



# HALF-YEAR FINANCIAL REPORT JUNE 30, 2017

European company

Share capital: 129,594,023.50 euros

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

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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 28, 2017 in accordance with Article L.451-1-2 III of the French Monetary and Financial Code.

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

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# 1 RESPONSIBILITY

## 1.1 Person Responsible for the Half Year Financial Report

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

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

Vélizy-Villacoublay, July 28, 2017

"I hereby declare that, to the best of my knowledge, the 2017 half-year condensed financial statements have been prepared in accordance with the applicable generally accepted accounting standards and provide a true and fair view of the Company's financial position and results of operations and those of all companies included within the scope of consolidation, and that the half year activity report reflects a true view of important events which occurred during the first six months of the year and of their impact on the half year financial statements, of the principal transactions between related parties, as well as the main risks and uncertainties for the remaining six months of the year."

Bernard Charlès

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

# 2 HALF YEAR ACTIVITY REPORT

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

## 2.1 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. The **3DEXPERIENCE** platform and apps are purpose built to digitalize the entire customer journey, with capabilities to analyze, design, simulate, engineer, manufacture and deliver experiences. The **3DEXPERIENCE** platform, with its first general availability in 2014, enables innovators to develop a deep understanding of their customer’s expectations by analyzing social and usage information in a unique data-driven approach. Enterprises can then model, simulate and optimize their offerings to best suit each customer experience. During the operating lifecycle, this model is enriched with valuable insights gleaned from the usage data, setting the stage for the next cycle of innovation. Today, the Company has the largest Industry Solution Experiences portfolio powered by the **3DEXPERIENCE** platform on the market.

Experience Thinking is a framework for innovation, focusing on engaging consumers with product experiences that are smarter, intuitive and sustainable. Product experience thinking encourages companies to consider all aspects of the consumer experience journey – only possible when all the players in the innovation process from marketing, sales, design, engineering, manufacturing and the supply chain work collaboratively. The Company’s software portfolio is applicable from Natural Resources to Cities, Transportation, Buildings, Smart Products, Consumer Goods, all the way to biological systems and chemistry. Since its founding in 1981 Dassault Systèmes has been propelling digital transformation across industries, ranging from aerospace and automotive to high tech to life sciences and is participating in more than 50 global initiatives dedicated to advance world-class production technologies and processes. Dassault Systèmes brings value to over 220,000 customers of all sizes, in all industries, in more than 140 countries.

Based upon the Company’s mission, business strategy and its software portfolio, Dassault Systèmes has estimated that it has a current addressable software market of approximately \$26 billion. The Company’s growth drivers are centered in three main areas: Build on Value with the **3DEXPERIENCE** platform, industry focus and cloud/mobile apps; Domain Leadership through Brand Value Creation and Improve Efficiency leveraging its sales channel coverage.



### *Industries Served*

The Company’s global customer base includes companies in 12 vertical sectors: Aerospace & Defense; Transportation & Mobility; Marine & Offshore; Industrial Equipment; Financial & Business Services, High-Tech; Life Sciences; Energy, Process & Utilities; Consumer Goods & Retail; Natural Resources; Architecture, Engineering & Construction; Consumer Packaged Goods & Retail; and Marine & Offshore. Commencing in 2012, the Company’s go-to-market strategy moved to an industry focus from the previous brand focus.

For its latest full fiscal year ended December 31, 2016, the composition of end user software revenue by major industry was approximately as follows: Transportation & Mobility about 31% (32% in 2015); Industrial Equipment about 16% (15% in 2015); Aerospace & Defense about 13% (14% in 2015); Business Services about 10% (9% in 2015); and Diversification Industries about 31%, compared to 30% in 2015 and 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 Platform and 3DEXPERIENCE Industry Solutions***

#### ***3DEXPERIENCE Platform***

The 3DEXPERIENCE platform and apps are purpose built to digitalize the entire customer innovation journey, with capabilities to analyze, design, simulate, engineer, manufacture and deliver product experiences. The platform enables innovators to develop a deep understanding of their customer's products operating environment by analyzing social and usage information in a unique data-driven approach. Enterprises can then model, simulate and optimize their offerings to best suit each customer experience. During the product operating lifecycle, this model is enriched with valuable insights gleaned from the usage data, setting the stage for the next cycle of innovation.

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.

Key differentiating attributes of the 3DEXPERIENCE platform include:

- **Digitally Connected:** the 3DEXPERIENCE platform is about eliminating silos within companies, moving from a static, filed-based world to a digitally connected world, where live data drives innovation, processes and business-decisions.
- **Data Driven:** Data is at the heart of product innovation and is now the ultimate monetizable asset. However this data sits across many disparate systems today at many companies and is not readily visible nor is the data an easily available corporate asset. Capabilities of the 3DEXPERIENCE platform enable the indexation of data across different systems, discover meaning through semantics and create a new class of data-driven applications, in order to leverage the data of an enterprise. Further, data is not just what's in the enterprise; there's a lot of relevant data on the internet and with the Company's Netvibes and Exalead technologies and apps, enterprises can use these applications to help them extract data from the internet to improve their innovation, products, their brands and their consumers experiences.
- **Model-based:** A model-based approach is at the core of the 3DEXPERIENCE platform and is valuable to ensure innovation effectiveness. The innovation process typically calls for multiple models of varying degrees of fidelity and a variety of simulation techniques. Early in the process, a low fidelity model is employed to understand the systems interactions and behavior; while later as the product definition matures, higher fidelity models are adopted to guide optimization along often-conflicting functional attributes and cost. This model-based approach is not confined to the research phase; it is employed in many activities across the enterprise. For example, planners define the process model and simulate the assembly operations to meet cycle-time constraints; service engineers define reliability models to guide maintenance planning. Thus, a model of the entire product from conception to operations is built during product development.
- **Virtual + Real:** Virtual models can be correlated with actual behavior during the operating life of the product. The knowledge gained from this correlation can be used to enhance the fidelity of the virtual models. Any enhancements required in the operating product is first simulated in the virtual model, fine-tuned and optimized, before incorporating in the real world. In fact, the accuracy of the simulation can be significantly enhanced by connecting the virtual model to physical systems, also called Hardware in the Loop. When the physical systems are assembled, they are just a twin of the model. The real and virtual worlds reinforce each other – modelling and simulating the real world virtually and enhancing the virtual model with experiences from the real world.

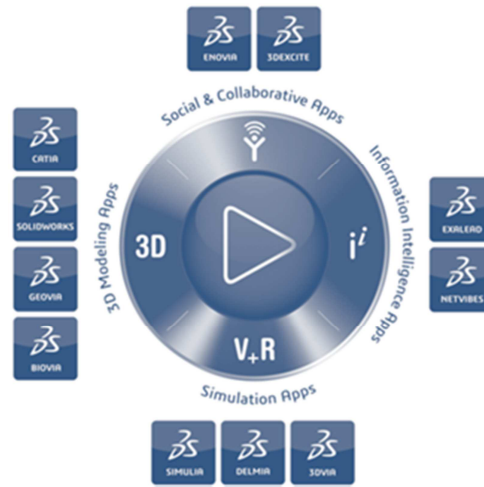
See "Technology and Science" below.

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

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

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. Dassault Systèmes' investments in research and development, as well as targeted acquisitions, enable the Company to deepen and broaden its offerings for customers as well as to bring its significant assets to help advance innovation in other target domains and industries. These investments advance the Company's brand portfolio and have led to the introduction of new brands. In 2014 the Company introduced two new brands: (i) BIOVIA, focused on science driven industries to help them introduce scientific innovation in the biologic, chemical and material sciences; and (ii) 3DEXCITE, focused on helping companies across core and other industries create marketing materials from

virtual product representations. Acquisitions in 2016 further strengthened the Company's multiscale and multiphysics simulation capabilities as well as its manufacturing applications portfolio.



### **History and Development**

Dassault Systèmes, the **3DEXPERIENCE** Company, has had a long-standing leadership position in its industry thanks to its ability to define and create new markets, expanding from 3D Design to Digital Mock-Up, to Product Lifecycle Management and now **3DEXPERIENCE**. Dassault Systèmes is the world leader of the global Product Lifecycle Management market based upon end user software revenue (source: CIMdata, March 2017), 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 mission is to provide business and people with **3DEXPERIENCE** universes to imagine sustainable innovations harmonizing product, nature and life. Unveiled in 2012, this purpose has given birth to a broad portfolio of Industry Solution Experiences whose key strengths are in their scientific content and deep understanding of industrial processes. The Company's software portfolio is applicable from Natural Resources to Cities, Transportation, Buildings, Smart Products, Consumer Goods, all the way to biological systems and chemistry.

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

The Company's investments, both through expenditures internally in research and development 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 Social Industry 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.

### **Research & Development, Technology and Science**

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

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

The Company works closely with customers in different industries in order to develop software solutions that well address its clients' business goals, are highly suited to their industries, and designed to maximize user productivity and experience.

## **Sales and Marketing**

The Company believes the structure of its sales, well-balanced between its direct and indirect sales channels and more recently, with the addition of its geographic and industry organizations, have enabled it to develop a diverse customer base and deepen its global reach.

Dassault Systèmes has a diverse customer base by client size, geographic origin and industry. The Company's clients range from the smallest companies in the world to global leaders, and includes clients in 12 vertical sectors: Transportation & Mobility; Industrial Equipment; Aerospace & Defense; Financial & Business Services; High-Tech; Life Sciences; Energy, Process & Utilities; Consumer Goods & Retail; Natural Resources; Architecture, Engineering & Construction; Consumer Packaged Goods & Retail and Marine & Offshore. Its clients also include educational institutions and government entities.

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 2016. It continues to selectively expand and extend its sales radius, deepen its industry expertise and relationships, as well as domain or discipline knowledge of its three sales channels. No single customer or sales channel partner represented more than 5% of the Company's total revenue in 2016 and 2015.

Its three sales channels include:

- 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% of the Company's total revenue in both 2016 and 2015;
- 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% of the Company's total revenue in both 2016 and 2015;
- 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% of the Company's total revenue in both 2016 and 2015.

In addition to its sales channels, the Company continues to actively develop and expand relationships with system integrators with industry and domain expertise.

Dassault Systèmes has had a long-standing commitment to education, with its solutions in use in more than 40,000 schools around the world. An estimated six million students have used the Company's solutions. Students that apply Dassault Systèmes' tools in school and in research are well prepared for their future jobs and careers.

Thanks to its 3DEXPERIENCE Dassault Systèmes not only participates in the industry digital revolution, but is also committed to helping transform the world of education and preparing the talents of today and for the future. The Company works hand-in-hand with teachers all over the world to develop innovative pedagogical curriculum and learning experiences through enhanced teaching methods and 3D experiences, which will contribute to the training for the engineers of tomorrow. Dassault Systèmes is committed to help develop the 21<sup>st</sup> century global skill sets.

## **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, and developing new applications and markets, the Company faces an increasing level of competition, from new competitors ranging from technology start-ups to the largest technology and industrial 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 2016 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 2017 are presented in Section 1.6 "Risk Factors" of the Company's 2016 *Document de référence* filed with the *Autorité des marchés financiers* ("AMF", the French Financial Markets Authority) on March 22, 2017, 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 2017 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 the Company's results of operations, the Company considers supplemental non-IFRS financial information: (i) non-IFRS revenue data excludes the effect of adjusting the carrying value of acquired companies' deferred revenue; and non-IFRS expense data excludes, (ii) the amortization of acquired intangibles, (iii) share-based compensation expense and related social charges, (iv) certain other operating income and expense, net, (v) certain one-time items included in financial income and other, net, and (vi) certain one-time tax effects and the income tax effects of the above adjustments. A reconciliation of this supplemental non-IFRS financial information with information set forth in the Company's condensed consolidated financial statements 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 2016 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 2017 First Half Financial Summary

The table below sets forth the Company's financial summary for the half year periods ended June 30, 2017 and 2016, 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 2017	Change	Change in cc*	H1 2017	Change	Change in cc*
Total Revenue	€1,566.2	8.4%	6%	€1,576.3	8.9%	7%
Software Revenue	1,388.7	8.4%	6%	1,398.8	9.0%	7%
Services & other revenue	177.5	8.4%	7%	177.5	8.1%	7%
Operating Income	288.9	1.8%		444.5	8.2%	
Operating Margin	18.4%			28.2%		
Financial revenue & other, net	22.5			(0.2)		
EPS (fully diluted)	€0.81	9.5%		1.15	6.5%	

<i>Software revenue (in millions of Euros except percentages)</i>	IFRS			Non-IFRS		
	H1 2017	Change	Change in cc*	H1 2017	Change	Change in cc*
Europe	€578.1	7.0%	7%	€584.4	8.0%	9%
Americas	425.7	9.9%	6%	428.9	10.4%	7%
Asia	384.9	8.8%	5%	385.5	8.9%	5%

\* In constant currencies



## Executive Overview for the 2017 First Half

With 3DEXPERIENCE Dassault Systèmes is pioneering the next generation innovation platform supporting breakthroughs for clients in products, customer experiences and new business models. The platform and industry solutions experiences that were introduced fit very well with its customers' requirements.

The Company now reaches a much broader scope of its clients' departments. It believes 3DEXPERIENCE is a game-changer for industry digitalization with the platform phenomenon.

In turn with 3DEXPERIENCE Dassault Systèmes is now addressing a much larger software market scope – 26 billion in US dollars, a doubling of its previous perimeter – and has a significant revenue opportunity and runway. On an individual customer basis, it has the potential to expand its relationship across multiple departments and from a revenue perspective, double its sales footprint within its largest individual clients and their ecosystems.

During the 2017 First Half the Company's business highlights well evidenced its growth drivers.

- On July 25, 2017, Dassault Systèmes entered into a new, extended partnership with The Boeing Corporation. Boeing will expand its deployment of Dassault Systèmes' products across its commercial aircraft, space and defense programs. Boeing will be adopting Dassault Systèmes' 3DEXPERIENCE platform for Manufacturing Operations Management and for Product Lifecycle Management and extending its usage of the Company's design, engineering simulation, and digital manufacturing software. Boeing will deploy the Company's 3DEXPERIENCE platform in phases and rely on *Winning Program, Co-Design to Target, Ready for Rate, Build to Operate and License to Fly* industry solution experiences for aerospace and defense to deepen its end to end digital collaboration, design, engineering, analysis, manufacturing planning and shop floor execution capabilities throughout the enterprise. This decision followed a competitive process that included the rigorous analysis of technical and functional capabilities, cost and business benefits across the value chain.
- Core Industries represented 68% of non-IFRS software revenue during the first half of 2017 while Diversification Industries represented 32%, growing from 31% in the prior year period. In Core industries, Transportation & Mobility and Aerospace & Defense grew slightly below the 7% software growth rate of the Company, with Industrial Equipment and Business Services achieving double-digits software revenue growth. Industrial Equipment is the Company's second largest industry and the Company is continuing to extend its leadership thanks to both SOLIDWORKS and 3DEXPERIENCE (growth rates in constant currencies).
- In Diversification Industries, total software revenue increased double-digits, including High Tech, Consumer Packaged Goods-Retail and Architecture, Engineering and Construction. The Company noted some improvement in Natural Resources. Within Diversification Industries, Energy, Process & Utilities, Marine & Offshore as well as Life Sciences saw year-over-year decreases in software revenue (growth rates in constant currencies).
- Geographic diversification was also an area of advancement of the Company's growth drivers. Its global footprint continued to expand thanks in part to the progress it is making in High Growth Countries. During the 2017 First Half, High Growth Countries software revenue increased double-digits in constant currencies and represented about 16% of total software revenue.
- Dassault Systèmes is continuing to advance its Cloud portfolio, resources and services. It has a large Cloud portfolio on its market. To further its Cloud resources and services, during the 2017 First Half it acquired a majority stake in Outscale, a global provider of enterprise-class cloud services. Founded in France in 2010, Outscale is an ISO/IEC 27001:2013 security certified company that provides enterprise-class cloud computing infrastructure services (IaaS) to customers through its ten data centers in Europe, North America and Asia. With this investment, Dassault Systèmes is now able to adjust and control its cloud resources and services to manage peaks in activity, further diversify its industry segments, deploy new features, and provide advanced on premise, private and hybrid cloud solutions for its customers.

The Company laid out its perspective on 2017 in February – it sees a year advancing towards an inflection point for 3DEXPERIENCE. It is clear that it is bringing the next generation innovation platform to the market. The revenue opportunity for the Company over the mid-term is significant, as the fit between customer needs and its offer is strong.

### Summary 2017 First Half Financial Highlights (all revenue and software growth comparisons are in constant currencies)

**Total Revenue:** Total revenue increased 6% in the 2017 First Half. On a non-IFRS basis, total revenue increased 7%, with both software revenue and services & other revenue growing 7%. First Half 2017 financial results include several acquisitions completed during the 2016 Second Half, the most material of which was CST- Computer Simulation Technology AG, a technology leader in electromagnetic and electronics simulation which was acquired on September 30, 2016. Excluding acquisitions, non-IFRS total revenue and software revenue growth was 5%.

**Software Revenue by Region:** On a regional basis, Europe and the Americas posted the strongest non-IFRS software revenue growth increasing 9% and 7%, respectively. Total Asia growth of 5% reflected mixed results. Europe represented 41% of non-IFRS total software revenue, Americas 31% and Asia 28% for the 2017 First Half.

**Recurring Software Revenue:** Recurring software revenue increased 6%. Non-IFRS recurring software revenue, representing 72% of total software revenue, increased 6% in constant currencies on strong maintenance subscription performance in all sales channels.

**New Licenses Revenue:** New licenses revenue increased 7% and represented 27% of total software revenue. Core and Diversification Industries represented 63% and 37%, respectively, of new licenses revenue during the 2017 First Half.

**Services and other Revenue:** Services and other revenue increased 7% in constant currencies during the 2017 First Half, led by 3DEXPERIENCE and manufacturing service engagements. The Company continues to pursue its objective of expanding its relationship with system integrators for 3DEXPERIENCE deployments.

**Operating Income and Margin:** Operating income increased 2%. Non-IFRS operating income increased 8% to €444.5 million. The non-IFRS operating margin was 28.2%, representing a decrease of 20 basis points and reflecting higher investments, particularly in research & development and sales, as well as acquisition dilution which were partly offset by net favorable currency fluctuations.

**Earnings per Share:** Net income per diluted share increased 9% to €0.81. Non-IFRS net income per diluted share of €1.15 increased 6% or 12% excluding a 5 cents impact from a reversal of tax reserves in the 2016 First Half.

**Cash flow:** Net operating cash flow increased 32% to €592.4 million for the six months ended June 30, 2017, compared to €449.1 million for the 2016 First Half, reflecting higher net income and working capital improvement.

In the 2017 First Half, the Company uses of cash were principally for cash dividends of €51.3 million (based on the shareholders electing payment of the dividend in cash); share repurchases of €44.8 million; capital expenditures, net of €458 million; and payment for acquisitions, net of cash acquired of €8.0 million. The Company received cash for stock options exercised of €21.8 million.

**Other Financial Highlights:** Dassault Systèmes' net financial position totaled €1.82 billion at June 30, 2017, compared to €1.49 billion at December 31, 2016, reflecting an increase in cash, cash equivalents and short-term investments from €2.49 billion to €2.82 billion, with long-term debt unchanged at €1.00 billion.

**Currency:** During the 2017 First Half currency exchange movements had a slightly positive impact on reported revenue and earnings per share growth rates. At the same time, rapid changes in key foreign currencies at the end of the second quarter had a negative impact on cash and cash equivalents as of June 30, 2017. See also paragraph 2.7 "2017 Financial Objectives".

## **2017 Business Outlook**

For a discussion of the Company's 2017 business outlook, see paragraph 2.7 "2017 Financial Objectives".

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2017 are presented in Section 1.6 "Risk Factors" of the Company's 2016 *Document de référence* filed with the *Autorité des marchés financiers* ("AMF", the French Financial Markets Authority) on March 22, 2017, 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**

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*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 2016 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)	
	2017 IFRS	Adjust- ment <sup>(1)</sup>	2017 non-IFRS	2016 IFRS	Adjust- ment <sup>(1)</sup>	2016 non-IFRS	IFRS	non- IFRS <sup>(2)</sup>
<b>Total Revenue</b>	<b>€1,566.2</b>	<b>€10.1</b>	<b>1,576.3</b>	<b>€1,445.4</b>	<b>€2.1</b>	<b>€1,447.5</b>	<b>8%</b>	<b>9%</b>
<b>Total revenue by activity</b>								
Software revenue	1,388.7	10.1	1,398.8	1,281.6	1.7	1,283.3	8%	9%
Services and other revenue	177.5	-	177.5	163.8	0.4	164.2	8%	8%
<b>Total revenue by geography</b>								
Europe	653.8	6.3	660.1	612.6	0.6	613.2	7%	8%
Americas	490.7	3.2	493.9	448.2	1.1	449.3	9%	10%
Asia	421.7	0.6	422.3	384.6	0.4	385.0	10%	10%
<b>Total Operating Expenses</b>	<b>€(1,277.3)</b>	<b>€145.5</b>	<b>€(1,131.8)</b>	<b>€(1,161.5)</b>	<b>€124.9</b>	<b>€(1,036.6)</b>	<b>10%</b>	<b>9%</b>
Share-based compensation expense	(54.4)	54.4	-	(34.0)	34.0	-		
Amortization of acquired intangibles	(80.5)	80.5	-	(77.4)	77.4	-		
Other operating income and expense, net	(10.6)	10.6	-	(13.5)	13.5	-		
<b>Operating Income</b>	<b>€288.9</b>	<b>€155.6</b>	<b>€444.5</b>	<b>€283.9</b>	<b>€127.0</b>	<b>€410.9</b>	<b>2%</b>	<b>8%</b>
<b>Operating Margin</b>	<b>18.4%</b>		<b>28.2%</b>	<b>19.6%</b>		<b>28.4%</b>		
Financial revenue and other, net	22.5	(22.7)	(0.2)	(16.8)	11.8	(5.0)		
<b>Income before Income Taxes</b>	<b>€311.4</b>	<b>€132.9</b>	<b>€444.3</b>	<b>€267.1</b>	<b>€138.8</b>	<b>€405.9</b>	<b>17%</b>	<b>9%</b>
Income tax expense	(102.1)	(45.8)	(147.9)	(73.5)	(52.6)	(126.1)	39%	17%
Non-controlling interest	(1.3)	-	(1.3)	(2.4)	-	(2.4)		
<b>Net Income attributable to shareholders</b>	<b>€208.0</b>	<b>€87.1</b>	<b>€295.1</b>	<b>€191.2</b>	<b>€86.2</b>	<b>€277.4</b>	<b>9%</b>	<b>6%</b>
<b>Diluted Net Income Per Share<sup>(3)</sup></b>	<b>€0.81</b>	<b>€0.34</b>	<b>€1.15</b>	<b>€0.74</b>	<b>€0.34</b>	<b>€1.08</b>	<b>9%</b>	<b>6%</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,					
	2017 IFRS	Adjustment	2017 Non-IFRS	2016 IFRS	Adjustment	2016 Non-IFRS
Cost of software, services and other revenue	(€240.2)	€2.3	(€237.9)	(€231.0)	€1.4	(€229.6)
Research and development	(305.9)	22.9	(283.0)	(269.2)	13.9	(255.3)
Marketing and sales	(518.3)	18.1	(500.2)	(460.0)	11.8	(448.2)
General and administrative	(121.8)	11.1	(110.7)	(110.4)	6.9	(103.5)
<b>Total share-based compensation expense</b>		<b>54.4</b>			<b>34.0</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 257.1 million diluted shares for the 2017 First Half and 257.3 million diluted shares for the 2016 First Half.

## 2.4 Consolidated Information: Financial Review of First Half 2017 Compared to First Half 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 2017 First Half, and (ii) services and other revenue, which represented 11% of total revenue in the 2017 First Half.

<i>(in millions, except percentages)</i>	Half Year Ended June 30, 2017	% change	% change in constant currencies	Half Year Ended June 30, 2016
<b>Total Revenue</b>	<b>€1,566.2</b>	<b>8.4%</b>	<b>6%</b>	<b>€1,445.4</b>
<b>Software revenue*</b>	<b>1,388.7</b>	<b>8.4%</b>	<b>6%</b>	<b>1,281.6</b>
Europe	578.1	7.0%	7%	540.5
America	425.7	9.9%	6%	387.4
Asia	384.9	8.8%	5%	353.7
<b>Services and other revenue</b>	<b>177.5</b>	<b>8.4%</b>	<b>7%</b>	<b>163.8</b>

\* 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, 2016.

Total revenue increased 8.4% or 6% in constant currencies for the 2017 First Half. On a non-IFRS basis, total revenue increased 7% in constant currencies, with both software revenue and services revenue growing 7%. First Half 2017 financial results include several acquisitions completed during the 2016 Second Half, the most material of which was CST- Computer Simulation Technology AG, a technology leader in electromagnetic and electronics simulation which was acquired on September 30, 2016. Excluding acquisitions, non-IFRS total revenue and software revenue growth was 5% in constant currencies.

#### 2.4.1.1 Software Revenue

Software revenue is comprised of new licenses revenue and other software revenue and periodic licenses and maintenance subscription 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 revenue is comprised of the Company's product development revenue relating to the development of additional functionalities of standard products requested by customers and reinstated maintenance.

<i>(in millions, except percentages)</i>	For the Half Year Ended June 30,	
	2017	2016
<b>Software revenue by type:</b>		
New licenses revenue and other software revenue	€384.8	€354.1
Recurring software revenue (periodic and maintenance revenue)	1,003.9	927.5
<b>Total software revenue</b>	<b>€1,388.7</b>	<b>€1,281.6</b>
(as % of total revenue)	88.7%	88.7%

New licenses revenue increased 8.5% or 7% in constant currencies to €379.1 million for the 2017 First Half and represented 27% of total software revenue. Core and Diversification Industries represented 63% and 37%, respectively, of new licenses revenue during the 2017 First Half. On a regional basis, new licenses revenue growth in constant currencies was strongest in the Americas and Europe, both with double-digit new licenses revenue growth in total, and high single-digit growth excluding acquisition impacts. During the 2017 First Half results were mixed in Asia, resulting in low single-digits new licenses revenue growth in constant currencies.

For the 2017 First Half recurring software revenue, representing 72% of total software revenue, increased 6% in constant currencies on strong maintenance subscription performance in all sales channels.

Other software revenue totaled €5.7 million, compared to €5.2 million in the 2016 First Half and for both periods was principally comprised of 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, services and other revenue also include content-related digital production for use in 3D visualization, advertising, sales and marketing.

<i>(in millions, except percentages)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Services and other revenue</b>	<b>€177.5</b>	<b>€163.8</b>
(as % of total revenue)	11.3%	11.3%

Services and other revenue increased 8.4%. Non-IFRS services and other revenue of €177.5 million increased 8.1% and approximately 7% in constant currencies, compared to €164.2 million in the 2016 First Half, reflecting increased service engagements related to 3DEXPERIENCE as well as growth in services for manufacturing software solutions during the 2017 First Half.

The non-IFRS services and other revenue gross margin increased to 9.5% for the 2017 First Half compared to 5.6% in the year-ago period.

The Company is continuing its focus on extending relationships with system integrators and its sales partners to expand the capacity for implementation of its software solutions and therefore it is actively reducing the pursuit of certain consulting and services engagements.

## 2.4.2 Operating expenses

<i>(in millions)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Operating expenses</b>	<b>€1,277.3</b>	<b>€1,161.5</b>
Adjustments*	(145.5)	(124.9)
<b>Non-IFRS operating expenses*</b>	<b>€1,131.8</b>	<b>€1,036.6</b>

(\*) 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 €80.5 million and €77.4 million for the 2017 and 2016 First Half, respectively, (ii) share-based compensation expense and related social charges of €54.4 million and €34.0 million for the 2017 and 2016 First Half, respectively, and (iii) other operating income and expense, net of €10.6 million and €13.5 million for the 2017 and 2016 First Half, respectively. For the reconciliation of this non-IFRS financial information with information set forth in the Company's financial statements and the notes thereto, see paragraph 2.3.3 "Supplemental Non-IFRS Financial Information" further above and the discussion of Amortization of acquired intangibles and Other operating income and expense, net below herein.

### Cost of Software Revenue

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

<i>(in millions, except percentages)</i>	For the Half Year Ended June 30,	
	2017	2016
<b>Cost of software revenue</b> (excluding amortization of acquired intangibles)	<b>€78.4</b>	<b>€75.2</b>
(as % of total revenue)	5.0%	5.2%

Cost of software revenue (excluding amortization of acquired intangibles) increased 4.3%. Non-IFRS cost of software revenue increased 3.6% to €77.3 million, or 2% excluding currency effects, and primarily reflected increased cloud expenses partially offset by lower personnel and outside service costs.

### 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, except percentages)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Cost of services and other revenue</b>	<b>€161.8</b>	<b>€155.8</b>

(as % of total revenue)	10.3%	10.8%
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Cost of services and other revenue increased 3.9%. Non-IFRS costs of services and other revenue totaled €160.6 million, representing an increase of 3.6%, or 2% excluding currency effects as the Company continues to focus on improving the efficiency of its services organization.

### **Research and Development Expenses**

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>2017</b>	<b>2016</b>
<b>Research and development expenses</b>	<b>€305.9</b>	<b>€269.2</b>
(as % of total revenue)	19.5%	18.6%

At June 30, 2017 personnel in research and development represented 41.8% of the Company's total workforce.

During the 2017 First Half, research and development expenses increased 13.6%. On a non-IFRS basis, research and development expenses totaled €283.0 million and increased 10.8%, or 10% excluding currency impacts, and reflected higher personnel costs including headcount growth and higher cloud costs. Government grants included in research and development totaled €12.9 million in the 2017 First Half compared to €13.8 million in the 2016 First Half.

### **Marketing and Sales Expenses**

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

<i>(in millions, except percentages)</i>	<b>For the First Half Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Marketing and sales expenses</b>	<b>€518.3</b>	<b>€460.0</b>
(as % of total revenue)	33.1%	31.8%

Marketing and sales expenses increased 12.7%. Non-IFRS marketing and sales expenses totaled €500.2, representing an increase of 11.6% or 10% excluding currency impacts. The increase in IFRS and non-IFRS marketing and sales expenses principally reflected an increase in sales related costs.

### **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>	<b>For the First Half Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>General and administrative expenses</b>	<b>€121.8</b>	<b>€110.4</b>
(as % of total revenue)	7.8%	7.6%

General and administrative expenses increased 10.3%. On a non-IFRS basis, general and administrative expenses totaled €110.7 million, increasing 7.0% or 5% excluding currency effects. The growth in IFRS and non-IFRS general and administrative expenses was principally driven by a higher headcount of 12%.

### 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,	
	2017	2016
<b>Amortization of acquired intangibles</b>	<b>€80.5</b>	<b>€77.4</b>

Amortization of acquired intangibles increased 4.0% reflecting the addition of several acquisitions completed during the 2016 second half.

### Other Operating Income and Expense, Net

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

<i>(in millions)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Other operating income and (expense), net</b>	<b>€(10.6)</b>	<b>€(13.5)</b>

For the 2017 First Half, Other operating (expense), net decreased €2.9 million reflecting lower restructuring, relocation, early retirement plan and other costs of €4.6 million, offset in part by higher acquisition costs of €1.7 million. See Note 8 to the consolidated financial statements.

## 2.4.3 Operating income

<i>(in millions)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Operating income</b>	<b>€288.9</b>	<b>€283.9</b>

Operating income increased 1.8% reflecting higher revenues. Non-IFRS operating income increased 8.2% to €444.5 million for the 2017 First Half compared to €410.9 million in the prior year period due principally to higher revenues. The non-IFRS operating margin was 28.2%, representing a decrease of 20 basis points and reflecting higher investments, particularly in research & development and sales, as well as acquisition dilution which were partly offset by net favorable currency fluctuations.

## 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) one-time items, net principally composed of net gains or losses on sales of investments.

<i>(in millions)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Financial income (expense) and other, net</b>	<b>€22.5</b>	<b>€(16.8)</b>

2017 First Half financial revenue and other, net was mainly comprised of interest income and (expense), net of €7.7 million (2016 H1: €(16.0) million) and reflected a lower impact from discontinued hedge accounting treatment for interest rate swaps compared to the 2016 First Half; exchange gain/(loss) of €(5.1) million (2016 H1: €(8.1) million), and other income/(loss) of €19.9 million principally related to the gain which arose from the remeasurement of the fair value of the previously held equity interest in Outscale (2016 H1: €7.3 million gain on sale of investment). See Note 9 to the consolidated financial statements.

On a non-IFRS basis, financial revenue and other, net totaled €(0.2) million compared to €(5.0) million in the 2016 First Half and principally reflected growth in financial net income of €1.7 million and lower exchange losses of €(3.0) million.

## 2.4.5 Income tax expense

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<i>(in millions, except percentages)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Income tax expense</b>	<b>€102.1</b>	<b>€73.5</b>
Effective consolidated tax rate	32.8%	27.5%

Income tax expense increased 38.9% or €28.6 million reflecting an increase in pretax income of 16.6% and an increase in the effective consolidated tax rate. Specifically, for the 2017 First Half, the effective tax rate was 32.8% compared to 27.5% in the prior year period. The increase in the effective consolidated tax rate is mainly driven by the reversal of tax reserves and by favorable income tax impacts from restructurings in 2016.

On a non-IFRS basis income tax expense totaled €147.9 million, representing an increase of 17.3% or €21.8 million, due to an increase in non-IFRS pre-tax income of 9.5% and an increase in the non-IFRS effective tax rate. For the 2017 First Half, the non-IFRS effective tax rate increased to 33.3% from 31.1% in the 2016 First Half, due principally to the reversal of tax reserves in 2016.

## 2.4.6 Net income and net income per diluted share

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<i>(in millions, except per share data)</i>	For the First Half Ended June 30,	
	2017	2016
<b>Net income attributable to shareholders</b>	<b>€208.0</b>	<b>€191.2</b>
<b>Diluted net income per share</b>	<b>€0.81</b>	<b>€0.74</b>
Diluted weighted average shares outstanding	257.1	257.3

Net income per diluted share increased 9.5% to €0.81. Non-IFRS net income per diluted share of €1.15 increased 6.5% or 12% excluding a 5 cents impact from a reversal of tax reserves in the 2016 First Half. Currency had an estimated net positive impact of 3 points on net income per share growth.

## 2.4.7 Trends in Quarterly Results

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The Company's quarterly new licenses revenue has varied significantly and is likely to vary significantly in the future, according to the Company's business seasonality, clients' decision processes and new licenses and rental licensing mix.

Service and other revenue activity also vary by quarter. The Company's total software revenue is, however, less sensitive to quarterly variation due to its significant level of recurring software revenue, which is comprised of maintenance revenue and on-premise software subscriptions as well as cloud subscriptions. In combination, maintenance and periodic licenses revenue represented 71% of total IFRS software revenue in 2016 and 72% for the 2017 First Half (72% for the 2016 First Half). This significant level of recurring software revenue has served and continues to serve as a stabilizing factor when new licensing activity is impacting revenue and net income. Acquisitions and divestitures can also cause the different elements of revenue to vary from quarter to quarter.

A significant portion of new license sales typically occurs in the last month of each quarter, and the Company normally experiences its highest new licenses sales for the year in its fiscal fourth quarter ended December 31<sup>st</sup>. Software revenue, total revenue, operating income, operating margin and net income have generally been highest in the fourth quarter of each year.

In 2016, non-IFRS total revenue for the fourth, third, second and first quarters represented, respectively, 28.8% (28.1% in 2015), 24.0% (23.8% in 2015), 24.6% (25.2% in 2015) and 22.6% (22.9% in 2015) of the Company's non-IFRS total revenue for the 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.

## 2.4.8 Capital Resources

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Cash, cash equivalents and short-term investments totaled €2.82 billion and €2.49 billion as of June 30, 2017 and December 31, 2016, respectively. The Company's net financial position increased to €1.82 billion at June 30, 2017, compared to €1.49 billion at December 31, 2016, and was comprised of cash, cash equivalents and short-term investments, less long-term debt.

In the 2017 First Half, Dassault Systèmes' principal sources of liquidity were cash from operations aggregating €592.4 million, comprised of net income in the amount of €327.2 million excluding non-cash items and an increase in working capital of €265.2 million. During the 2017 First Half



cash obtained from operations was used principally to distribute cash dividends of €51.3 million (with the lower amount of cash dividends paid in cash during the 2017 First Half reflecting a higher percentage of shareholders electing to receive the dividend in the form of shares rather than cash), share repurchases of €44.8 million, capital expenditures, net of €45.8 million; and payment for acquisitions, net of cash acquired of €8.0 million. The Company received cash for stock options exercised of €21.8 million.

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 (based on the shareholders electing to receive cash), as well as to fund share repurchases of €43.3 million and to make acquisitions of €11.2 million.

Exchange rate fluctuations had a mixed translation effect on cash and cash equivalent balances of the Group, leading to a net negative impact of €127.8 million as of June 30, 2017 compared to a net neutral impact of €0.1 million as of June 30, 2016.

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 SE.

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

## 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 22, 2017, in Chapter 4.1.1, Note 26. No new related party transactions occurred during the 2017 First Half.

The transactions entered into with Dassault Aviation during the first six months of 2017 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 2017 First Half.

## 2.6 2017 First Half Significant Events

### **Corporate Event**

On July 25, 2017, Dassault Systèmes announced that it has entered into a new, extended partnership with The Boeing Corporation. Pursuant to the agreement, Boeing will expand its deployment of Dassault Systèmes' products across Boeing's commercial aviation, space and defense programs including the 3DEXPERIENCE platform. Boeing will adopt the 3DEXPERIENCE Platform for Manufacturing Operations Management and Product Lifecycle Management. Boeing will deploy the 3DEXPERIENCE platform in phases and rely on Winning Program, Co-Design to Target, Ready for Rate, Build to Operate and License to Fly *Industry Solution Experiences* for Aerospace and Defense to deepen its end to end digital collaboration, design, engineering, analysis, manufacturing planning and shop floor execution capabilities throughout the enterprise. This decision follows a competitive process that included the rigorous analysis of technical and functional capabilities, cost and business benefits across the value chain. The 3DEXPERIENCE platform can reduce integration and support costs, improve productivity, foster new innovation, and aid in the introduction of best practice processes to deliver standard work across the value chain. The 3DEXPERIENCE platform cannot only simulate products and processes, but also find and eliminate potential risks and quality issues before production. The platform's single source of data across all applications will provide reliable and actionable real-time information and seamless communication throughout the entire enterprise and supply chain as well as across product generations.

### **Other Corporate Events**

On May 23, 2017, at the Annual Shareholders' Meeting, Dassault Systèmes' shareholders approved a dividend for the fiscal year 2016 equivalent to €0.53 per share, representing an increase of 12.8% 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 2016 dividend in the form of new Dassault Systèmes shares represented approximately 61% of Dassault Systèmes' shares, resulting in the issuance of 1,011,090 new ordinary Dassault Systèmes' shares, representing 0.39% of the share capital (on a non-diluted basis) and 0.26% of the Dassault Systèmes' (unadjusted) voting rights calculated on the basis of the share capital and voting rights as of May 31, 2017. On June 26, 2017, the new shares were delivered and listed on Euronext Paris the same day and the cash dividend was paid in the aggregate amount of €51.3 million.

## 2.7 2017 Financial Objectives

The Company's updated 2017 financial objectives as issued in conjunction with its second quarter earnings press release issued on July 25, 2017 are as follows:

- The Company reaffirms its 2017 non-IFRS revenue growth objective range of about 6% to 7% in constant currencies, its new licenses revenue financial target of about 8 to 10% in constant currencies and its recurring software revenue financial target of about 6% in constant currencies;
- The Company also reaffirms its 2017 non-IFRS operating margin of about 31.5%, compared to 2016 where the non-IFRS operating margin was 31.2%;
- Based upon the strengthening of the euro against the Company's principal foreign currencies and key additional currencies (described below), the Company lowered its 2017 reported non-IFRS revenue range by €50 million to €3.240 to €3.265 billion and its non-IFRS diluted earnings per share (EPS) by €0.06 to about €2.62-2.66, representing a growth objective of about 5 to 7% as reported;
- These financial objectives are based upon an assumed average US dollar to euro exchange rate of US\$1.12 per €1.00 and an average Japanese yen to euro exchange rate of JPY125.9 to €1.00 for 2017 before hedging, which take into account the actual average exchange rates for the US dollar and Japanese yen in the first and second quarters of 2017 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 JPY130 to €1.00 for these two periods. The above financial objectives all take into account the potential impact from additional currencies (principally the British pound, Korean won, and Chinese yuan) which represented about 10% of the Company's total revenue in 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 2017 annual non-IFRS objectives set forth above exclude the following accounting elements and are estimated based upon the 2017 currency exchange rate assumptions outlined above: 2017 deferred revenue write-downs estimated at approximately €12 million, share-based compensation expense including related social charges estimated at approximately €99 million and amortization of acquired intangibles estimated at approximately €161 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 25, 2017.

The information above includes statements that express objectives for the Company's future financial performance. Such forward-looking statements are based on Dassault Systèmes' management current views and assumptions as of July 25, 2017 and involve known and unknown risks and uncertainties.

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

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2017 are presented in Section 1.6 "Risk Factors" of the Company's 2016 *Document de référence* filed with the AMF on March 22, 2017, 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, 2017

## Consolidated Statements of Income

	Notes	Six months, ended June 30,	
		2017 (unaudited)	2016 (unaudited)
<i>(in thousands, except per share data)</i>			
New licenses and other software revenue		€384,826	€354,132
Periodic licenses and maintenance revenue		1,003,877	927,421
<b>Software revenue</b>	<b>5</b>	<b>1,388,703</b>	<b>1,281,553</b>
Services and other revenue		177,514	163,814
<b>TOTAL REVENUE</b>		<b>1,566,217</b>	<b>1,445,367</b>
Cost of software revenue		(78,368)	(75,222)
Cost of services and other revenue		(161,775)	(155,819)
Research and development		(305,908)	(269,208)
Marketing and sales		(518,305)	(459,925)
General and administrative		(121,832)	(110,418)
Amortization of acquired intangibles		(80,485)	(77,371)
Other operating income and expense, net	8	(10,598)	(13,533)
<b>OPERATING INCOME</b>		<b>288,946</b>	<b>283,871</b>
Interest income and expense, net	9	7,689	(16,025)
Other financial income and expense, net	9	14,789	(785)
<b>INCOME BEFORE INCOME TAXES</b>		<b>311,424</b>	<b>267,061</b>
Income tax expense		(102,179)	(73,471)
<b>NET INCOME</b>		<b>€209,245</b>	<b>€193,590</b>
<b>Attributable to:</b>			
Equity holders of the Company		€207,958	€191,154
Non-controlling interest		€1,287	€2,436
<b>Earnings per share</b>			
Basic net income per share		€0.82	€0.75
Diluted net income per share		€0.81	€0.74

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

## Consolidated Statements of Comprehensive Income

<i>(in thousands)</i>	Notes	Six months, ended June 30,	
		2017 (unaudited)	2016 (unaudited)
<b>NET INCOME</b>		<b>€209,245</b>	<b>€193,590</b>
(Losses) Gains on cash flow hedges	14	5,631	(23,416)
Foreign currency translation adjustment		(216,728)	(29,911)
Income tax on items to be reclassified		(1,782)	9,068
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>(212,879)</b>	<b>(44,259)</b>
Remeasurements of defined benefit pension plans		2,295	(18,927)
Income tax on items not being reclassified		(603)	6,212
<b>Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax</b>		<b>1,692</b>	<b>(12,715)</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>(211,187)</b>	<b>(56,974)</b>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>		<b>€(1,942)</b>	<b>€136,616</b>
Attributable to:			
Equity holders of the Company		€(2,748)	€135,604
Non-controlling interest		806	€1,012

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, 2017</b> (unaudited)	<b>December 31, 2016</b> (audited)
<b>Assets</b>			
Cash and cash equivalents		€2,769,228	€2,436,701
Short-term investments		48,154	56,064
Trade accounts receivable, net	10	610,333	820,442
Income tax receivable		121,369	108,230
Other current assets		142,817	148,999
<b>TOTAL CURRENT ASSETS</b>		<b>3,691,901</b>	<b>3,570,436</b>
Property and equipment, net		156,717	135,402
Non-current financial assets		157,010	174,824
Deferred tax assets		129,457	135,886
Intangible assets, net	11	970,752	1,079,076
Goodwill	11	1,799,831	1,847,442
<b>TOTAL NON-CURRENT ASSETS</b>		<b>€3,213,767</b>	<b>3,372,630</b>
<b>TOTAL ASSETS</b>		<b>€6,905,668</b>	<b>€6,943,066</b>
<b>Liabilities and equity</b>			
Trade accounts payable		€137,266	€144,860
Accrued compensation and other personnel costs		305,131	315,796
Unearned revenue		928,665	853,147
Income tax payable		56,030	27,262
Other current liabilities		139,812	124,575
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,566,904</b>	<b>1,465,640</b>
Deferred tax liabilities		240,548	258,729
Borrowings, non-current	12	1,000,000	1,000,000
Other non-current liabilities		304,991	335,866
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,545,539</b>	<b>1,594,595</b>
Common stock		129,912	128,998
Share premium		609,449	500,098
Treasury stock		(264,036)	(222,933)
Retained earnings and other reserves		3,247,390	3,173,639
Other items		68,025	280,423
<b>Parent shareholders' equity</b>		<b>3,790,740</b>	<b>3,860,225</b>
Non-controlling interest		2,485	22,606
<b>TOTAL EQUITY</b>	<b>14</b>	<b>3,793,225</b>	<b>3,882,831</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>€6,905,668</b>	<b>€6,943,066</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,	
		2017	2016
<b>Net income</b>		<b>€209,245</b>	<b>€193,590</b>
Adjustments for non-cash items	15	117,904	94,386
Changes in operating assets and liabilities	15	265,237	161,104
<b>Net cash provided by operating activities</b>		<b>592,386</b>	<b>449,080</b>
Additions to property, equipment and intangibles		(45,805)	(18,446)
Purchases of short-term investments		(45,444)	(63,738)
Proceeds from sales and maturities of short-term investments		49,110	83,543
Payment for acquisition of businesses, net of cash acquired		(7,959)	(11,178)
Other		6,414	605
<b>Net cash used in investing activities</b>		<b>(43,684)</b>	<b>(9,214)</b>
Proceeds from exercise of stock options		21,770	10,564
Cash dividends paid	14	(51,277)	(101,944)
Repurchase of treasury stock	14	(44,812)	(43,288)
Acquisition of non-controlling interest		(14,056)	-
<b>Net cash used in financing activities</b>		<b>(88,375)</b>	<b>(134,668)</b>
Effect of exchange rate changes on cash and cash equivalents		(127,800)	109
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>332,527</b>	<b>305,307</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>2,436,701</b>	<b>2,280,534</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>€2,769,228</b>	<b>€2,585,841</b>
Supplemental disclosure			
Income taxes paid		€61,767	€163,313
Cash paid for interest		€5,661	€5,552

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	Retained earnings and other reserves	Other items		Parent shareholders' equity	Non-controlling interest	Total Equity
					Cash flow hedges	Foreign currency translation adjustment			
<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>–</b>	<b>–</b>	<b>–</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>
Net income	–	–	–	256,038	–	–	256,038	2,579	258,617
Other comprehensive income, net of tax	–	–	–	3,094	24,779	101,388	129,261	1,707	130,968
<b>Comprehensive income, net of tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>259,132</b>	<b>24,779</b>	<b>101,388</b>	<b>385,299</b>	<b>4,286</b>	<b>389,585</b>
Dividends	–	–	–	–	–	–	–	–	–
Exercise of stock options	241	15,498	–	–	–	–	15,739	–	15,739
Treasury stock transactions	–	–	(70,724)	(13,247)	–	–	(83,971)	–	(83,971)
Share-based payments	–	–	–	41,461	–	–	41,461	–	41,461
Other changes	–	–	–	(577)	–	–	(577)	–	(577)
<b>January 1, 2017</b>	<b>€128,998</b>	<b>€500,098</b>	<b>€(222,933)</b>	<b>€3,173,639</b>	<b>€479</b>	<b>€279,944</b>	<b>€3,860,225</b>	<b>€22,606</b>	<b>€3,882,831</b>
Net income	–	–	–	207,958	–	–	207,958	1,287	209,245
Other comprehensive income, net of tax	–	–	–	1,692	3,849	(216,247)	(210,706)	(481)	(211,187)
<b>Comprehensive income, net of tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>209,650</b>	<b>3,849</b>	<b>(216,247)</b>	<b>(2,748)</b>	<b>806</b>	<b>(1,942)</b>
Dividends	506	82,667	–	(134,450)	–	–	(51,277)	–	(51,277)
Exercise of stock options	408	26,684	–	–	–	–	27,092	–	27,092
Treasury stock transactions	–	–	(41,103)	(3,709)	–	–	(44,812)	–	(44,812)
Share-based payments	–	–	–	47,623	–	–	47,623	–	47,623
Transactions with non-controlling interests	–	–	–	(47,880)	–	–	(47,880)	(20,927)	(68,807)
Other changes	–	–	–	2,517	–	–	2,517	–	2,517
<b>June 30, 2017 (unaudited)</b>	<b>€129,912</b>	<b>€609,449</b>	<b>€(264,036)</b>	<b>€3,247,390</b>	<b>€4,328</b>	<b>€63,697</b>	<b>€3,790,740</b>	<b>€2,485</b>	<b>€3,793,225</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, 2017

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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

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

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

Dassault Systèmes SE is a European company (*Societas Europaea*), incorporated under the laws of France. The Company’s registered office is located at 10, rue Marcel Dassault, in Vélizy-Villacoublay, France. The Dassault Systèmes SE shares are listed in France on Euronext Paris. These condensed interim consolidated financial statements were established under the responsibility of the Board of Directors on July 24, 2017.

## Note 2 Summary of Significant Accounting Policies

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

The condensed interim consolidated financial statements for the six months ended June 30, 2017 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, 2016, 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, 2016, 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.

The Company’s significant accounting policies are summarized in the notes to the annual consolidated financial statements for the year ended December 31, 2016.

The company undertakes no early application of any standard or interpretation or associated amendments which were already published in the Official Journal of the European Union at June 30, 2017.

### **IFRS 9 – Financial Instruments**

IFRS 9 “Financial Instruments” which supersedes IAS 39 “Financial Instruments: Recognition and Measurement” deals with classification and measurement as well as with impairment and hedge accounting.

The Company’s consolidated financial statements will take into account IFRS 9 from January 1, 2018 and will fully assess the impact of its application throughout the second half of 2017.

### **IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 establishes the accounting principles that an entity shall apply to recognize revenue from contracts with customers. It replaces the previous standards and interpretations related to revenue recognition, notably IAS 18 “Revenue” and IAS 11 “Construction contracts” and IFRIC 13 “Customer Loyalty Programmes”. The standard provides a single, principle-based, five-step model to be applied in order to define the timing and the amount of revenue arising from a contract with a customer. It provides a guide to applying the standard, notably regarding the licenses and specific provisions for how to recognize incremental costs of obtaining or fulfilling a contract, that are addressed by other standards. The standard requires the disclosure of new qualitative and quantitative information in the notes to the consolidated accounts.

The Company will adopt IFRS 15 for the fiscal year beginning January 1, 2018 using the modified retrospective method. Under this method, the impact of the initial application of the standard is accounted for in shareholders' equity as of January 1, 2018, without restating comparative periods presented.

The Company continues to assess the effects of the initial application of the standard. This analysis is led by a project steering committee which oversees the progress and results of work done by both internal and external international technical teams specialized in revenue recognition, and IT teams. The project also includes plans for updating accounting policies on revenue recognition and deployment of dedicated training sessions in the second half of 2017.

A significant impact relates to the accounting for revenue from granting customers periodic licenses to its software products. Periodic licenses generally have a one-year term and the corresponding fee is recognized ratably over the term of the license. Based on the new criteria established by IFRS 15, contracts for period licenses will contain two performance obligations: software license and maintenance. While revenue from software license will be recognized when control of the license is transferred to the customer, the revenue from rendering the maintenance services will be recognized ratably over the term of the license. In effect, the total amount of revenue from periodic licenses will not change, only the pattern of recognition over the term of the contract (generally one year) will be modified.

The Company is currently in the process of updating its information systems to manage the changes related to the accounting for periodic licenses and to collect the new quantitative information to be disclosed in the notes to the consolidated accounts.

The Company expects to finalize its technical analysis during the second half of 2017 and does not anticipate any other significant impact on the basis of transactions in its current scope.

### **IFRS 16 - Lease**

IASB issued on January 13, 2016 a new accounting standard called IFRS 16 "Leases". IFRS 16 is a major revision of the way in which companies account for leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Based on this model, the amortization of assets will be accounted for in operating expense, and the cost of the debt towards the lessor will be accounted for in financial expense. Under the current standard, rent expense is recorded in operating expense.

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

The Company identified all leases and measured lease liabilities for a limited scope of entities. It also deployed a worldwide inventory of all leases in order to extend its measurement to all Group entities in the second half of 2017.

The Company will determine the practical applications of the new standard at the outcome of these evaluation phases.

## **Note 3 Seasonality**

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

## **Note 4 Segment Information**

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

<i>(in thousands)</i>	Six months ended June 30,	
	2017	2016
<b>TOTAL REVENUE FOR OPERATING SEGMENT</b>	<b>€1,576,353</b>	<b>€1,447,475</b>
Adjustment for unearned revenue of acquired companies	(10,131)	(2,108)
<b>TOTAL REVENUE</b>	<b>€1,566,222</b>	<b>€1,445,367</b>

<i>(in thousands)</i>	Six months ended June 30,	
	2017	2016
<b>INCOME FOR OPERATING SEGMENT</b>	<b>€444,522</b>	<b>€410,842</b>
Adjustment for unearned revenue of acquired companies	(10,131)	(2,108)
Share-based compensation expense and related payroll taxes	(54,356)	(33,959)
Amortization of acquired intangibles	(80,485)	(77,371)
Other operating income and expense, net	(10,598)	(13,533)
<b>OPERATING INCOME</b>	<b>€288,952</b>	<b>€283,871</b>

## Note 5 Software Revenue

Software revenue is comprised of the following:

<i>(in thousands)</i>	Six months ended June 30,	
	2017	2016
New licenses revenue	€379,132	€348,897
Periodic licenses and maintenance revenue	1,003,877	927,421
Other software revenue	5,694	5,235
<b>SOFTWARE REVENUE</b>	<b>€1,388,703</b>	<b>€1,281,553</b>

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

<i>(in thousands)</i>	Six months ended June 30,	
	2017	2016
CATIA software revenue	€486,160	€465,479
SOLIDWORKS software revenue	350,886	303,683
ENOVIA software revenue	158,049	152,610
Other	393,608	359,781
<b>SOFTWARE REVENUE</b>	<b>€1,388,703</b>	<b>€1,281,553</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>	Six months ended June 30,	
	2017	2016
Research and development	€12,945	€13,796
Costs of services and other revenue	366	407
<b>TOTAL GOVERNMENT GRANTS</b>	<b>€13,311</b>	<b>€14,203</b>

## Note 7 Share-based Payments

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

<i>(in thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Research and development	€(22,990)	€(13,946)
Marketing and sales	(18,116)	(11,713)
General and administrative	(11,085)	(6,933)
Cost of revenue	(2,165)	(1,367)
<b>TOTAL COMPENSATION EXPENSE RELATED TO SHARE-BASED PAYMENTS</b>	<b>€(54,356)</b>	<b>€(33,959)</b>

Changes during the six months ended June 30, 2017 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, 2017</b>	<b>3,378,220</b>	<b>3,373,199</b>
Granted	1,101,700	2,050,370	3,152,070
Vested	-	(670,402)	(670,402)
Forfeited	(7,350)	(187,205)	(194,555)
<b>UNVESTED AT JUNE 30, 2017</b>	<b>4,472,570</b>	<b>4,565,962</b>	<b>9,038,532</b>

### **Performance shares**

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on September 4, 2015, the Board of Directors at the meeting held on May 23, 2017 decided to grant 801,700 performance shares to some employees and executives (Plan 2017-A) and 300,000 shares to Mr. Bernard Charlès, Vice Chairman of the Board of Directors and Chief Executive Officer as part of a plan of progressively associating him with the Company's capital (Plan 2017-B). Such shares shall be vested at the end of an acquisition period of three years, subject to the achievement of a condition based on the Company non-IFRS diluted earnings per share growth and subject to the condition that the beneficiary be an employee or a director of the Company at the end of a two years presence period. The non-IFRS diluted earnings per share condition is based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2019, excluding foreign currency effects, and the one achieved in the year 2016 (non-vesting condition)

The weighted average grant-date fair value of shares granted in 2017 was €43,35. It was estimated based on the quoted price of the Company's common stock on the date of grant, adjusted to include the non-vesting condition using a Monte Carlo model. The model simulates the performance of the non-IFRS diluted earnings per share of the group. Assumptions used are an expected volatility of 9.82% and an average risk-free interest rate of (0.12)%.

### **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 at the meeting held on May 23, 2017 decided to grant 2,050,370 options to subscribe to Dassault Systèmes shares to certain employees, at an exercise price of €82.00 (Plan 2017-01).

Such options shall be vested at the end of an acquisition period of one to three years, subject to the condition that the beneficiary be an employee of the Company at the acquisition date and to the achievement of certain non-market performance objectives for the years 2017, 2018 and 2019. 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 2017 was €10,01. 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 19%, expected dividend yield of 0.70% and average risk-free interest rate of 0.23%. 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>2017</b>	<b>2016</b>
Costs incurred in connection with early retirement plan <sup>(1)</sup>	€(3,999)	€(6,679)
Costs incurred in connection with relocation activities <sup>(2)</sup>	(3,867)	(4,501)
Acquisition costs	(1,852)	(206)
Restructuring costs	(880)	(2,147)
<b>OTHER OPERATING INCOME AND EXPENSE, NET</b>	<b>€(10,598)</b>	<b>€(13,533)</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 their full pension. This plan is treated as a post-employment benefit, where estimated costs are based on an assumption of the expected proportion of employees to enter the plan and then accrued taking into account the employees estimated residual service period.
- (2) In 2017, primarily composed of provisions for vacant leasehold properties before the commissioning of a new building at the 3DS Paris Campus. In 2016, 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, 2017 and 2016 are as follows:

<i>(in thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Interest income <sup>(1)</sup>	€11,016	€8,939
Interest expense <sup>(2)</sup>	(3,327)	(24,964)
<b>INTEREST INCOME AND EXPENSE, NET</b>	<b>7,689</b>	<b>(16,025)</b>
Foreign exchange losses, net <sup>(3)</sup>	(5,121)	(8,128)
Other, net <sup>(4)</sup>	19,910	7,343
<b>OTHER FINANCIAL INCOME AND EXPENSE, NET</b>	<b>€14,789</b>	<b>€(785)</b>

- (1) Interest income is primarily composed of interests on cash, cash equivalents and short-term investments.
- (2) In 2017, mainly includes interest expense of €5.6 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). In 2016, mainly includes interest expense of €5.5 million due pursuant to two term loan facility agreements entered into in June 2013 for €350 million and in October 2015 for €650 million and due to the impact of discontinued hedge accounting for interest rate swaps for €18.6 million.
- (3) Foreign exchange losses, net are primarily due to the depreciation of the dollar during the second quarter in 2017 and in Malaysian ringgits and British pounds in 2016.
- (4) In 2017, mainly include (i) the gain on sale of an investment and, (ii) following the acquisition of Outscale during the first half of 2017, the remeasurement to fair value of equity interests of Outscale and of the convertible bond, both were previously held by the Company. 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>	June 30, 2017	December 31, 2016
Trade accounts receivable	€636,560	€843,818
Allowance for trade accounts receivable	(26,227)	(23,376)
<b>TRADE ACCOUNTS RECEIVABLE, NET</b>	<b>€610,333</b>	<b>€820,442</b>

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

<i>(in thousands)</i>	June 30, 2017	December 31, 2016
Trade accounts receivable past due at closing date:		
Less than 3 months past due	€79,834	€84,805
3 to 6 months past due	19,904	18,030
More than 6 months past due	10,721	11,059
<b>TRADE ACCOUNTS RECEIVABLE PAST DUE</b>	<b>110,459</b>	<b>113,894</b>
Trade accounts receivable not yet due	499,874	706,548
<b>TOTAL TRADE ACCOUNTS RECEIVABLE, NET</b>	<b>€610,333</b>	<b>€820,442</b>

## Note 11 Intangible Assets and Goodwill

Intangible assets consist of the following:

<i>(in thousands)</i>	Six months ended June 30, 2017			Year ended December 31, 2016		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Software	€1,158,593	€(614,316)	€544,277	€1,180,815	€(591,839)	€588,976
Customer relationships	995,624	(586,755)	408,869	1,053,573	(578,716)	474,857
Other intangible assets	37,625	(20,019)	17,606	34,809	(19,566)	15,243
<b>TOTAL INTANGIBLE ASSETS</b>	<b>€2,191,842</b>	<b>€(1,221,090)</b>	<b>€970,752</b>	<b>€2,269,197</b>	<b>€(1,190,121)</b>	<b>€1,079,076</b>

The change in the carrying amount of intangible assets as of June 30, 2017 is as follows:

<i>(in thousands)</i>	Software	Customer relationships	Other intangible assets	Total intangible assets
<b>NET INTANGIBLE ASSETS AS OF JANUARY 1, 2017</b>	<b>€588,976</b>	<b>€474,857</b>	<b>€15,243</b>	<b>€1,079,076</b>
Business combinations	3,598	-	339	3,937
Other additions	11,710	(3,034)	3,202	11,878
Amortization for the period	(44,427)	(39,504)	(679)	(84,610)
Exchange differences	(15,580)	(23,450)	(499)	(39,529)
<b>NET INTANGIBLE ASSETS AS OF JUNE 30, 2017</b>	<b>€544,277</b>	<b>€408,869</b>	<b>€17,606</b>	<b>€970,752</b>

The change in the carrying amount of goodwill as of June 30, 2017 is as follows:

(in thousands)

<b>GOODWILL AS OF JANUARY 1, 2017</b>	<b>€1,847,442</b>
Business combinations	37,796
Exchange differences and other changes	(85,407)
<b>GOODWILL AS OF JUNE 30, 2017</b>	<b>€1,799,831</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 October 2016, the Company exercised the option extension for one year.

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

The table below provides a breakdown of total borrowings by contractual maturity date as of June 30, 2017:

(in thousands)	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 2016 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 2017 and 2016, the ineffective portion of hedges was nil.

At June 30, 2017 and December 31, 2016, the fair value of instruments used to manage the currency exposure was as follows:

<i>(in thousands)</i>	Six months ended June 30,		Year ended December 31,	
	2017		2016	
	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale <sup>(1)</sup>	€133,542	€11,047	€162,391	€4,066
Forward exchange contract euros/Indian rupees – sale <sup>(1)</sup>	20,439	751	19,163	1,247
Forward exchange contract euros/ U.S. dollars – sale <sup>(1)</sup>	-	-	51,500	1,581
Forward exchange contract U.S. dollars/Indian rupees – sale <sup>(1)</sup>	17,874	1,388	31,673	512
Forward exchange contract Japanese yen/ U.S. dollars – sale <sup>(1)</sup>	25,825	1,214	57,301	4,735
Forward exchange contract British pounds/euros – sale <sup>(1)</sup>	18,694	410	36,019	75
Cross currency swaps Canadian dollars/euros <sup>(2)</sup>	69,827	(364)	72,765	(3,341)
Cross currency swaps Australian dollars/euros <sup>(2)</sup>	71,957	850	73,214	(1)
Other instruments <sup>(2)</sup>	58,570	(424)	70,650	(315)

(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 2016, hedge accounting has been discontinued as interest rate swaps no longer met the effectiveness criteria for hedge accounting given the expected trend of negative interest rates. Consequently, changes in fair value of interest rate swaps are recognized in interest income and expense, net for €6.9 million at June 30, 2017 and for €(15.8) 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 and June 30, 2017).

At June 30, 2017 and December 31, 2016, the fair value of instruments used to manage the interest rate risk was as follows:

<i>(in thousands)</i>	Six months ended June 30,		Year ended December 31,	
	2017		2016	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps in euros	€1,000,000	(13,478)	€1,000,000	€(20,332)

## Note 14 Shareholders' Equity

### Shareholders' equity activity

As of June 30, 2017, Dassault Systèmes SE had 259,823,811 common shares issued with a nominal value of €0.50 per share.



Changes in shares outstanding as of June 30, 2017 are as follows:

<i>(in number of shares)</i>	
<b>SHARES ISSUED AS OF JANUARY 1, 2017</b>	<b>257,996,603</b>
Dividend paid in shares	1,011,090
Exercise of stock options	816,118
Cancellation of treasury stock	-
<b>SHARES ISSUED AS OF JUNE 30, 2017</b>	<b>259,823,811</b>
Treasury stock as of June 30, 2017	(4,915,743)
<b>SHARES OUTSTANDING AS OF JUNE 30, 2017</b>	<b>254,908,068</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 2017, the General Meeting of Shareholders approved the distribution of a dividend of € 134.5 million for 2016, 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 2016 dividend in the form of new Dassault Systèmes shares represented approximately 61% of Dassault Systèmes' shares, resulting in the issuance of 1,011,090 new ordinary shares. The cash dividend was paid in an aggregate amount of € 51.3 million.

### Stock repurchase programs

The General Meeting of Shareholders authorized the Board of Directors to implement a share repurchase program limited to 25 000 000 of Dassault Systèmes' shares. 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, 2016, automatically renewable for subsequent 12-month terms. On June 30, 2017, 1,053,257 shares were purchased, at an average price of € 78.39 and 1,007,565 shares were sold, at an average price of € 78.26.

### Components of other comprehensive income

<i>(in thousands)</i>	<b>Six months ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flow hedges:</b>		
(Losses) Gains arising during the year	€1,530	€(28,245)
Less: reclassification adjustments for gains or (losses) included in the income statement	(4,101)	(4,829)
	<b>€5,631</b>	<b>€(23,416)</b>

### Finalization of the acquisition of 3DPLM

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

In exchange for the ownership in 3DPLM, shareholders of Geometric Ltd. received one listed redeemable preference share of Rs. 68 in 3DPLM against every one share of Geometric Ltd., refundable for a period of 15 months and with an annual 7 percent preferential dividend. As of June 30, 2017, the remaining debt related to the acquisition of additional shares of Geometric Ltd was €52 million and was accounted for in other current liabilities.

3DPLM being already fully consolidated in the Company's consolidated financial statements, the transaction was treated as an equity transaction and accounted for in shareholders' equity in the condensed interim consolidated financial statements ended June 30, 2017.

## 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,	
		2017	2016
Depreciation of property and equipment		€22,862	€21,365
Amortization of intangible assets	11	84,610	81,788
Deferred taxes		(8,190)	(36,611)
Non-cash share-based payment expense		47,623	30,303
Other		(29,001)	(2,459)
<b>ADJUSTMENTS FOR NON-CASH ITEMS</b>		<b>117,904</b>	<b>€94,386</b>

Changes in operating assets and liabilities consist of the following:

<i>(in thousands)</i>	Six months ended June 30,	
	2017	2016
Decrease in trade accounts receivable	€181,937	€114,958
(Decrease) in accounts payable	(743)	(6,426)
(Decrease) in accrued compensation	(18,343)	(22,919)
Increase (Decrease) in income tax payable	13,617	(73,008)
Increase in unearned revenue	120,397	145,280
Changes in other assets and liabilities	(31,628)	3,219
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>€265,237</b>	<b>€161,104</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 from 2014 to 2016, but disputed them with the relevant authorities. In March 2017, the Company appealed a first instance judgment in relation to this dispute.

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.

# 4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2017 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 SE, for the six months ended June 30, 2017;
- 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 25, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

Ernst & Young et Autres

Thierry Leroux

Pierre-Antoine Duffaud