in thousands)</i>	Six months ended June 30,	
	2016	2015
Decrease in trade accounts receivable	€114,958	€118,370
(Decrease) in accounts payable	(6,426)	(17,699)
(Decrease) in accrued compensation	(22,919)	(24,772)
(Decrease) in income tax payable	(73,008)	(39,652)
Increase in unearned revenue	145,280	135,382
Changes in other assets and liabilities	3,219	(9,869)
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>€161,104</b>	<b>€161,760</b>

## Note 16 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 (of which €43.2 million and €57.7 million paid during the six months ended June 30, 2016 and June 30, 2015, respectively), but disputed them with the relevant authorities.

It is not possible to determine with certainty the outcome of the dispute in these matters. However, in the opinion of management, after consultation with legal and tax counsel, the resolution of such litigation and proceedings should not have a material effect on the consolidated financial statements of the Company.

### Other commitments

In April 2016, the Company and Geometric Ltd announced that they have reached an agreement whereby the Group will acquire full ownership of 3D PLM Software Ltd (3DPLM), its joint venture in India with Geometric Ltd, increasing its share in 3DPLM capital from 42% to 100%. The transaction is being undertaken through a court-approved scheme which is subject to shareholders, High Court and other statutory approvals. The transaction is expected to be finalized during the second half of 2016. 3DPLM being already fully consolidated in the Company's consolidated financial statements, the transaction will be treated as an equity transaction.

# 4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 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, 2016;
- 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.

## 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 21, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Pierre Marty

Pierre-Antoine Duffaud