

NOW SOMMARS THERE

2018
Financial report



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The **3DEXPERIENCE**® Company

ANNUAL REPORT **2018**

ANNUAL FINANCIAL REPORT



This document is an English-language translation of Dassault Systèmes' Document de référence (Annual Report), which was filed with the AMF (French Financial Markets Authority) on March 26, 2019, in accordance with Articles 212-13 of the AMF General Regulation.

Only the French version of the Document de référence is legally binding.

GENERAL

This Annual Report also includes:

- the annual financial report to be prepared and published by every listed company within four months of the end of its fiscal year, pursuant to Article L. 451-1-2 of the Monetary and Financial Code and Article 222-3 of the French Financial Markets Authority (“AMF”) General Regulation; and
- the annual management report of Dassault Systèmes SE’s Board of Directors, which must be provided to the General Meeting of Shareholders approving the financial statements for each completed fiscal year, pursuant to Articles L. 225-100 *et seq.* of the French Commercial Code.

The index set forth on pages 243 and 244 provides cross-references to the relevant portions of these two reports.

All references to “euro” or to the symbol “€” refer to the legal currency of the French Republic and certain countries of the European Union. All references to the “U.S. dollar” or to the symbol “\$” refer to the legal currency of the United States.

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 of the Group, which is governed by French law.

In compliance with Article 28 of European Regulation no. 809/2004 of the Commission, the following information is incorporated by reference in this Annual Report:

- the consolidated financial statements on pages 108 to 147 (inclusive), the parent company financial statements on pages 153 to 174 (inclusive), and the related audit reports on pages 148 to 152 and 175 to 179 (inclusive) of the Annual Report (*Document de référence*) for the year 2017 filed with the AMF on March 21, 2018, under no. D.18-0157;
- the financial information on pages 89 to 106 (inclusive) of the Annual Report (*Document de référence*) for the year 2017 filed with the AMF on March 21, 2018, under no. D.18-0157;
- the consolidated financial statements on pages 92 to 130 (inclusive), the parent company financial statements on pages 133 to 155 (inclusive), and the related audit reports on pages 131 to 132 and 156 to 159 (inclusive) of the Annual Report (*Document de référence*) for the year 2016 filed with the AMF on March 22, 2017, under no. D.17-0207;
- the financial information on pages 78 to 90 (inclusive) of the Annual Report (*Document de référence*) for the year 2016 filed with the AMF on March 22, 2017, under no. D.17-0207.

The portions of these documents which are not incorporated herein are either not relevant for current investors, or are covered in another section of this Annual Report.

PERSON RESPONSIBLE

Person Responsible for the Annual Report

Bernard Charlès – Vice-Chairman and Chief Executive Officer.

Certification by the Person Responsible for the Annual Report

Vélizy-Villacoublay, March 26, 2019.

I hereby certify, after having taken all reasonable measures for this purpose, that the information contained in this Annual Report (*Document de référence*) is, to my knowledge, in accordance with the facts and that no information liable to affect its significance has been omitted.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a faithful representation of the assets, financial situation and results of Dassault Systèmes SE and all the companies included in the scope of consolidation, and that the "management report", the content of which is cross-referenced in a table at page 244, included in this Annual Report, presents a faithful representation of the business trends, results and financial situation of Dassault Systèmes SE and all the companies included in the scope of consolidation as well as a description of the principal risks and uncertainties which they face.

I have received a completion letter (*lettre de fin de travaux*) from the auditors stating that they have verified the information regarding the financial situation and the financial statements included in this Annual Report and that they have read this document in its entirety.

Bernard Charlès

Vice-Chairman and Chief Executive Officer

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PRESENTATION OF THE GROUP

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1.1 Profile of Dassault Systèmes

Company profile

The purpose of Dassault Systèmes is to provide business and people with 3DEXPERIENCE universes to imagine sustainable innovations capable of harmonizing product, nature and life.



We are a global leader in sustainable innovation. We provide a digital experience platform that allows customers to create innovative new products and services, and ultimately address the major challenges facing the world today: cities for people; energy and resources for the long term; food and personalized healthcare; how to supply and produce; and inspirational education and research. We believe that there is a new world to imagine, create and build by combining science, art and technology. This led us, in 2012, to define our new horizon which we call **3DEXPERIENCE**.

Indeed, achieving a more sustainable future is only possible by leveraging the virtual world. At Dassault Systèmes we believe that virtual worlds extend and improve the real world.

The solutions of Dassault Systèmes transform the way products are designed, simulated, produced, marketed and supported, leveraging the virtual world to improve the real world. Dassault Systèmes has been transforming the world of industry since 1981. We have helped industrials disrupt how products are designed and made, and rethink their

whole creation and production systems - with 3D design, with 3D digital mock-up (DMU), with 3D Product Lifecycle Management (PLM) and now with **3DEXPERIENCE**.

We want to be the catalyst and enabler of the real Industry Renaissance of the 21st century. Combining the real and the virtual leads to new ways of seeing the world, of inventing, learning, producing and doing business.

Our purpose is at the core of who we are and why people are joining Dassault Systèmes.

Dassault Systèmes is a science-based, innovation-driven, business-minded and long-term-oriented company. The Group's 17,000 employees and contractors are driven by this ambition. This also translates into a high level of market confidence and trust among our 250,000 enterprise customers in more than 140 countries. We are a European company with a global presence and market reach.

To fulfill this ambition, our strategy is to focus on Social Industry Experiences. These three words encapsulate the conditions to create sustainable innovations.

Social is about collaborative innovation and bringing 3D to consumers. It is centered on online, mobile and ease of use. Industry is about offering what customers value the most, that is to say creating the knowledge and know-how needed to match closely the needs of the industries we address. Experiences is about enabling businesses to move from product to experience.

We roll out our strategy by calling on our Strategic Operational Elements: Brands, Industries, Channels & Geos.

Dassault Systèmes' Brands create great user experiences and build vibrant user communities. Our Industries develop Solution

Experiences, industry-focused offerings which deliver specific value to companies and users in a particular industry. And our distribution system fosters customer and partner experiences. It is comprised of twelve Geos and three Channels: one direct channel, Business Transformation, and two indirect channels - Value Solutions and Professional Solutions.

What we sell is Dassault Systèmes' 3DEXPERIENCE, it is a business experience platform. It catalyzes and enables innovation by allowing businesses to connect the dots within and outside a company, from upstream thinking, to design, engineering, manufacturing, sales & marketing all the way to ownership.

The **3DEXPERIENCE** platform is a game-changer in added value creation for organizations because it is the only platform that's both a system of operations to run their business and a business model to transform their business. As a system of operations, the **3DEXPERIENCE** platform enables businesses to improve their operational excellence by providing digital continuity from the idea of a new product or rather of a new experience through its design, its simulation, through the project management that drives to the market delivery on time and within budget and ultimately through sales, ownership and usage support. As a business model, it allows businesses to set up the most innovative value networks to deliver the sustainable business outcome they expect.

The **3DEXPERIENCE** platform is structured in four quadrants encompassing our twelve brands. Our **3DEXPERIENCE** portfolio is comprised of 3D modeling applications, simulation applications creating virtual twins of products or production systems, social and collaborative applications, and information intelligence applications.

1.2 Financial Summary: A Long History of Sustainable Growth

Sustaining Growth over the Long-term

We have established a long history of sustainable growth in our total revenues thanks to a financial model with a strong focus on recurring software revenue, which represented over 70% of our total software revenue during 2018.

Since our initial public offering in 1996, we have seen an acceleration in "time to next billion-euros revenue" milestone, reaching our first billion in 2006, crossing our second billion

in 6 years in 2012 and our third billion in 2016, a timeframe of four years.

Our Five-year Financial Summary

We have provided below summary income statement and balance sheet information for the most recent five years. The selected financial information set forth in the table below has been prepared in accordance with International Financial

Presentation of the Group

Financial Summary: A Long History of Sustainable Growth

Reporting Standards ("IFRS") as adopted in the European Union, unless otherwise indicated.

A financial review including a comparison of 2018 and 2017 can be found in Chapter 3, "Financial Review and Prospects".

Income statements and dividends

<i>(in millions of euros, except percentages and per share data)</i>	Year ended December 31,				
	2018	2017 ⁽³⁾	2016 ⁽³⁾	2015 ⁽³⁾	2014 ⁽³⁾
Total revenue	€3,477.4	€3,228.0	€3,055.6	€2,839.5	€2,294.3
Software revenue	3,081.8	2,869.3	2,694.7	2,502.8	2,035.0
Operating income	768.2	729.0	672.0	633.2	430.8
<i>As a percentage of total revenue</i>	22.1%	22.6%	22.0%	22.3%	18.8%
Net income attributable to equity holders of the Company	569.4	519.4	447.2	402.2	291.3
Diluted net income per share ⁽¹⁾	€2.18	€2.01	€1.74	€1.57	€1.14
Dividend per share ⁽¹⁾	€0.65 ⁽²⁾	€0.58	€0.53	€0.47	€0.43
Dividend per share growth	12.1%	9.4%	12.8%	9.3%	2.4%

(1) All historical per share data reflects the two-for-one stock split effected in July 2014.

(2) To be proposed for approval at the General Meeting of Shareholders scheduled for May 23, 2019.

(3) We adopted IFRS 15 effective January 1, 2018 using the modified retrospective transition method (also called the cumulative effect method). Under this method, the transition effect is accounted for within the consolidated equity at the date of initial application, i.e. January 1, 2018, without any adjustment to the prior year comparative information. See reconciliation between IFRS15 and IAS18 for 2018 in note 2 to consolidated financial statements.

Supplemental non-IFRS financial information

Readers are cautioned that the supplemental non-IFRS financial information presented below 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 supplemental non-IFRS financial information may not be comparable to similarly titled adjusted measures used by other companies. For a reconciliation of this non-IFRS financial information with the Company's audited financial statements, see paragraph 3.1.1.2 "Supplemental Non-IFRS Financial Information".

<i>(in millions of euros, except percentages and per share data)</i>	Year ended December 31,				
	2018	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾	2014 ⁽¹⁾
Total revenue	€3,491.1	€3,242.0	€3,065.6	€2,876.7	€2,346.7
Software revenue	3,093.9	2,883.2	2,704.3	2,537.9	2,078.6
Operating income	1,112.5	1,037.1	957.7	884.9	699.2
<i>As a percentage of total revenue</i>	31.9%	32.0%	31.2%	30.8%	29.8%
Net income attributable to equity holders of the Company	812.5	692.9	640.3	576.6	465.5
Diluted net income per share ⁽²⁾	€3.12	€2.68	€2.49	€2.25	€1.82

(1) The Group has initially applied IFRS 15 at January 1st, 2018. In accordance with the transition method chosen, comparative information is not restated.

(2) All historical per share data reflects the two-for-one stock split effected in July 2014.

Balance sheets and net cash provided by operating activities

<i>(in millions of euros)</i>	Year ended December 31,				
	2018	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾	2014 ⁽¹⁾⁽²⁾
ASSETS					
Cash, cash equivalents and short-term investments	€2,809.9	€2,460.7	€2,492.8	€2,351.3	€1,175.5
Trade accounts receivable, net	1,044.1	895.9	820.4	739.1	627.7
Other assets	4,120.0	3,673.2	3,629.9	3,221.0	3,159.2
TOTAL ASSETS	7,974.0	7,029.8	6,943.1	6,311.4	4,962.4
LIABILITIES AND EQUITY					
Contract liabilities	907.5	876.4	853.1	778.0	636.8
Borrowings	1,000.0	1,000.0	1,000.0	1,000.0	360.1
Other liabilities	1,504.6	1,159.2	1,229.8	1,064.9	1,022.0
Parent shareholders' equity	4,561.9	3,994.2	3,860.2	3,468.5	2,943.5
TOTAL LIABILITIES AND EQUITY	€7,974.0	€7,029.8	€6,943.1	€6,311.4	€4,962.4

(1) The consolidated balance sheet as of December 31, 2014 has been restated to reflect the finalized purchase price allocation for prior year business combinations.

(2) The Group has initially applied IFRS 15 at 1 January 2018. In accordance with the transition method chosen, comparative information is not restated.

<i>(in millions of euros)</i>	Year ended December 31,				
	2018	2017	2016	2015	2014
Net cash provided by operating activities	€898.6	€745.0	€621.7	€633.3	€499.5

1.3 History

1.3.1 History and Development of the Company

1.3.1.1 Summary

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

Through our work with large industrial customers, we learned how important it was for them to have a software solution that would support the design of highly diversified parts in 3D. The growing adoption of 3D design for all components

of complex products, such as airplanes and cars, triggered the vision for transforming the 3D part design process into a systematic integrated product design. The Version 4 ("V4") architecture was created, opening new possibilities to realize full digital mock ups ("DMU") of any product. The V4 architected software solutions helped customers reduce the number of physical prototypes and realize substantial savings in product development cycle times, and it made global engineering possible as engineers were able to share their ongoing work across the globe virtually.

In order to fulfill the mission to provide a robust 3D Product Lifecycle Management ("PLM") solution supporting the entire product lifecycle from virtual design to virtual manufacturing, we developed and introduced our next software architecture in 1999, Version 5 ("V5"). In conjunction with our strategy and product portfolio development plans, we undertook a series

of targeted acquisitions expanding our software applications portfolio offering to include digital manufacturing, realistic simulation, product data management and enterprise business process collaboration.

Building upon our work in 3D, 3D DMU, and 3D PLM, and in conjunction with the evolution we began to see among our clients in different industry verticals, we unveiled in 2012 our next horizon, **3DEXPERIENCE**, designed to support our customers in their innovation processes to deliver truly new and rewarding experiences for their end users.

1.3.1.2 Our Summary Timeline

3D Design and 3D Digital mock-up

- ▶ 1981 – Creation of Dassault Systèmes to design products in 3D through the spin-off of a team of engineers from Dassault Aviation;
- ▶ 1981 – The Company’s flagship brand, CATIA, is launched;
- ▶ 1981 – Worldwide marketing, sales and support agreement with IBM, beginning of a long-standing partnership;
- ▶ 1981 – Initial industry focus: automotive and aerospace;
- ▶ 1986 – V3 software introduced for 3D Design;
- ▶ 1994 – V4 architecture introduced offering a new technology enabling the full 3D Digital Mock-Up (“DMU”) of a product, enabling customers to significantly reduce the number of physical prototypes and to have a complete understanding of the virtual product;
- ▶ 1994 – Expansion of the Company’s industry focus to seven industries, adding fabrication and assembly, consumer goods, high-tech, shipbuilding and energy;
- ▶ 1996 – Initial public offering in June;
- ▶ 1997 – Broadening of our 3D Design offer to the entry 3D market, with the acquisition of the start-up SOLIDWORKS, with Windows-native architecture, targeting principally the 2D to 3D market migration opportunity;
- ▶ 1997 – Formation of the Company’s Professional channel, focused on marketing, sales and support of SOLIDWORKS;
- ▶ 1998 – Creation of the ENOVIA brand, focused initially on management of CATIA product data for larger clients with the acquisition of IBM’s Product Manager software.

Expanding to 3D product lifecycle management

- ▶ 1999 – Launch of V5 architecture designed for both Windows NT and UNIX environments;
- ▶ 1999 – Unveiling an expanded addressable market vision: 3D Product Lifecycle Management (PLM) for 3D design, simulation analysis, digital manufacturing and product data management;

- ▶ 1999 – ENOVIA’s portfolio expanded to product data management for the small and mid-sized companies (“SMB”) market with the SmarTeam acquisition;
- ▶ 2000 – Creation of the DELMIA brand, initially addressing the digital manufacturing domain (digital process planning, robotic simulation and human modeling technology);
- ▶ 2005 – Creation of the SIMULIA brand, addressing realistic simulation, representing a significant expansion of the Company’s simulation capabilities, leveraging the acquisition of Abaqus;
- ▶ 2005 – Creation of the Company’s Value Solutions sales channel, an indirect channel specifically focused on supporting SMB companies, including suppliers to OEMs. The Value Solutions channel becomes the Company’s second indirect channel, complementing our Professional channel which is focused on SOLIDWORKS users.
- ▶ 2006 – Expansion of the ENOVIA portfolio with the acquisition of MatrixOne, a global provider of collaborative PDM software and services;
- ▶ 2007 – Amendment of the IBM partnership agreement, outlining the Company’s progressive assumption of full responsibility for the Value Solutions channel;
- ▶ 2007 – Creation of the 3DVIA brand, to bring 3D technology to new users to imagine, communicate and experience in 3D;
- ▶ 2007 – CATIA offer extended with ICEM acquisition, a company well-known in the automotive industry for its styling and high-quality surface modeling and rendering solutions;
- ▶ 2008 – Unveiling of the Company’s V6 architecture;
- ▶ 2010 – We acquired full control of our distribution sales channels with the acquisition of IBM PLM, the IBM business unit dedicated exclusively to the marketing, sale and support of the Company’s CATIA, ENOVIA and DELMIA brands principally ;
- ▶ 2010 – Acquisition of EXALEAD, as part of long-term objective around data analytics with search-based applications;
- ▶ 2011 – DELMIA’s offering expands with the acquisition of Intercim, offering manufacturing and production management software for advanced and highly regulated industries;
- ▶ 2011 – 100% of the Company’s total revenues are derived from its wholly-directed three sales channels, completing the transition from IBM begun in 2005.

EXPANDING TO 3DEXPERIENCE

- ▶ 2012 – Expansion of the Company’s strategy to **3DEXPERIENCE** and expansion of the Company’s purpose. See paragraph 1.5.1.1 “Our Purpose”;
- ▶ 2012 – Creation of a new brand, GEOVIA, dedicated to model the planet, focus on a new industrial sector, Natural Resources, with the acquisition of Gemcom in the mining sector;
- ▶ 2012 – Acquisitions of Netvibes, bringing intelligent dashboarding capabilities, and SquareClock, providing cloud-based 3D space planning solutions;
- ▶ 2012 – **3DEXPERIENCE** launch announcement and introduction of the Company’s first Industry Solution Experiences;
- ▶ 2013 – Unveiling of V6 Release 2014, available to select customers, on premise as well as Software as a Service (SaaS), featuring the controlled availability of existing and new industry-focused and user-focused offerings and the introduction of a new navigational user interface, the **3DEXPERIENCE** platform;
- ▶ 2013 – Broadening of the Company’s manufacturing offerings to Manufacturing Operations Management with the acquisition of Apriso;
- ▶ 2014 – Introduction of **3DEXPERIENCE R2014x**, the first release of the Company’s new **3DEXPERIENCE** platform, offering end-to-end and integrated scientific, engineering, manufacturing and business capabilities and services, with the V6 architecture as its foundation;
- ▶ 2014 – Creation of a new brand, 3DEXCITE, with the acquisition of Realtime Technology AG (“RTT”) providing professional high-end 3D visualization software, marketing solutions and computer generated imagery services to extend the Company’s offerings to marketing professionals;
- ▶ 2014 – Creation of a new brand, BIOVIA, addressing science-based industries principally, combining the acquisition of Accelrys and the Company’s internal developments;
- ▶ 2014 – Quintiq acquisition in operations planning and optimization;
- ▶ 2015 – Introduction of **3DEXPERIENCE R2015x**, offering a simplified and improved user experience, with powerful enhancements that significantly increase productivity on premise as well as on public or private cloud. In addition, R2015x introduces groupings of applications called “roles”, to cover industry-specific user needs;
- ▶ 2015 – Legal transformation of Dassault Systèmes from a French public limited company (*société anonyme*) to a European company (*Societas Europaea*, SE). The adoption of the status of European company well reflected the international dimension of the Company and its growing presence throughout Europe;
- ▶ 2015 – CATIA’s capabilities were expanded to further enhance its coverage of complex mechatronics systems engineering, with the acquisition of Modelon GmbH, an expert in “ready-to-experience” content for systems modeling and simulation which are strategic to transform the Transportation & Mobility industry;
- ▶ 2016 – **3DEXPERIENCE 2016x** general availability;
- ▶ 2016 – Extension of SIMULIA’s multi-physics, multi-scale offer with the acquisition of CST, a technology leader in electromagnetic simulation, and the addition of Next Limit Dynamics, bringing capabilities in computational fluid dynamics simulation;
- ▶ 2016 – Expansion of the Company’s DELMIA’s manufacturing portfolio with the acquisition of Ortems, focused on production planning and scheduling;
- ▶ 2016 – Acquisition of full ownership of 3D PLM Software Solutions Ltd (3DPLM), our joint venture in India with Geometric Ltd;
- ▶ 2017 – We entered into a new, extended partnership with The Boeing Corporation. Boeing will expand its deployment of our 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 our design, engineering simulation and digital manufacturing software;
- ▶ 2017 – Extension of our simulation capabilities with the acquisition of Exa Corporation for highly dynamic fluid flow analysis, a complex simulation critical to designers and engineers at more than 150 leading companies including Transportation and Mobility, as well as Aerospace and Defense, Natural Resources, and other industries to evaluate highly dynamic fluid flow throughout the design process;
- ▶ 2017 – Extension of CATIA’s Marine and Offshore industry capabilities with the acquisition of AITAC B.V., where its “Smart Drawings” software application is used to automate the creation of drawings;
- ▶ 2017 – Strengthening the management of our cloud resources and services, increasing our interest in Outscale to a majority stake, 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;
- ▶ 2018 – Power’By launch as part of **3DEXPERIENCE R2018x** and introduction of the **3DEXPERIENCE** Marketplace. The objective of Power’By is to enable all customers to benefit

from the **3DEXPERIENCE** platform's value immediately without any need for migration of legacy data. There are three levels: to enable social collaboration; to leverage hybrid data for product configuration and bill of materials; or to use the full capabilities of the **3DEXPERIENCE** platform;

- ▶ 2018 – Acquisition of majority ownership of Centric Software, a privately-owned company present in the domain of PLM for the fashion, apparel, luxury and retail sectors. With this investment, Dassault Systèmes aims to accelerate the digital transformation of companies seeking solutions for the increasingly complex development of collections that respond to on-trend and on-demand consumers;
- ▶ 2018 – Acquisition of No Magic, a global solutions company focused on model-based systems engineering, architecture modeling for software, system of systems and enterprise business processes modeling. No Magic's solutions performance will be enhanced with Dassault Systèmes

3DEXPERIENCE platform, complementing and reinforcing CATIA applications. This will provide a "single source of truth" allowing any user within a company to implement continuous 3D digital processes and to address all lifecycle aspects of an experience, from requirements, system of systems architecture models, systems and sub-systems architecture to functional, conceptual, logical and physical 3D modeling simulations;

- ▶ 2019 – Acquisition of IQMS, a leading manufacturing ERP software company. With the acquisition of California-based IQMS, Dassault Systèmes extends the **3DEXPERIENCE** platform to small and mid-sized manufacturing companies seeking to digitally transform their business operations. IQMS provides all-in-one solution to optimize engineering, manufacturing and business processes.

For further information on acquisitions over the last three years, see paragraph 1.3.2 "Investments" below.

1.3.2 Investments

1.3.2.1 Overview

Dassault Systèmes has had a long-standing leadership position in its industry thanks to its ability to define and create new markets. Underpinning this market leadership has been the Company's clear and strong commitment to technological and business innovation.

Our investments, both through expenditures internally in research and development and through acquisitions, are closely aligned with our strategic roadmap and are the principal driver of our product innovations and enhancements.

Our research and development expenses totaled €631.1 million and €576.6 million, for 2018 and 2017, respectively. We continue to evaluate external investments, complementing and extending the business value we bring to industries, clients and users we have. In that regard, acquisitions, net of cash acquired, and non-controlling interests totaled €353.1 million in 2018 and €375.7 million in 2017.

Reflecting our Purpose and Social Industry Experiences strategy we are growing our addressable market along multiple axes: (i) broadening our offer to cover the key disciplines of clients, from upstream consumer insights to design, engineering, simulation and manufacturing, to business planning and operations and point of sales and end-consumer experiences; (ii) expanding our market coverage to address industries focused on the interaction of geosphere and biosphere and (iii) extending the power of 3D to people with 3D for All initiatives bringing 3D to consumers in an easy manner with

our Homebyme solution thanks to artificial intelligence and new advanced mobile technologies. With our Homebyme solution, consumers all over the world can imagine, easily create and place furniture in rooms, and experience them in a virtual reality experience on mobile devices.

For further information, see paragraphs 1.5.1.1 "Our Purpose", 1.5.1.2 "Our Strategy: Social Industry Experiences" and 1.5.1.3 "Strategic Operational Elements".

1.3.2.2 Acquisitions in 2017 and 2018

The principal acquisitions over the last two years expanded our offer in manufacturing ERP for small to mid-sized companies, systems engineering and next generation fluids flow simulation.

● **Integrated Manufacturing ERP Solution:** On December 11, 2018, we announced the signature of an agreement to acquire IQMS, a California based manufacturing ERP software company, for \$425 million to extend the **3DEXPERIENCE** platform to small and mid-sized manufacturing companies seeking to digitally transform their business operations. IQMS's software – on premise EnterpriseIQ and software as a service WebIQ – deliver an all-in-one solution to mid-market manufacturers for managing engineering, manufacturing and business ecosystems by digitally connecting order processing, scheduling, production and shipping processes in real time. IQMS's solutions are used by a thousand customers based primarily in the U.S. whose

2,000 manufacturing facilities in 20 countries produce for the automotive, industrial equipment, medical device, consumer goods, and consumer packaged goods industries. The acquisition was completed on January 3, 2019.

- **Model-based Systems Engineering:** On June 20, 2018 we announced the acquisition of No Magic, a global solutions company focused on model-based systems engineering, architecture modeling for software, system of systems and enterprise business processes modeling. No Magic is headquartered in Allen, Texas and has offices in Lithuania and Thailand. While providing continuity for No Magic's customers, Dassault Systèmes will empower No Magic's solutions with its **3DEXPERIENCE** platform, complementing and reinforcing CATIA applications. This will provide a "single source of truth" allowing any user within a company to implement continuous 3D digital processes and to address all lifecycle aspects of an experience, from requirements, system of systems architecture models, systems and sub-systems architecture to functional, conceptual, logical and physical 3D modeling simulations. Enterprise customers, small companies and professionals in the Aerospace & Defense (NASA/JPL, Boeing, Lockheed Martin), Transportation & Mobility (Ford, Renault, Honda, BMW, Nissan), and other industries (Sony, Panasonic, John Deere, GE Healthcare, Pfizer, J.P. Morgan, PayPal) rely on No Magic's solutions.
- **PLM Software:** On July 24, 2018 we acquired a majority stake in Centric Software, an industry market leader present in the fashion, apparel, luxury and retail sectors. With this investment, Dassault Systèmes aims to accelerate the digital transformation of companies seeking solutions for the increasingly complex development of collections that respond to on-trend and on-demand consumers. Headquartered in California's Silicon Valley and with offices

in thirteen countries, Centric Software provides product lifecycle management software solutions to more than 600 globally-recognized brands including ASICS, Bass Pro, Belle China, Bestseller, Etam, Kate Spade, Loblaws, Louis Vuitton, Michael Kors, Samsonite, Ted Baker, Tommy Hilfiger and others.

- **Next Generation Fluids Flows Simulation:** On November 17, 2017, we completed the acquisition of Exa Corporation (NASDAQ: EXA) based in Burlington, Massachusetts, a global innovator in simulation software for product engineering representing a fully diluted equity value for Exa of approximately €344 million. With the addition of Exa, Dassault Systèmes' **3DEXPERIENCE** platform will provide customers with a proven, diverse portfolio of combined Lattice Boltzmann fluid simulation technologies, as well as Exa's fully industrialized solutions and nearly 350 highly experienced simulation professionals. Exa's software is used by designers and engineers at more than 150 leading companies in Transportation and Mobility, as well as Aerospace and Defense, Natural Resources, and other industries to evaluate highly dynamic fluid flow throughout the design process.

Our principal acquisitions with an individual purchase price greater than €100 million over the last three years include:

Acquisition	Year	Purchase Price
IQMS	2019	€377 million
Centric Software (majority ownership acquired)	2018	€228 million
Exa Corporation	2017	€344 million
CST Corporation	2016	€295 million

1.4 Group Organization

1.4.1 Dassault Systèmes SE's Position within the Group

Dassault Systèmes SE, the Group's parent company, fulfills several roles: first, it is one of the Group's largest operating companies and one of its principal R&D centers, responsible for the development of a number of the Group's software solutions integrated in the **3DEXPERIENCE** platform. Dassault Systèmes SE also operates as a holding company as it owns directly or indirectly all the companies that make up the Group. Dassault Systèmes SE plays a centralizing role, defining the Group's overall strategy and the means for its deployment, as well as the marketing and sales policy through the Group's three sales channels (described

in paragraph 1.5.2.4 "Sales and Marketing"). The parent company manages cash for subsidiaries whose currency is the euro, and provides support to the Group for a number of activities, including finance, communication, marketing, legal affairs (including management and protection of IP), human resources and IT, and pools certain costs for its subsidiaries.

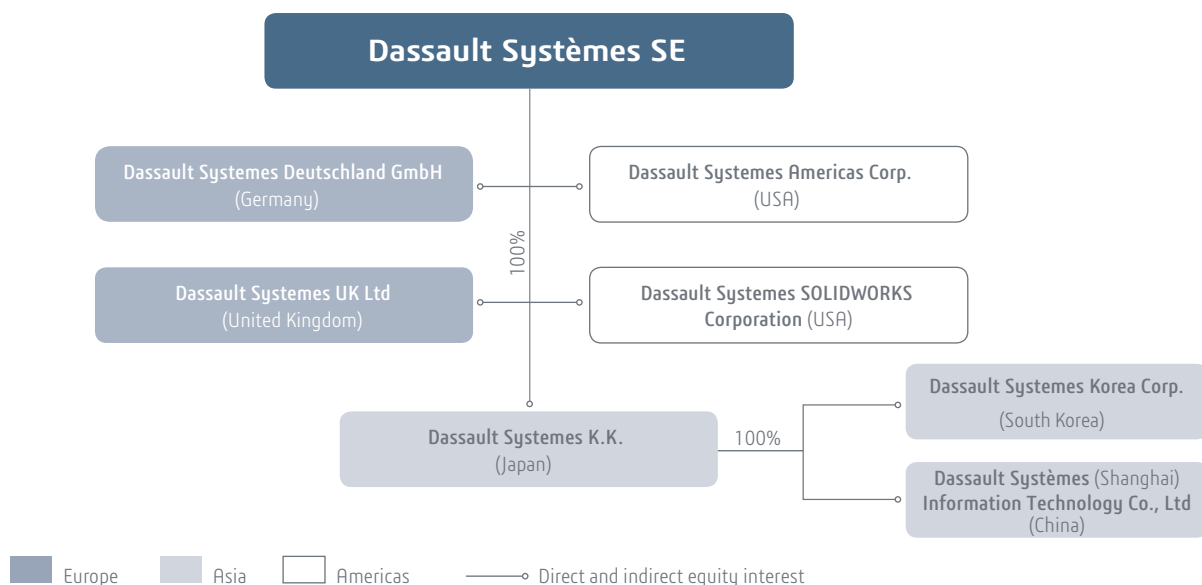
Dassault Systèmes SE receives dividends paid by its subsidiaries. Additionally, the costs of providing centralized services are charged back to the respective subsidiaries benefiting from support services and cost pooling, and it receives royalties related to the IP it holds.

1.4.2 Principal Subsidiaries of the Company

At December 31, 2018, the Company included Dassault Systèmes SE and 111 operational subsidiaries, as compared to 115 operational subsidiaries as of December 31, 2017. The

decrease was due principally to the effort of the Company to simplify the organization of its legal entities throughout the world, partly offset by 2018 acquisition effects.

The chart below sets forth the Company's main subsidiaries:



See also Note 28 to the consolidated financial statements and the table of subsidiaries and shareholdings under Note 24 to the parent company financial statements.

1.5 Business Activities

1.5.1 Dassault Systèmes

1.5.1.1 Our Purpose

Dassault Systèmes' purpose is to provide business and people with 3DEXPERIENCE universes to imagine sustainable innovations capable of harmonizing product, nature and life.

Through this ambition, we contribute to the improvement of society and the quality of the environment. "Harmonizing product, nature and life" is how we define sustainable innovation. It is based on the premise that, in the 21st century, with a global population of seven billion, we cannot produce and consume in the same way that we did in the mid 20th century when the population was just 2.5 billion. A product cannot be sustainable if its impact on the environment and on society has not been thought through. And conversely, product design can be improved by observing nature and other living creatures.

We are a global leader in sustainable innovation. In January 2018, we have been ranked first among the 2018 *Top 100 Most Sustainable Corporations*. We provide a digital experience platform that allows customers to create innovative new products and services experiences. Our aim is to achieve a new development model to address the major challenges facing the world today: cities for people; energy and resources for the long term; food and personalized healthcare; how to supply and produce; and inspirational education and research. We believe that there is a new world to imagine, create and build by combining science, art and technology.

This led us, in 2012, to define our new horizon which we call **3DEXPERIENCE**.

Indeed, achieving a more sustainable future is only possible by leveraging the virtual world. At Dassault Systèmes we believe that virtual worlds extend and improve the virtual world.

Through virtual experiences, augmented reality and realistic simulation, digital technology revolutionizes our relationship with knowledge, just like the printing press did in the 15th century. The new book is the virtual experience that adds knowledge and know-how while eliminating the gap between experimentation and learning.

Combining the real and the virtual leads to new ways of seeing the world, of inventing, learning, producing and doing business. We want to be the catalyst and enabler of this sweeping transformation emerging worldwide and that we call the Industry Renaissance of the 21st century. In today's economy, value is in the usage rather than the product. We have shifted from a product economy to an experience economy. The industry of the 21st century is a network of creation, production and exchange of experiences. This creates new ways for industries and technologies to interact. New categories of industrial companies are creating new categories of experiences for new categories of customers.

The solutions of Dassault Systèmes transform the way products are designed, simulated, produced, marketed and supported, leveraging the virtual world to improve the real world. Dassault Systèmes has been transforming the world of industry since 1981. We have helped industrials disrupt how products are designed and made, and rethink their whole creation and production systems. With 3D design, we made equal the object with its image: it was a new way of seeing. With the 3D digital mock-up (DMU), we created ubiquity: it was a new way of sharing. With 3D PLM, we tied design with production: it was a new way of making. With **3DEXPERIENCE**, we tie design with life: it's a new way of living.

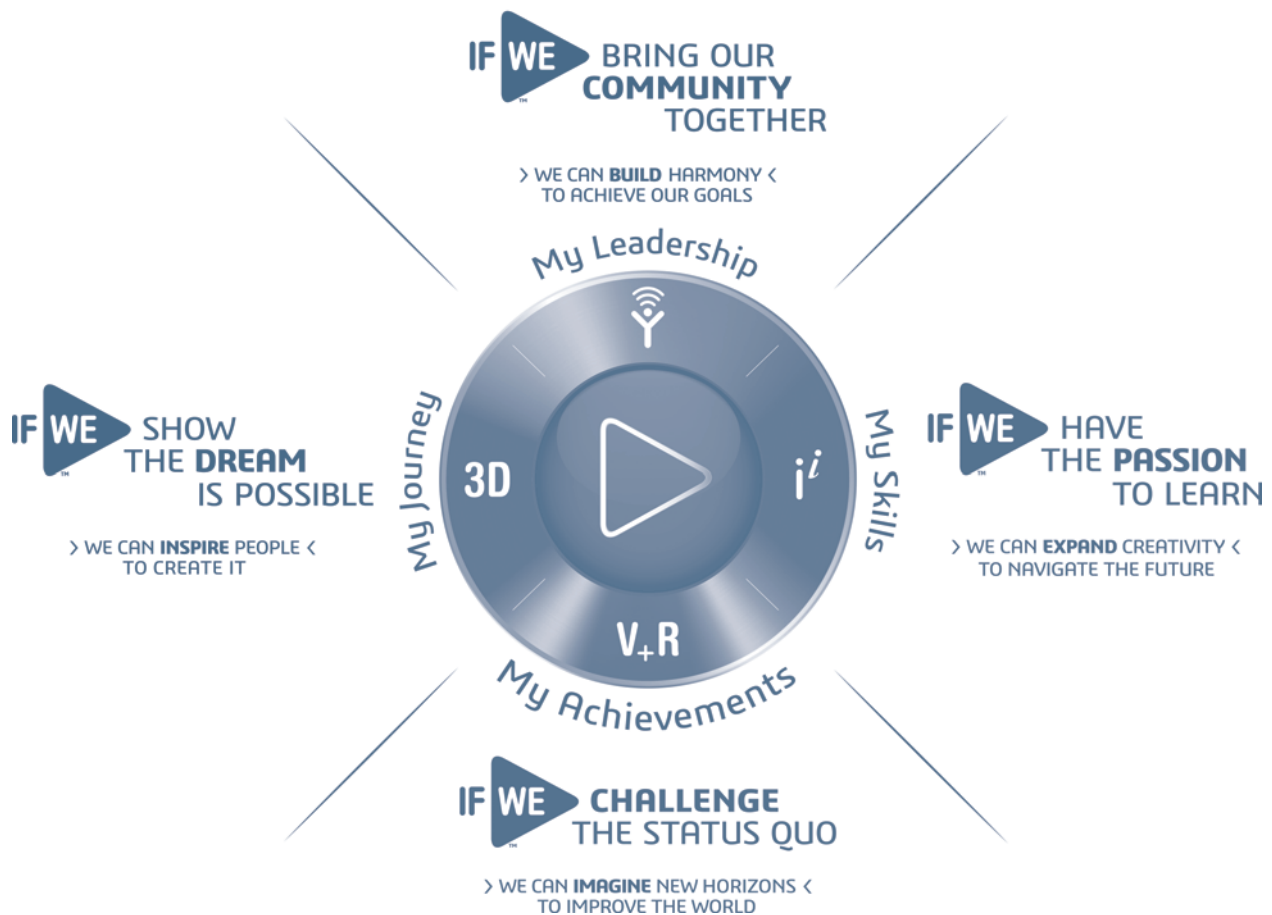
Our purpose is at the core of who we are and why people are joining Dassault Systèmes.

The Group's 17,000 employees and contractors are driven by this ambition. Being a purpose-driven company also translates into a high level of market confidence and trust among our 250,000 enterprise customers in more than 140 countries. We are a European company with a global presence and market reach.

Our culture is driven primarily by a commitment to innovation and to have a positive sustainable impact on society. Dassault Systèmes is a science-based, innovation-driven, business-minded and long-term-oriented company. We aim to make a sustainable contribution to a better future by empowering people at Dassault Systèmes, customers, partners and citizens at large with a high level of knowledge and know-how.

Everything we do is geared to the future, as epitomized in our corporate tagline: IFWE ask the right questions, we can change the world. As a result, we have among our customers many companies who are pioneers in their field (robotic, energy, mobility and more). Our values are the core

conditions to create sustainable innovation and are set to build a questioning mindset, that we call the IFWE mindset. "IF" refers to our passion to explore new possibilities and "WE" to our belief that, by connecting people we can bring about meaningful change.



1.5.1.2 Our Strategy: Social Industry Experiences

To fulfill this ambition, our strategy is to focus on **Social Industry Experiences**. These three words encapsulate the conditions to create sustainable innovations.

Social is about collaborative innovation and bringing 3D to consumers. It is centered on online, mobile and ease of use.

Indeed, innovations are the culmination of close collaboration across teams of researchers, together with people from strategy, marketing and sales, but also with outside partners and, above all, with the people who ultimately use the resulting products and services – the consumers.

For example, our HomeByMe solution helps people all over the world imagine, easily create and place furniture in rooms,

and experience them in a virtual reality experience. We offer collaborative innovation applications, such as 3DSwym, intended for use by everyone, from engineers to fashion designers and sales reps. In addition, Dassault Systèmes' 3DEXPERIENCE Lab acts as an incubator for groundbreaking projects in partnership with startups and individual "makers" worldwide.

Industry is about offering what customers value the most, that is to say creating the knowledge and know-how needed to match closely the needs of the industries we address.

To succeed in the experience economy, it is no longer enough to be an expert in a specific technology or production method. You need to be an expert in experience, in other words have a deep understanding of your end-users – how they work, how they live and how their jobs and lifestyles are set to change.

The “customer’s world” is what, at Dassault Systèmes, we call “Industry”. Our customers do not expect us to provide them with a technology but rather that this technology helps their organization grow and move forward.

To meet those challenges, we offer Industry Solutions on the **3DEXPERIENCE** platform, that are tailored for each of the industries we serve, and allow industry leaders and startups to reinvent themselves and change the game in their industries.

Experiences is about enabling businesses to move from product to experience.

The 20th century was the century of products; today, we have entered the experience economy. As consumers we make purchase and usage decisions, not based per se on the product or service itself, but on our experience with it – from mobile phones to cars and furniture. This phenomenon is poised to touch all areas of our everyday lives, both at home and in the workplace.

1.5.1.3 Strategic Operational Elements

We roll out our strategy by calling on our Strategic Operational Elements: Brands, Industries, Channels & Geos.

Brands

Dassault Systèmes’ Brands create great user experiences and build vibrant user communities. With our twelve brands, powered by the **3DEXPERIENCE** platform, we have the broadest portfolio of software applications in the market. Our twelve brands are powered by the **3DEXPERIENCE** Platform. They are organized into four quadrants around the compass according to what they stand for.

- Social and collaborative applications: ENOVIA, 3DEXCITE, CENTRIC PLM
- 3D modeling applications: SOLIDWORKS, CATIA, GEOVIA, BIOVIA
- Simulation applications: 3DVIA, DELMIA, SIMULIA
- Information intelligence applications: NETVIBES, EXALEAD.

Industries

Dassault Systèmes’ Industries develop Solution Experiences, industry-focused offerings which deliver specific value to companies and users in a particular industry.

In 2019, Dassault Systèmes serves eleven industries: Aerospace & Defense; Transportation & Mobility; Industrial Equipment; Business Services; High-Tech; Life Sciences; Energy & Materials; Consumer Goods & Retail; Construction, Cities and Territories; Consumer Packaged Goods & Retail; and Marine & Offshore.

Geos and sales channels

Dassault Systèmes distribution system fosters customer and partner experiences. It is made of twelve Geos and three Channels: one direct channel, Business Transformation, and two indirect channels - Value Solutions and Professional Solutions.

Our distribution system is inspired by global-local-specialized framework: Global - to inspire the strategy, Local - to serve customers closely, Specialized – powering our industry-tailored offerings and our brand applications. This allows us to leverage our global strengths, while at the same time ensuring a strong local proximity with customers and partners and enabling a more flexible management structure responsive to local needs at the client, partner and employee level.

1.5.1.4 Key Competitive Strengths of Dassault Systèmes

We believe our global market leadership and financial performance benefit from key characteristics of the Company.

Dassault Systèmes is a scientific company serving science and technology for a sustainable society.

The Company’s DNA to model and represent as scientifically accurate as possible products, nature and life has given birth to a unique Industry Solutions Experiences portfolio based on the **3DEXPERIENCE** platform, whose key strengths are in their scientific content and deep understanding of industrial processes.

Dassault Systèmes 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 3D Digital Mock-Up, to 3D Product Lifecycle Management and now 3DEXPERIENCE. Underpinning this market leadership has been the Company’s clear and strong commitment to technological innovation.

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.

Dassault Systèmes maintains a long-term focus, well supported by its financial model with a high level of recurring software revenue.

We believe that sustainable market leadership requires a long-term vision which is characterized by investing in people and a long-term financial model. We have a diverse, highly-educated workforce including contractors which totalled over 17,000 at the end of 2018, from 140 countries. The Company's long-standing financial model, with a high level of recurring software revenue, representing 70% of our total non-IFRS software revenue in 2018, has enabled us to maintain as well as increase investments in critical resources in R&D and customer support even during challenging macroeconomic environments.

Dassault Systèmes' 3DEXPERIENCE software applications, comprised of leading market brands, have been integral to our success and continue to be principal areas of investment through internal research and development as well as through selective acquisitions.

Our 3DEXPERIENCE portfolio is comprised of 3D modeling applications, simulation applications creating virtual twins of products or production systems, social and collaborative applications, and information intelligence applications. One of our key objectives is to create a portfolio of brands, leaders within their respective markets (see paragraph 1.5.2.3 "Our Software Applications Portfolio"). In support of our "Social Industry Experiences" strategy, brands are focused on providing value to end-users. The Company's portfolio architecture has been therefore designed to offer at three levels value creation: for the enterprise, for the organization or team, and for the user role.

We are benefiting from a sophisticated organization supporting our multiple growth drivers.

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

We believe the structure of our sales, well-balanced between direct and indirect sales channels enriched by our twelve geos, has enabled us to develop a diverse customer base and to extend and deepen our global reach.

Dassault Systèmes has a diverse customer base by size and geographic origin. Our clients range from the smallest companies in the world to global leaders. For marketing and sales we have three sales channels, one direct and two indirect, with total sales well balanced between direct and indirect sales channels. We continue to selectively expand and extend our sales radius, deepen our industry expertise and relationships, as well as domain or discipline knowledge of our three sales channels. See paragraph 1.5.2.1 "Industries and customers" and 1.5.2.6 "Sales and Marketing".

Dassault Systèmes has had a long history of partnering, leading to the development of a resilient and dynamic ecosystem of partners, including sales and services, software development, technology, education and research and with system integrators.

Since our founding in 1981 the Company has worked in close partnership with other professionals in software development and technology, in sales and marketing, in services and in education and research. More recently, we have extended our relationships with system integrators with strong industry expertise and regional presence for both sales and service engagements. Moreover, the Group is engaging with its ecosystem, working with more than 400 software development partners building applications complementing its software applications as well as working with key technology partners. Looking to the future, Dassault Systèmes has had a long-standing commitment and is actively growing connections with academic, research and medical organizations around the world, working to use 3D to enable an improved learning environment for students throughout the world and to collaborate in accelerating the creation of new software dedicated to help the virtual world improve the real world.

1.5.1.5 Growth Strategy

Based upon our 3DEXPERIENCE platform and software portfolio, we estimate that our current total addressable software market is approximately \$33 billion (TAM).

Our growth drivers include:

- 3DEXPERIENCE Platform:** the 3DEXPERIENCE platform has two potential opportunities. The first is focused on being a system of operations, applicable to all employees within an enterprise. The second opportunity longer term is to become a business model platform connecting customers and partners, including marketplace services;

- Industry Diversification:** through our focus on developing specific solutions for each of the eleven vertical industries we address in 2019, including our Industry Solution Experiences, processes and roles, we see opportunities to expand our presence in each of the industrial sectors we target including through coverage of new sub-segments. For further information, see paragraph 1.5.2.1 "Industries and Customers";
- Cloud and Mobile Applications bringing new users and new usages:** with the Company's 3DEXPERIENCE platform utilizing on line V6 architecture, we are positioned to grow through our Cloud and Mobile offerings. We believe that the cloud will become a growth driver with the progressive roll-out of our cloud services offering over the coming years, as well as with the release of mobile applications using tablets because of the quick implementation time and the reduction in total cost of ownership cloud provides to customers. For further information, see paragraph 1.5.2.5 "Research & Development, Technology and Science";
- Domain Diversification:** we continue to invest in expanding the coverage of each of our brands and in expanding the disciplines we address. Within a corporation, our applications now cover a large portion of the enterprise employees engaged in contributing to the end-consumer product experience, spanning from design, engineering and simulation, to manufacturing, quality assurance and

compliance, and from project management, business planning & operations and service departments to marketing and point of sales. For further information, see paragraph 1.5.2 "Dassault Systèmes' offering";

- Geographic Diversification:** we see opportunities to grow our presence in all geographic markets. In order to strengthen and broaden our global footprint, we have established twelve regional field organizations to prioritize and drive the Company's growth initiatives at a local level. See paragraph 3.1.1 "Executive Overview for 2018" for further information on growth by geographic region;
- Acquisitions Expanding our Addressable Market:** Acquisitions are undertaken aligned with our purpose and strategy. We review potential acquisitions that would expand the domain expertise of our brands, enhance our industry offers and well address expanding needs of our customers. Aligned with this strategy, we complement our internal developments, in particular for brand value creation, with key selected acquisitions. For further information, see paragraphs 1.3.2 "Investments", 1.5.2 "Dassault Systèmes' offering" and 1.5.2.5 "Research & Development, Technology and Science".

For a description of the challenges that must be met to maintain growth, see paragraph 1.7.1 "Risks Related to the Company's Business".

1.5.2 Dassault Systèmes' Offering

1.5.2.1 Industries and Customers

Every day our customers turn industry challenges into business opportunities and deliver value to their customers. The 3DEXPERIENCE platform connects Knowledge and Know-How: by combining application, content and services, it helps clients create unique and disruptive innovations thanks to a rich portfolio of Industry Solution Experiences.

Our go to market strategy is industry-based. Commencing in 2012, we began a multi-year implementation of a major evolution of our go-to-market strategy moving to an industry-

approach focusing on the key business objectives and business processes of our target industries and market segments within these industries, moving from a brand go-to-market focus previously.

Our customer base is comprised of global leaders, mid-market companies, small companies and startups and also includes government and educational institutions.

For 2019 we regrouped several of our diversification industries based upon synergies, and present below our eleven industries from twelve previously as well as market segments within each industry:

Industry	Market Segments We Address
Transportation & Mobility	Cars & Light Trucks OEMs, Racing Cars, Motorcycles, T&M Industry Suppliers, Trucks and Buses, Trains
Industrial Equipment	Industrial Robots, Machine Tools & 3D printers, Specialized Manufacturing Machinery, Heavy Mobile Machinery & Equipment, Building Equipment, Power & Fluidic Equipment, Fabricated Metal & Plastics Products, Tire
Aerospace & Defense	Airframe OEMs, Aerospace Industry Suppliers, Propulsion, Defense, Airlines, Space
Business Services	Banking & Financial Markets, Insurance, Telecommunications, Logistics Solutions, Media & Entertainment, Education, Professional Services
High-Tech	Consumer Electronics, Security, Control & Instrumentation, Computing, Software & Communications, Contract Manufacturing Services, Technology Suppliers, Semiconductors
Life Sciences	Pharmaceuticals & Biotech, Medical Devices & Equipment, Patient Care
Energy & Materials	Mining, Metals & Materials, Oil & Gas, Chemicals, Power
Home & Lifestyle	Furniture & Home Goods, Sports & Leisure Goods, Fashion & Luxury Goods, Specialist Retailers
Construction, Cities & Territories	Cities & Territorial Authorities, Utilities, Transportation Infrastructure, Buildings & Facilities, Agriculture and Forestry
Consumer Packaged Goods & Retail	Food & Beverage, Beauty & Personal Care, Household Products, Packaging, General Retailers
Marine & Offshore	Naval Shipyards, Commercial Shipyards, Offshore, Yachts & Workboats, Marine Suppliers, Marine & Offshore Specialists

The composition of our non-IFRS software revenue in 2018 by our twelve industries was approximately as follows: Transportation & Mobility about 31% (31% in 2017); Industrial Equipment about 17% (16% in 2017); Aerospace & Defense about 13% (13% in 2017); Business Services about 7% (8% in 2017); Diversification Industries represented about 32% of our software revenue in 2018, stable with 2017 on strong activity in most of our core industries as well as the addition of acquisitions.

1.5.2.2 3DEXPERIENCE Platform

Dassault Systèmes' 3DEXPERIENCE platform catalyzes and enables innovation by allowing businesses to connect the dots within and outside the company, from upstream thinking, to design, engineering, manufacturing, sales & marketing all the way to ownership.

Digital experience platforms for industry, urban development and healthcare will become the infrastructures of the 21st century. They have already transfigured retail, transport and the hospitality industry, and are set to transfigure industry.

In today's Experience Economy, creating holistic experiences is the sustainable innovation model. Only by connecting all the dots between people, ideas, and data can a business create differentiating customer experience, and drive consumer loyalty, engagement, and value. This requires a new kind of design, simulation and collaboration platforms.

The 3DEXPERIENCE platform is a game-changer in added value creation for organizations because it is the only platform that is both a system of operations to run their business and a business model to transform their business.

As a system of operations, the 3DEXPERIENCE platform enables businesses to improve their operational excellence and as a business model, it allows businesses to set up the most innovative value networks to deliver the sustainable business outcome they expect. Our platform offers both a fresh approach to innovation by connecting R&D, engineering, production, marketing and end-users; and a business model, directly linking sellers and buyers, purchasers and subcontractors, service providers and end-customers.

The 3DEXPERIENCE platform powers the twelve Dassault Systèmes brands and addresses the needs of the eleven industries we serve in 2019. It connects all Dassault Systèmes applications, as well as those deployed by our customers. It allows everyone involved in an innovation project – from the research lab to the consumer – to interact and work together.

The 3DEXPERIENCE platform as a System of Operations

Our platform provides all organizations with a holistic real-time vision of their own business activity and ecosystem, unifying all of their activities, from engineering, manufacturing and marketing to value networks and end customers, in a single collaborative and interactive environment.

More concretely, it empowers them to design and test differentiating consumer experiences by providing digital continuity, from the conception of an idea to market delivery and usage. They can freely test their experiences before actually producing them. This means that they can invent new usages and the products supporting them.

The platform as a system of operations delivers value to 3 audiences:

- For company performance and innovation: Industry Solution Experiences
- For efficient teams: Industry Process Experiences
- For Champion users: Roles & Apps

The 3DEXPERIENCE platform as a business model

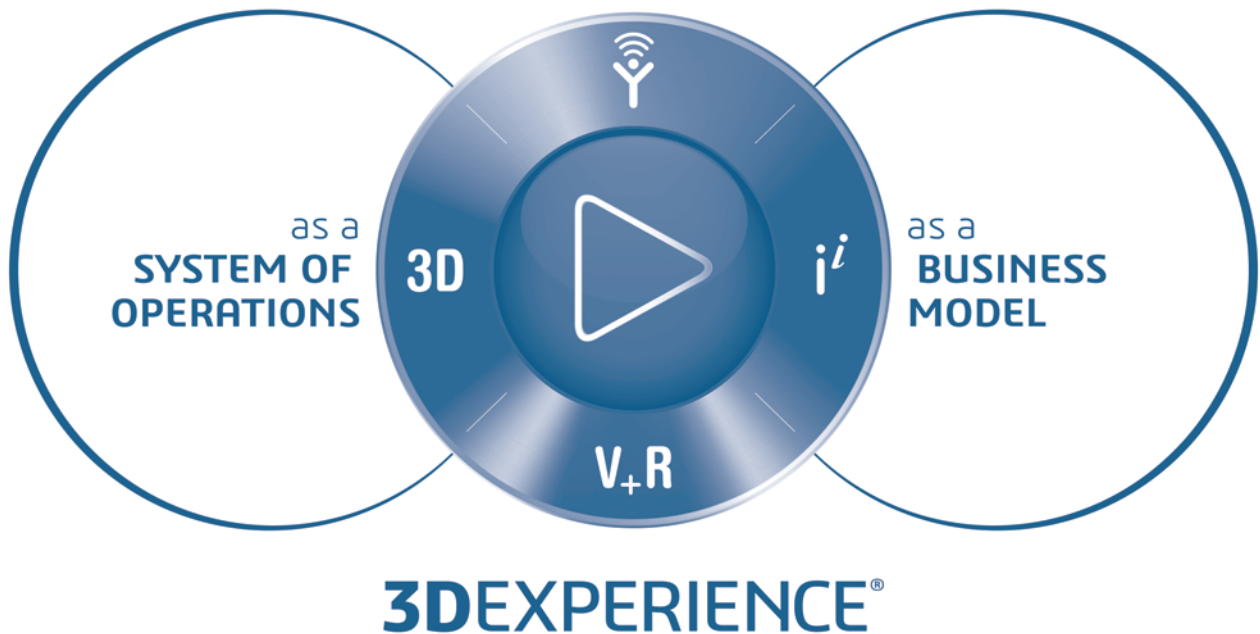
The 3DEXPERIENCE platform is meant to be the catalyst and enabler for companies to become platform companies, that is to say adopt a platform business model. This involves creating value by connecting interdependent groups, usually consumers and suppliers.

This is why the platform also acts as a marketplace, or trading platform, that connects service providers (3D printing, design

etc.) and buyers. Through our 3DEXPERIENCE Marketplace we offer a seamless way to connect companies and providers, giving them a single unified environment to manage the entire value network. The cloud-based marketplace for digital design, engineering and manufacturing transactions, comes with the ambition to transform the industrial world. The 3DEXPERIENCE Marketplace encompasses the full process from upstream thinking to ownership. The first two services are: Make, for on-demand manufacturing, and Part Supply, for intelligent part sourcing.

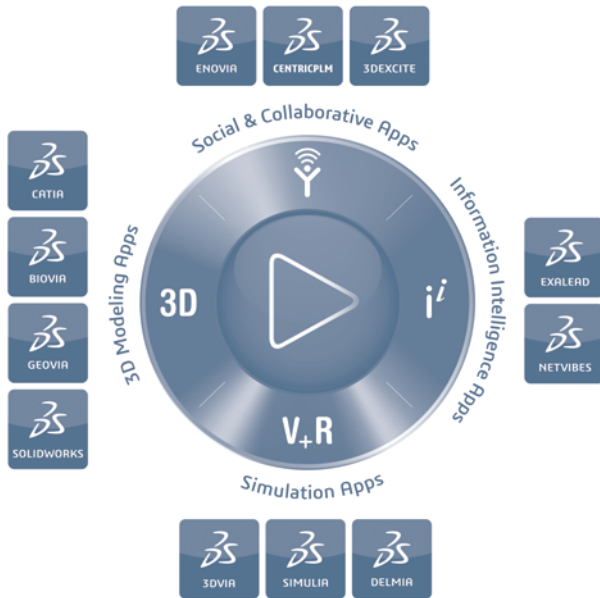
The Marketplace comprises two categories of services:

- Community services are available to everyone. All users in our installed base have access to our 3DEXPERIENCE Cloud platform and can buy or sell on the Marketplace. As well as selecting partners according to exacting criteria, we also carry out the actual transactions.
- Enterprise services give companies the possibility of having their own private Marketplace, going back and forth from public to private sector in a controlled way. We check their credentials to qualify for more advanced dynamic services, and also conduct the transactions.



1.5.2.3 Our Software Applications Portfolio

Symbolized by the Compass, the **3DEXPERIENCE** platform is structured in four quadrants encompassing our twelve Brands, according to what they stand for.



3D Modeling Applications

The **3DEXPERIENCE** Platform allows users to create and visualize products and the related experiences. The Company's DNA to model and represent as scientifically accurate as possible products, nature and life has given birth to a unique portfolio of modeling technologies and services ranging from 3D Modeling to Systems Logical and Functional Modeling. This applies to a wide spectrum of applicative domains from Smart/Connected Products to urban systems, to natural resources, to biological systems and chemistry and materials.

SOLIDWORKS – Authentic Design Experience

SOLIDWORKS is focused on providing design solutions for a wide range of industries that are simple to learn, use and introduce, yet very powerful and accurate.

Thanks to our dedication to the user experience our community of 3D enthusiast is the largest in the mainstream CAD marketplace according to most analysts.

SOLIDWORKS Solutions are multi-disciplinary and include 3D Design, Electrical and Printed Circuit Board design, Product Data Management, Simulation, Manufacturing and Technical Communication. All SOLIDWORKS solutions are integrated

in the **3DEXPERIENCE** Platform through the power of Industry Innovation. SOLIDWORKS is also defining the future of design with a new lineage of **3DEXPERIENCE** Applications, the "X" Apps, that run on any device simply through an internet browser and are based on the innovative generative approach called Design Guidance.

SOLIDWORKS has very popular programs for early adoption, from Education, where we are present in more than 80% of the top Engineering Universities World-Wide, to FabLabs, Makers Spaces and Accelerators.

CATIA – Shape the world we live in

CATIA is the leading solution to address the complete development and innovation process, from early concept definition to interactive 3D virtual connected experience delivery.

CATIA shifts traditional 3D CAD (Computer Aided Design) expectations to Cognitive Augmented Design, with simulation and modeling fusion at its heart. Leveraging knowledge, know-how and proven technology to automate design and engineering of systems, CATIA contributes to shape a connected world by offering all the features that allow the design of connected objects, products and experiences powered by cyber-systems and centered on human experience.

In alignment with its mission, CATIA proposes an instinctive state of the art user experience, powered by modern 3D, Web services, Mobile and Augmented Reality technologies. CATIA ultimately allows innovator social communities to virtually co-design, experience, share their vision and create collaboratively the next generation of connected experiences.

Lastly, through its cyber-physical systems modeling and simulation capabilities, CATIA powers **3DEXPERIENCE** based industry solutions for model-based systems engineering, enterprise architecture, concept modeling, and ontologies. These solutions enable worldwide competitive companies to develop the "internet of Experiences" – the smart and autonomous experiences that digitally connect Products, Nature and Life in the physical world.

GEOVIA – Model the Planet

GEOVIA connects earth sciences and engineering to create digital continuity between the natural and built environments to drive sustained safety, predictability and productivity. Leveraging the **3DEXPERIENCE** platform, GEOVIA provides a single source of truth to a community of geoscientists and engineers to discover, modelize and harness the planet resources for the benefit of people, businesses and governments.

Combined with the **3DEXPERIENCE** platform, GEOVIA's unparalleled solutions allow our customers to optimize their business processes through the powerful combination of scientific applications and collaborative capabilities enabling data transparency.

In recent years, GEOVIA has accompanied its mining customers in returning to growth thanks to its fit-for-purpose portfolio of geology and mine planning applications and to the growing adoption of **3DEXPERIENCE**. In parallel, GEOVIA has initiated a diversification strategy aiming at bringing value to civil engineering by informing the design & engineering of large-scale infrastructure by a sound understanding of the surrounding natural environment.

BIOVIA – Model the Biosphere

The BIOVIA brand of Dassault Systèmes provides the scientific community with advanced biological, chemical and materials experiences to create a healthier, more livable, sustainable world. BIOVIA helps scientific collaboration by making science accessible through democratizing knowledge and know-how. BIOVIA drives scientific innovation to create new materials for more sustainable solutions and to identify and develop targeted lifesaving therapeutics for society.

BIOVIA is uniquely positioned to provide value to science-driven companies with the depth and breadth of capabilities to model, simulate, organize, analyze and share data in unprecedented ways. The offering spans across Discovery, Formulation, Process Development, Manufacturing and Quality. BIOVIA connects the virtual of scientific modeling and simulation with the real of scientific physical laboratory experimentation through data science and artificial intelligence. Today's science-driven organizations invest in best and next practices to be competitive. Partnerships leveraging BIOVIA's deep long-term scientific expertise advance innovation, increase productivity while meeting regulatory compliance, reduce costs and accelerate time to market.

Content and Simulation Applications

The 3DEXPERIENCE Platform allows you to evaluate the possible business solutions by confronting them with reality.

3DEXPERIENCE is made possible by real-time realistic simulation of virtual universes. The Company has therefore made significant investments in technologies and services, enabling simulation ranging from product's complex behaviors; factory and production systems execution; additive manufacturing; logistics operations and consumer usages in everyday life. This relies on unique assets for complexity management and distributed massive multiscale, multi-discipline simulation execution (structures, fluids, electromagnetics, acoustics, etc.) and experience run. Specifically, the integration among design, simulation and digital manufacturing makes it possible to optimize product design depending on the manufacturing process (including 3D printing) and constraints of robustness, weight and production costs that final product has to fulfil.

SIMULIA – Revealing the world we live in

The SIMULIA brand of Dassault Systèmes, helps the scientific and engineering communities reveal the world we live in through realistic simulation of product, nature & life. We provide robust and proven high-value end-to-end industry processes for digital engineering that employ state-of-the-art connected multidisciplinary-multiscale simulation applications. With SIMULIA applications, for simulating the realistic behavior of electromagnetics, fluids, materials, structures and vibro acoustics and more, product development organizations are able to reduce testing, increase confidence and quality, and get to market faster using always-available virtual worlds for discovery and virtual testing.

As an integral part of the **3DEXPERIENCE** platform, SIMULIA applications connect seamlessly throughout the innovation cycle from product requirements to design and manufacturing data, to in-use scenarios, which enables simulation to power sustainable innovation at all stages of the product lifecycle.

DELMIA – MAKE it happen

An integral part of the Dassault Systèmes **3DEXPERIENCE** platform is the connection between the virtual and real worlds. Operational excellence requires harmony across design, production, distribution, human resources management and processes. DELMIA enables global industrial operations to: design and test the manufacturability of products in a simulated, virtual environment; optimize the supply chain and factories to meet objectives; and to operate the factories, warehouses and distribution to manage and fulfill customer demand.

3DVIA – 3D by me

3DVIA helps consumers make important buying decisions in their daily lives by delivering a fast, rich and visually stunning **3DEXPERIENCE** for 3D space planning.

We are driving growth and proliferation of 3D among consumers via two separate target audiences. For Consumers and Interiors Designers, the HomeByMe platform offers a free tool for Consumers and is currently used by over 2.3 million people who create Images online every 40 seconds. Our Professional Subscriptions enable Interior Designers to offer their customers a game-changing level of speed, responsiveness, ease of use and visual impact with imagery, 360 VR and augmented reality.

For Retailers, 3DVIA has launched two products for enabling a digital omnichannel buying experience: HomeByMe for Kitchen Retailers and HomeByMe for Home Retailers. We bring an interactive 3D room planning experience dedicated to furniture retailers and their customers. Combining 3D digital space planning, automation and intelligence in one solution to engage consumers in a seamless design process that improves their experience of purchasing furniture and home improvement.

Social and Collaborative Applications

The **3DEXPERIENCE** Platform allows you to bring together and catalyze a diversity of talents.

The **3DEXPERIENCE** platform allows any business to become social, extending from structured program and organization to social and open communities. The technology and services allow seamless integration of communities, people, rich profiles and media with access control and best of breed practices (project management, ideation, wikis, blogs, suggestion engines, distributed open innovation).

ENOVIA – Plan your definition of success

Innovation increasingly means global teams collaborating with global information in a social context – and doing so with clarity, confidence and consistency. ENOVIA powered by the **3DEXPERIENCE** platform, enables to plan and track the definition of success for your customer. With a broad portfolio of technical and business applications, ENOVIA enables stakeholders across the enterprise to contribute to sustainable innovation.

Intelligent Business Modeling and Planning to Capitalize on Market Opportunities

Intelligent Business Modeling and Planning delivers capabilities to create and leverage a digital twin of the enterprise to more effectively identify market opportunities and plan products and services to capitalize on these opportunities at the speed of tomorrow's markets. Intelligent business models deliver information in context, assisting the user in making more effective plans aligned with business strategy and corporate standards. Resources, capacities, and innovations are identified to quickly drive from opportunity to advantage into the marketplace. Plans are built and deployed collaboratively, leveraging the best team assets and innovations to create and protect the business advantage in the market.

Intelligent Product Configurations to Deliver Transformational Innovations

Intelligent Product Configurations delivers capabilities to develop transformational innovations through multi-discipline collaboration, real-time operational assessments and business intelligence. Innovators can find and leverage the best technologies throughout their value network to build a virtual definition in a configured and intelligent context. Form, fit and functional analysis in a comprehensive context ensures the as-designed products meet requirements and exceeds expectations. Validation includes business implications

with actionable insights to enable designers to shape the business outcome of their innovation. And, engineers can work in an intelligent context to deliver innovations for enterprise execution.

Centric PLM – Plan your collection's success

Centric Software innovations drive digital transformation for the most prestigious companies in fashion, retail, luxury, footwear, outdoor and consumer goods across 29 countries. Centric's flagship Product Lifecycle Management (PLM) platform, Centric 8, includes 15 mobile apps and delivers enterprise-class merchandise planning, product development, sourcing, business planning, quality and collection management functionality tailored for fast-moving consumer industries. Centric SMB, tailored for emerging brands, packages innovative technology with key industry learnings. Centric Visual Innovation Platform (Centric VIP) is a touch-screen based family of boards that transforms group decision making and automates execution to truly collapse time to market and distance to trend while optimizing collections.

Centric Software has received multiple industry awards, including the Frost & Sullivan Global Product Differentiation Excellence Award in Retail, Fashion and Apparel PLM in 2018.

3DEXCITE – Engineer the excitement

In the Experience Economy where the product alone is no longer enough to guarantee success, customer expectations for high added value personalization at all stages of the selection, buying and ownership process are driving the need to find new ways of doing business. Marketers are transforming their thinking, business operations and creative agency ecosystems to dramatically improve customer experience and reduce time to market to drive the top line. In parallel, the rise of the consumer is providing huge opportunities for business to not only understand their audiences better, but to find smart ways to integrate their voice into all internal processes as a source of innovation. 3DEXCITE is the brand of Dassault Systèmes driving marketing transformation by game-changing software solutions based on the **3DEXPERIENCE** Platform. Three core values are enabled by the **3DEXPERIENCE** Platform. The first is to reduce to zero the time required to reach the customer by an industrialized automated mass personal content pipeline. Secondly, through a seamless single version of truth continuity from the digital 3D product twin, **3DEXPERIENCE**-powered customer facing are always up to date, consistent and ultimately more impactful through leveraging all semantic and context from the source data. Thirdly, the ability to quickly

Industry Solution Experiences – 3DEXPERIENCE platform Customer Case Examples

Architecture and Engineering and Construction

Customer: MG McGrath

Challenge: Minnesota-based architectural surfaces manufacturer MG McGrath needed to accelerate its design to fabrication process while producing increasingly complex panel shapes and systems on the United States Olympic Museum in Colorado Springs.

Solution: The Company chose Dassault Systèmes' 3DEXPERIENCE platform and Design for Fabrication industry solution experience on the cloud to streamline its concept to fabrication process.

Benefits: A single integrated platform on the cloud enables project stakeholders to access and act on the latest version of data, thereby accelerating decision-making and innovation that improves the artistry and precision of MG McGrath's designs.

Marine & Offshore

Customers: Bureau Veritas and Naval Group

Challenge: Facing limitations with the standard classification process of vessels based on 2D drawings, Bureau Veritas and Naval Group needed to innovate in the way they work together to improve their competitiveness in their respective field.

Solution: Bureau Veritas and Naval Group joined their forces to develop the 3D Classification concept based on the 3DEXPERIENCE platform to reduce design review times of new ships and the inherent costs.

Benefits: Thanks to the 3DEXPERIENCE platform, Bureau Veritas and Naval Group are pioneering the 3D classification process for the Marine & Offshore industry. This approach will enable them to accelerate the classification process by improving the quality and speed of their exchanges, dropping the production of 2D drawings and reducing the shipyard's workload.

Consumer Goods & Retail

Customer: Innovation Lab ECCO

Challenge: Danish footwear producer ECCO and a small team of researchers at ECCO's Innovation Lab (ILE) in Amsterdam wanted to produce customized footwear providing a unique in-store experience.

Solution: The Company adopted Dassault Systèmes' cloud-based 3DEXPERIENCE platform with CATIA applications to interpret biomechanical data into geometries for 3D printing.

Benefits: In under two hours a fully customized shoe, engineered to a wearer's specific biomechanical and orthotic parameters based on anatomical scanning and real-time analysis, is finished.

Energy, Process & Utilities

Customer: EXPLEO (ex-Assystem)

Challenge: Assystem, an independent engineering group supporting the nuclear industry, needs to continuously improve their competitiveness, especially in new build programs.

Solution: The Company chose Dassault Systèmes' 3DEXPERIENCE platform and the Capital Facilities Information Excellence industry solution experience to increase the value of its solutions through digitalization.

Benefits: A single integrated platform of information with improved bill of materials, requirement and document management, along with digital modeling and simulation of the construction sequence and planning, leads to higher productivity, less modifications and reworks, and facilities that are safer to operate.

Industrial Equipment

Customer: Kärcher

Challenge: Germany-based Kärcher, the leading provider of cleaning technology worldwide, needed to reduce product development and production costs and improve global collaboration to expand its market leadership.

Solution: The Company adopted Dassault Systèmes' 3DEXPERIENCE platform on the cloud to manage its product development process, leverage knowledge and know-how across the company and to monitor requirements management.

Benefits: With all data in one place, rapid access to up-to-date product and project information is available at all times to all stakeholders enabling improved decision-making, a more agile product development process and faster time-to-market.

To increase our market presence within our target industries, we continue to strengthen our industry knowledge and expertise through partnerships with global and regional industry leaders, expand and deepen our coverage through internal development and by acquisition, expand our cloud offer, develop and deepen relationships with system integrators and leading consulting companies and add specialized direct sales and sales partners.

Through strategic alliances with leading IT system integrators, service providers and consulting firms with deep expertise in industry processes, the Company's Industry Solution Partnerships provide innovative solutions and services by industry or industrial segment to address clients' business challenges. Based on their strong competence in industries and application domains as well as their regional expertise, in conjunction with Dassault Systèmes' products and solutions, these partners help to deliver innovative solutions that customers need for success in their business.

See paragraph 1.3.2 "Investments".

1.5.2.5 Research & Development, Technology and Science

Important principal areas of investment in R&D include the **3DEXPERIENCE** business platform foundations and services. Moreover, the Company's R&D efforts are centered on advancing breakthrough user experiences, and expanding the reach of its portfolio with native cloud, mobility and immersive solutions.

3D Modeling Technologies

The Company's DNA to model and represent as scientifically accurate as possible products, nature and life has given birth to a unique portfolio of modeling technologies and services ranging from 3D Modeling to Systems Logical and Functional Modeling. This applies to a wide spectrum of applicative domains from Smart/Connected Products to urban systems, to natural resources, to biological systems, chemistry and materials.

Virtual + Real Technologies

3DEXPERIENCE is made possible by real-time realistic simulation of virtual universes. The Company has therefore made significant investments in technologies and services, enabling simulation ranging from product's complex behaviors; factory and production systems execution; additive manufacturing; logistics operations and consumer usages in everyday life. This relies on unique assets for complexity management and distributed massive multiscale, multi-discipline simulation execution (structures, fluids, electromagnetics, acoustics, etc.) and experience run. Specifically, the integration among design, simulation and digital manufacturing makes it possible to optimize product design depending on the manufacturing process (including 3D printing) and constraints of robustness, weight and production costs that final product has to fulfil.

Intelligent Information Technologies

Thanks to EXALEAD's unique technologies, Dassault Systèmes has significantly expanded its intelligent information, artificial intelligence, semantic indexing and search capabilities & technologies. The Company's search-based applications combine the sophisticated search and access typically associated with databases with the speed, scalability and simplicity of the Web. This allows the **3DEXPERIENCE** platform customers to tackle very big data challenges and benefit from next generation technologies to search, sort, filter, navigate and understand data. The real-time dashboarding technologies provided by Netvibes are in that regard a unique combination for all businesses consuming and producing massive sets of information. Finally, leveraging the ultimate new data science and machine learning technologies, the **3DEXPERIENCE** platform offers unique model based supervised data science

capabilities, to understand, analyse, correlate, infer, describe, predict and prescript very complex information. The Company believes that this profound dialogue between the virtual world and intelligent information is unique to Dassault Systèmes.

Social Collaboration Technologies

The **3DEXPERIENCE** platform is serving the Company's Social Industry experience strategy. With unique connectivity technologies and services, allowing people and communities to connect in a secure and controlled environment, with mobility and online hybrid environments, it enables a new era of open innovation on extended ecosystems and fosters a truly open platform innovation for all businesses. It also enables improved project management, conformity to standards, process certification for customers and next-generation value chain relationships and value networks management.

Cloud Technologies and Services

The **3DEXPERIENCE** platform provides cloud-based technologies and services to enable secured, concurrent, and controlled online collaborative environments to share, and innovate on any IP. This technology is unique, optimized for big data and available for remote usage for a wide variety of industry uses.

Software, Technology and Science Partners

We have established long-standing, scientific and technical collaborations with key partners in order to maximize the benefits from available technology and increase the value for shared customers. Our research and technology alliances are established with three objectives: to cover end-to-end solutions with holistic offerings; to participate to the future structure of industries; and to integrate the most advanced features of these technologies into our solutions. Further, Dassault Systèmes is a participant in several hundred public-private projects (for example with DARPA, U.S. National Lab, Prestigious universities such as Harvard or MIT, and world-leading institutes such INRIA and INSERM), collaborates with renowned scientists (including Nobel Prize winners) and is engaged in technology partnerships across the twelve industries (and industry sub-segments) we serve.

Finally, we have software development partners working in each domain of our software solutions. Our global affiliate program enables developers to create and market their own applications fully integrated with and complementary to our software solutions.

1.5.2.6 Sales and Marketing

Our customers range from startups, small and mid-sized companies to the largest companies in the world as well as educational institutions and government departments. To

ensure sales and marketing coverage of all our customers, we have developed three sales and distribution channels, with approximately 58% of our total revenue generated through direct sales and 42% through our two indirect sales channels in 2018. No single customer or sales channel partner represented more than 5% of the Company's total revenue in 2018 and 2017.

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, including both software and services revenue, represented 58% and 57% of the Company's total revenue in 2018 and 2017, respectively;

3DS Value Solutions channel: sales to small and mid-sized companies are conducted indirectly generally through the Company's Value Solutions channel, a global network of value-added resellers (VAR) with Industry specialization. This channel represented 21% of our total revenue in 2018 and 2017, respectively;

3DS Professional Solutions channel: the 3DS Professional Solutions 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. Software revenue through this channel represented 21% and 22%, of our total revenue in 2018 and 2017, respectively and was largely comprised of our SOLIDWORKS software apps.

In addition to our sales channels, we are actively developing and expanding relationships with system integrators with industry and domain expertise.

1.5.2.7 Estimated Addressable Market Size, Market Position and Competitors

We have sized our current software Total Addressable Market (TAM) at approximately \$33 billion from \$26 billion in 2017. This increase principally reflects expansion of our capabilities, in particular with the acquisition of IQMS in business operations for the mainstream market, as well as in simulation. Our total addressable market sizing uses third party estimates of software domains which we analyze and compare to our software capabilities to assess whether such markets are part of what we can address currently. The third party estimates we use do not take into account internally developed software by companies but only commercially sold Software.

1.5.3 Material Contracts

Other than contracts entered into in the ordinary course of business, the Company's material contracts are principally the distribution agreements with its value-added retailers and system integrators, as described in paragraph 1.5.2.6

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

We operate in a highly-competitive marketplace. As we continue to broaden our addressable market, by expanding our current product portfolio, diversifying our client base, and developing new applications and markets, we face an increasing level of competition, from new competitors ranging from technology start-ups to the largest technology and industrial companies in the world.

We evaluate our competitive position from multiple perspectives, assessing our industry solution experiences and how well they address the key needs of the industries and the segments within industries that we are targeting, the size of the customers, and the needs and requirements of users serving certain functions that we categorize internally by brand.

We compete on the basis of offer, capabilities, industry knowledge, service support, and pricing strategies. Competition includes long-standing competitors including Siemens, Autodesk and PTC as well as Oracle and SAP with respect to our collaborative enterprise business processes and industrial operations software offer, and ANSYS, Altair Engineering, MSC Software (owned by Hexagon), with respect to our structural, fluid, electromagnetic and multi-physics software offer. Additional companies, principally software developers who compete occasionally directly or indirectly with us include, among others, Adobe, ARAS, Aveva Group, Bentley Systems, Epicor, Infor, Intergraph (owned by Hexagon AB), JDA, Microsoft, Nemetschek, Onshape, Palantir Technologies, Plex, Salesforce.com, and other software companies in the mining sector or offering information intelligence and social enterprise innovation and collaboration software capabilities, and developers in all areas of molecular chemistry or biology, optimizing processes or digital marketing.

"Sales and Marketing", and the strategic partnership contracts described in paragraph 1.5.2.5 "Research & Development, Technology and Science" (see "Software, Technology and Science Partners").

Business contracts

The Boeing Corporation

In 2017, The Boeing Corporation and Dassault Systèmes entered into a new, extended strategic partnership agreement pursuant to which Boeing will expand its deployment of Dassault Systèmes' software across Boeing's commercial aviation, space and defense programs to include Dassault Systèmes' **3DEXPERIENCE** platform.

Boeing is aiming at modernizing systems to maximize economic benefit to Boeing and its shareholders. By improving product quality, reducing production costs and developing new innovative products, more value will be delivered to Boeing's customers.

Boeing will deploy the **3DEXPERIENCE** platform worldwide for the end-to-end product development and production of all Boeing's new and existing commercial aviation, space and defense programs. After an extensive and profound evaluation process, Dassault Systèmes was selected as the only technological partner of Boeing for the entire scope of Boeing's digitalization of end-to-end processes: product lifecycle management (PLM), all related authoring tools and manufacturing operations management.

Airbus

On February 6, 2019, Airbus and Dassault Systèmes announced the signature of a five-year Memorandum of Agreement (MOA) to cooperate on the implementation of collaborative 3D design, engineering, manufacturing, simulation and intelligence applications. Airbus is aiming at taking a major step forward in its digital transformation and lay the foundation for a new European industrial ecosystem in aviation. Under the MOA, Airbus will deploy

Dassault Systèmes' **3DEXPERIENCE** platform, which delivers digital continuity, from design to operations, in a single data model for a unified user experience, making digital design, manufacturing and services (DDMS) a company-wide reality for all Airbus divisions and product lines.

Financing

In June 2013, Dassault Systèmes SE entered into a term loan facility agreement for €350 million, which shall be repaid in July 2019. In October 2015, the Company entered into a new 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 and October 2017, the Company exercised the option extension for one year, which extends the maturity date to October 2022. See paragraph 3.1.4 "Capital Resources" and Note 20 to the consolidated financial statements.

Leases

The Company signed long-term leases (for twelve years) for its corporate headquarters in Vélizy-Villacoublay, France (the "3DS Paris Campus") in 2008 and for its offices, technology lab and data center in Waltham, outside Boston, United States (the "3DS Boston Campus") in 2010. In February 2013, the Company entered into a new lease for its headquarters facilities for a non-cancelable initial term of 10 years as from the fourth quarter of 2016 on the date an additional building was delivered. Close to that site, the Company also leases approximately 11,000 square meters more in a building located in Meudon-La-Forêt, since October 2010. In September 2016, the 3DS Boston Campus lease was extended for 25 months and will end June 30, 2026. See paragraph 1.7.2.3 "Liquidity Risk" and Note 25 to the consolidated financial statements.

1.6 Research and development

1.6.1 Overview

At December 31, 2018, the Company's R&D teams included 6,632 personnel, compared to 6,519 at year-end 2017, representing approximately 41% of the Company's total headcount. The Company increased its total R&D headcount by 1.7% in 2018, and by 4.6% in 2017 reflecting principally new recruitments and growth in R&D resources through acquisitions.

The Group has R&D facilities in the countries where its clients and high-talent employees are located: in Europe (mainly France, Germany, the United Kingdom, the Netherlands, Poland, and Lithuania), the Americas (mainly United States) and Asia-Pacific (mainly India, Malaysia and Australia).

R&D expenses totaled €631.1 million for 2018, compared to €576.6 million for 2017, increasing 9.5%. R&D costs benefited from government grants and other governmental programs supporting R&D of €30.8 million in 2018 and €36.1 million in 2017. These government grants principally include research and development tax credits received in France.

Our R&D is conducted in close cooperation with customers and users in their respective industries to develop a deeper understanding of the unique business processes of these

industries as well as the future product directions and requirements of these industries, customers and users.

Dassault Systèmes is deeply committed to creating quality solutions that allow its customers to meet the critical business requirements of the industries in which they operate. This commitment to quality is evidenced by its well-established Quality Management System certified ISO 9001:2015 – the latest version of the standard focusing on operational excellence and performance.

1.6.2 Intellectual Property

The Company protects its technology by applying a combination of IP rights including copyrights, patents, trademarks and trade secrets. The Company distributes its software products to its customers under licenses that grant software utilization rights without transfer of ownership. The contracts contain various provisions protecting the Company's IP rights over its technology, as well as related confidentiality rights.

The source code (set of instructions under an intelligible form, and used, once compiled, to generate the object code licensed to clients and partners) of the Company's products is protected both as a copyrighted work and as a trade secret. In addition, some of the key capabilities of its software products are protected through patents whenever possible.

However, no assurance can be given that others will not copy or otherwise obtain and/or use the Company's products or technology without authorization. In addition, effective copyright, trade secret, trademark and patent protection or enforcement may be unavailable or limited in certain countries.

The Company is nevertheless engaged in an active policy against piracy and takes systematic measures to prevent the illegal use and distribution of its products, ranging from regularizing illegal use to initiating legal proceedings.

With regard to trademarks, the Company's policy is to register trademarks for its principal products and services

in the countries where it does business. Protection through the trademark law is a combination of international trademark, European Community trademarks and/or national registrations.

In order to protect its technology and key product capabilities, the Company generally files patent applications in countries where many of its main customers and competitors are located. At year-end 2018, the Company's portfolio comprised 581 protected inventions, including 41 new inventions in 2018. Patents have been granted in one or more countries for more than 60% of these inventions, and patents for the others are pending. When a patent protection is deemed unsuitable, certain inventions are kept secret, with the proof of creation being saved. The Company also has a cross-license policy for patents with major players in its industry.

See paragraph 1.7.1 "Risks Related to the Company's Business", and particularly paragraph 1.7.1.3 "Protection of the Company's Intellectual Property Rights and Assets" for the difficulties in ensuring adequate protection for the Company's own intellectual property, and paragraph 1.7.1.14 "Infringement of Third-Party Intellectual Property Rights and of Third-Party Technology's Licenses" for risks concerning possible third-party allegations of unauthorized use of their intellectual property.

1.7 Risk factors

The Risk Factors are set out hereafter in two main categories: risks related to the Company's Business (1.7.1) and financial and market risks (1.7.2). These are the main risks identified as being material, relevant and likely to have a negative impact on the Company's business and financial position as of the date

on which this Annual Report (*Document de référence*) was filed with the AMF. However, other risks not mentioned or not yet identified can affect the Company, its financial position, its reputation, its outlook or the share price of Dassault Systèmes.

1.7.1 Risks Related to the Company's Business

1.7.1.1 Uncertain Global Economic Environment

In light of the uncertainties regarding economic, business, social and geopolitical conditions at the global level, the Company's revenue, net earnings and cash flows may grow more slowly, whether on an annual or quarterly basis, mainly due to the following factors:

- the deployment of the Company's solutions may represent a large portion of a customer's investments in software technology. Decisions to make such an investment are impacted by the economic environment in which the customers operate. Uncertain global geopolitical conditions and the lack of visibility or the lack of financial resources may cause some customers to reduce, postpone or terminate their investments, or to reduce or not renew ongoing paid maintenance for their installed base;
- continued pressure or volatility on raw materials and energy prices could also slow down the Company's diversification efforts in new industries;
- the sales cycle of the Company's products – already relatively long due to the strategic nature of such investments for customers – could further lengthen; and
- the political, economic and monetary situation in certain geographic regions where the Company operates could become more volatile and, for example, result in stricter export compliance rules or the modification of current tariff regimes.

The Company makes every effort to take into consideration this uncertain macroeconomic outlook. The Company's business results, however, may not develop as anticipated. Furthermore, due to factors affecting sales of the Company's products and services, there may be a substantial time lag between an improvement in global economic and business conditions and an upswing in the Company's business results.

The economic context may also adversely impact the financial situation or financing capabilities of the Company's existing and potential customers, commercial and technology partners, some of whom may be forced to cease operations due to cash flow and profitability issues. The Company's ability to collect outstanding receivables may be affected. In addition, the economic environment could generate increased price pressure, as customers seek lower prices from various competitors, which could negatively impact the Company's revenue, financial performance and market position.

To limit the impact of the economic environment on its business and financial results, the Company continues to further diversify its customer base through expanding its presence in new business sectors and new geographic markets (see paragraph 3.1.2 "Consolidated Information: 2018 Compared to 2017" for the breakdown of consolidated Group revenue by geographic region). It also continues to ensure that its costs are controlled for the entire organization.

1.7.1.2 Security of Internal Systems and Facilities

As the Company's R&D is totally computer-based, its effectiveness is dependent on the proper functioning of complex software and integrated hardware systems. It is not possible to guarantee the uninterrupted operation and complete security of these systems. Computer viruses, whether deliberately or unintentionally introduced, could cause damage, loss or delays. Moreover, in a context of increased cyber-attacks and the emergence of cyber-terrorism, the Company may be subject to computer attacks or intrusions that could interfere with the proper functioning of its systems and cause substantial delays or damage to its R&D activities, not to mention data disclosures. Such attacks or intrusions could also cause damage to or disclosures of customer data, hosted by the Company or some of its service providers as part of its cloud offerings, or interruptions to the online service

for which it may be held liable. The increasing use of mobile devices (cellular telephones, tablets and portable computers) linked to certain of the Company's computer systems tends to increase the risk of unauthorized access.

Likewise, some transactions require the use of off-the-shelves interconnection systems, for example with most of the banking partners of Dassault Systèmes. The Group requires from these services and partners a high level of security and control so as to protect the messages' integrity and prevent attacks and intrusions in the Group systems. These controls do however not eliminate all risks of indirect impact from cyber-attacks affecting our partners.

In addition, because the Company's key facilities are located in a limited number of sites, including Japan and California, which may be exposed to earthquakes, substantial physical damage to any one of the Company sites, by natural causes or by terrorist attack or local violence, could materially reduce its ability to continue its normal business operations.

To reduce this risk, the Company maintains an IT security framework, including intrusion protection, data back-up and restricted access to critical and sensitive information.

Access to sites and security of employees traveling to specific countries is also monitored.

1.7.1.3 Protection of the Company's Intellectual Property Rights and Assets

The Company's success is heavily dependent upon its proprietary software technology. The Company relies on a combination of copyright, patent, trademark, trade secret law and contractual restrictions to protect its technology. These legal protections may not provide a full coverage of the Company's products and can be breached by third parties. In addition, some countries do not have effective protection against infringements of copyright, trademarks, trade secrets or patents, or they may be limited in comparison to what exists in Western Europe or the United States. If, despite the Company's strategies for protecting its IP, certain third-parties are able to develop similar technology, or to successfully challenge the Company's IP rights, a reduction in the Company's software revenues may result. Furthermore, although the Company enters into confidentiality agreements with its employees, distributors, customers and potential customers, and limits access to and carefully controls the distribution of its software, documentation and other proprietary information, the measures taken may be inappropriate to deter misuse of its technology, the unauthorized disclosure of confidential information or prevent its independent recovery by third parties.

In addition, like most of its competitors, Dassault Systèmes faces a significant level of piracy of its leading products, by

both individuals and business establishments operating worldwide, which could potentially affect the Company's growth in specific markets.

Litigation may be necessary to enforce the Company's IP rights and determine the validity and scope of the proprietary rights of third-parties. Any litigation could result in substantial costs and diversion of Company resources and could seriously harm the Company's operating results. The Company may not prevail in any such litigation and its IP rights may be found invalid or unenforceable.

In order to protect its IP, the Dassault Systèmes regularly registers patents for its most advanced innovations and systematically registers copyrights. The Company also continues to maintain programs to combat piracy and license compliance programs.

1.7.1.4 Deployment Delays, Product Errors and Defects

Deploying sophisticated software solutions becomes increasingly complex. Such projects need to take into account the Group's customer's infrastructure and diverse software environment. Appropriate project and change management controls are also critical to the success of deploying complex software solutions which impact a large number of users across multiple organizations and processes. If the Company is not able to carefully plan and execute these projects in a timely manner, it might need to commit additional resources, which could adversely impact its operating result.

Sophisticated software can contain errors, defects or other performance problems when first introduced or when updates or new versions are released. The Company may not be able to correct such errors or defects in a timely manner and may need to expend additional resources.

Such difficulties may also lead to the loss of customers, or even in the case of the largest customers the potentially significant loss of revenue with their subcontractors. Technical problems, or the loss of a customer with a particularly important global reputation, could also damage the Company's own business reputation and cause the loss of new business opportunities. Were customers to suffer financial or other damage because of product errors, defects or deployment delays, such customers could pursue claims against Dassault Systèmes. Any resulting claim brought against Dassault Systèmes, even if not successful, would likely be time consuming for its management and costly to defend and could adversely affect the Company's marketing efforts.

To reduce the risk of product errors or defects, the Company carries out advanced testing of its new products, releases, and versions prior to market launch. The Company also works as closely as possible with its customers to ensure successful product installation.

The Company has also subscribed to an “Errors & Omissions” insurance policy covering possible defects in its products, although insurance carried by the Company may only partially offset the cost of correcting significant errors (see paragraph 1.7.3 “Insurance”).

1.7.1.5 Complex Regulatory and Compliance Environment – Legal Proceedings

Establishing or strengthening the Company’s presence in countries where it previously had not been located or had been present only marginally until now, and increasing the breadth of its business and the diversity of its customers (particularly individuals), have added to the complexity of the regulatory environment in which the Company operates. These regulations, which are complex and fast moving, apply to many different fields, such as general business practices, competitive practices, anti-corruption, personal data processing, consumer protection, financial reporting standards, securities law and corporate governance, employment laws, internal controls, local and international tax regulations and export compliance for high-tech products. New regulations introduced in France and in Europe regarding business practices, anti-corruption, changes in the applicable regulations related to management of personal data have also reinforced the Company’s obligations in this ever increasing field.

In order to conduct its business in a wholly ethical manner, the Company requires all of its employees, subsidiaries, resellers and intermediaries to comply with all applicable laws and regulations. The failure or suspected failure to comply with these regulations may result in inquiries or investigations by the relevant authorities, or even fines and sanctions, as well as an increase in the Company’s litigation risk or negative impact on its business operations, revenues or reputation. A number of these adverse consequences could occur even if it is ultimately determined that there has been no failure to comply. Moreover, the introduction of new or more stringent regulations in the countries in which the Company operates, or may operate, may significantly increase the cost of regulatory compliance. The Company broadly relies on a large number of distributors and resellers to support the licensing of its software products and the deployment of its solutions (as described in paragraph 1.7.1.10 “Relationships with Extended Enterprise Partners”). Although the Company has implemented a program to ensure that these third parties fully comply with all applicable rules and regulations and the highest ethical standards, the Company’s business and reputation could be negatively impacted in the event such third parties were to breach any local or international laws.

The Company’s risk of litigation and administrative proceedings also increases as it expands its activities, enhances its position and visibility on the market, and develops new approaches to its business, including product distribution and online services. Litigation can be lengthy and expensive and disrupt the management of Company operations. Its outcome is uncertain and may differ from management expectations, which could result in an adverse impact on its financial position and operating income, or even the conduct of its business.

In order to reduce this risk, the Company continues to reinforce its Ethics & Compliance program (as further described in paragraph 2.4 “Business Ethics and Vigilance Plan”) which in particular requires all employees to perform online Ethics & Compliance trainings. Moreover, the Company audits its subsidiaries around the world on a regular basis and consults outside experts to validate the compliance of various aspects of its practices with applicable regulations. The Company’s Legal department, assisted by technical experts, also monitors on a regular basis all outstanding claims and litigation (see also paragraph 4.3 “Legal and Arbitration Proceedings” and Note 25 to the consolidated financial statements), some of which may be covered by insurance (see paragraph 1.7.3 “Insurance”).

1.7.1.6 Currency Fluctuations

The Company’s results of operations can be affected by changes and high volatility in exchange rates. In particular, exchange rate fluctuation of the U.S. dollar, the Japanese yen and to a lesser extent the British pound, the Korean won and the Chinese yuan relative to the euro, can impact revenues and expenses recorded in the Company’s statement of income upon translation of other currencies into euro.

The Company bills its customers in major currencies, principally euros, U.S. dollars and Japanese yens. The Company also incurs expenses in different currencies, principally euros, U.S. dollars and Japanese yen, depending on the Company’s employees and supplier’s location in different countries. Moreover, the Company engages in mergers and acquisitions, particularly outside the euro zone and may lend money in different currencies to its wholly or partially owned subsidiaries or affiliates.

Although the Company currently benefits from a natural coverage of most of its exposure to U.S. dollars from an operating margin perspective, exchange rate fluctuation of the U.S. dollar relative to the euro may impact the Company’s revenue and consequently its operating income, net income and earnings per share. In addition, the Company’s revenues denominated in Japanese yen, Korean won and British pound substantially outweigh its expenditures in these currencies. As a result, any depreciation in the value of these currencies – in particular the Japanese yen, and to a lesser degree the British Pound and South Korean Won – relative to the Euro, would affect the revenue, operating income and margin, net income and earnings per share.

The Company's net financial revenue can also be significantly affected by changes in exchange rates between the time the revenue is recognized and when cash payments are received, and between the time an expense is recorded and when it is paid. Any such differences are accounted for in the "foreign exchange gain/loss" caption of the Company's financial statements.

The main items of financial income subject to fluctuations linked to exchange rates are:

- the difference between the exchange rate used to record invoices in foreign currencies and the exchange rate when the Company receives or makes the payment; and
- the revaluation of monetary assets and liabilities denominated in foreign currencies.

To address the risks created by currency fluctuations, the Company carries out hedging operations on a case-by-case basis (see Note 21 to the consolidated financial statements).

Since market growth rates for the Company's software applications and the revenue growth rates of its significant competitors are computed in U.S. dollars, such growth rates from period to period may not be comparable to the Company's euro-computed revenue growth rates for the same periods.

Finally, the Company continues to maintain a strengthened review of the quality of its investments and remains vigilant as to the liquidity of its assets (see paragraphs 1.7.2.3 "Liquidity Risk" and 1.7.2.4 "Credit or Counterparty Risk").

1.7.1.7 Competition and Pricing Pressure

In the past few years, there have been fewer competitors in the Company's historical software markets. As the various players compete for market share, adoption by competitors of business models different from Dassault Systèmes' could lead to substantial declines in pricing, which could require the Company to adapt to a substantially different commercial environment. These competitive pricing pressures could lead to competitors winning contracts, negatively impacting the Company's revenue, financial performance and market position.

At the same time, by regularly expanding its product portfolio, entering new geographic markets, diversifying its client base in new sectors of activity, and developing new applications for its products, the Company encounters new competitors. Such competitors could have, as a result of their size or prior presence in these markets, financial, human or technological resources not readily available to the Company. The development of cloud computing offers may also lead to new participants entering the market. The Company's ability to expand its competitive position may thus be reduced.

In the event the Company has difficulties setting up the organization needed to manage its businesses and the new competitive context, the revenues, results of operations,

competitive position and reputation of Dassault Systèmes could be negatively impacted.

1.7.1.8 Market introduction of a New SaaS Offering (Cloud Computing)

Dassault Systèmes is developing and distributing a services offering for the online use of certain of its products (SaaS) based on a cloud computing infrastructure. It continues to grow its portfolio of software solutions and processes available on the cloud. Difficulties introducing such solutions at the desired speed, with the appropriate pricing model and with the right level of quality could impact the Company's growth and future results, and give rise to technical and legal challenges:

- the progressive roll-out of these services and their distribution also involves the deployment of new support and management processes (for example, processing orders and billing);
- the Company will also become exposed to a complex legal environment and could have increased risk regarding regulatory compliance in the countries where it has operations, in particular with respect to data privacy, consumer laws and data confidentiality;
- in case of difficulties in providing its clients with online services under appropriate conditions, potentially leading to interruption of services or loss of data, the Company's revenues, results of operations and competitive position, as well as the reputation of Dassault Systèmes, could be negatively affected.

The Company is seeking to minimize these risks by developing alliances with partners with recognized technical capabilities, by setting up the appropriate internal processes to master the required cloud enabling technologies *and by* simulating and controlling, to the extent possible, the technical, legal and financial consequences of processes put in place to serve its customers.

1.7.1.9 Organizational and Operational Challenges Arising from the Evolution of the Company

Dassault Systèmes has continued to expand through acquisitions and internal development, and has substantially increased its addressable market through launching **3D EXPERIENCE**. The Company's management policies and internal systems must be adapted on an on-going basis to meet the needs of a larger, more complex structure and implement the Company's strategy to reach a broader market. The Company must continue to reorganize itself to maintain efficiency and operational excellence while ensuring customer retention and the integration of newly acquired companies. It must also continue to focus on quality of execution while maintaining innovation.

The Company must also ensure that the profile and skill sets of its employees are continually updated to reflect the Company's development.

If the Company does not address these issues effectively and on a timely basis, the Company's product development, cost management and commercial operations could be impacted or fail to satisfy adequately market or customer demands, which could negatively impact its financial or operational performance.

Moreover, Company acquisitions, including of non-controlling interests, may require the Company to recognize amortization of acquired intangible assets and/or depreciation of goodwill in case of impairment (see Note 2 to the consolidated financial statements).

Acquired companies may also carry risks, including off-balance sheet commitments, such as litigation related to pre-acquisition events (such as IP or tax claims).

When making new acquisitions or investments, the Company may need to allocate significant financial resources, make potentially dilutive issuances of equity securities or incur debt.

The Company seeks to adjust on a regular basis its organization and management model to support its current level of growth by enhancing its geographic-based organization and establishing a process for integrating newly acquired entities.

1.7.1.10 Relationships with Extended Enterprise Partners

The Company's **3DEXPERIENCE** strategy requires a fully integrated platform with access to computer-aided design ("CAD"), simulation, collaboration, manufacturing and data management products, which are increasingly complex and for which customer installations represent significant enterprise projects. The Company has continued to develop an extended enterprise model and implement its **3DEXPERIENCE** model in partnership with other companies in areas such as:

- computer hardware and technology, to maximize benefits from available technology;
- product development, to enable software developers to create and market their own software applications using Dassault Systèmes' open product architecture; and
- consulting and services, to support and assist customers as needed to deploy Industry Solution Experiences on the **3DEXPERIENCE** platform.

The Company believes that its partnering strategy allows it to benefit from complementary resources and skills, and to reduce costs while achieving broader market coverage. The Company's broad partnering strategy nevertheless creates a degree of dependency on such partners.

In addition to its own sales force, the Company also relies on an international network of distributors and value-added

resellers. The type of relationship that the Company has with its distributors and value-added resellers, as well as their financial and technical reliability, could impact the Company's ability to sell and deploy its product and service offerings.

The Company's ability to establish partner relationships for the development, distribution and deployment of its **3DEXPERIENCE** platform is an important element of its strategy.

Serious difficulties in the Company's relationships with its partners, or an unfavorable change of control of these partners, may adversely affect the Company's product and business development, and could cause it to lose the contribution of the employees or contractors of the Company's partners, particularly in the area of R&D. In addition, any failure by the Company's partners to deliver products of quality or according to the expected timing may cause delays in the delivery of, or deficiencies in, the Company's own products.

Due to the rapid evolution of the software development and distribution sectors, it is difficult to ensure the long-term success of the Company's relationship with any particular partner. As the Company strives to expand its coverage and network of distributors and partners, it applies thorough processes in evaluating each potential distributor or partners' technical and financial viability, whenever entering into a new relationship.

1.7.1.11 Variability in Quarterly Operating Results

The Company's quarterly operating results may vary significantly in the future, depending on factors such as:

- the timing, the seasonality and cyclical nature of revenues received due to the signing of important new customer orders, the completion of major service contracts or customer deployments;
- the timing of any significant acquisition or divestiture;
- fluctuations in foreign currency exchange rates;
- the Company's ability to develop, introduce and market new and enhanced versions of its products and customer order deferrals in anticipation of these new or enhanced products;
- the number, timing and significance of product enhancements or new products that the Company develops or that are released by its competitors;
- general conditions in the Company's software markets (as a whole or on a regional basis) and the software industry generally; and
- the increased complexity in planning and forecasting as new business models are introduced alongside the traditional licensing model of the industry.

A substantial portion of the Company's orders and shipments typically occur in the last month of each quarter, and, therefore, if any delay occurs in the timing of significant orders, the Company may experience quarterly fluctuations in its results of operations. Additionally, as is typical in the software industry, the Company has historically experienced its highest licensing activity for the year during the last quarter of the year. Delays in orders and shipments can also affect the Company's revenue and income.

The trading price of the Dassault Systèmes' shares may be subject to wide fluctuations in response to quarterly variations in the Company's operating results and the operating results of other software application developers in the Company's markets.

1.7.1.12 Retention of Key Profiles and Executives

The Company's success depends to a significant extent upon the continued service of its key managers and highly qualified personnel, in particular in R&D, technical support and sales management, and it is also based on its ability to continue to attract and motivate qualified personnel, as well as keep their skills continuously up to date in line with the organizational needs.

The competition for such employees is intense, and if the Company loses the ability to hire and retain key employees and executives with a diverse and high level of skills in appropriate domains (such as R&D, strategy, marketing and sales), it could have a material adverse impact on its business activities and operating results. In particular, if the Company fails to hire on a timely basis and retain highly skilled sales forces, revenue could be negatively impacted. The Company does not maintain insurance with respect to the loss of key personnel.

In order to limit this risk, the Company has put in place training, career development and (certain long-term) compensation incentive policies to attract and retain key personnel and executives and has also diversified its R&D resources in different regions of the world. The identification of key personnel also constitutes an important step in the process of integrating newly acquired companies into the Company.

1.7.1.13 Rapidly Changing and Complex Technologies

The Company's software solutions are characterized by the use of rapidly changing technologies and through upgrades to existing products or frequent new product introductions. These solutions must address complex engineering needs in various areas of product design, simulation and manufacturing, and must also meet sophisticated process requirements

amongst others in the areas of change management, industrial collaboration and cross-enterprise work.

As a result, Dassault Systèmes' success is highly dependent upon its ability to:

- understand its customers' complex needs in different business sectors;
- support customers with their efforts to improve key product lifecycle processes;
- enhance its existing solutions by developing more advanced technologies;
- anticipate and take timely advantage of quickly evolving technologies and standards; and
- introduce new solutions in a cost-competitive and timely manner.

The Company also continues to face the challenge of the increasingly complex integration of its products' different functionalities to address customers' requirements. As a result, more difficult industrialization work is required for new releases and offerings, with technical limitations, for example in managing data migration or the options for interfacing with third-party systems installed at the customer. In addition, if the Company is not successful in anticipating technological leaps and developing new solutions and services that address its customers' increasingly sophisticated expectations, demand for its products could decline, and the Company's results of operations and financial condition could be negatively affected.

To reduce this risk and keep abreast or ahead of technological developments which may affect its products, the Company commits substantial resources to enhancing its current offering and to the development of new offerings. It also maintains close and regular contacts with its key customers to identify and capture their emerging needs and to offer the most adapted solutions. In addition, the Company provides training courses to its R&D teams on new technologies. Complementing its internal R&D, the Company seeks to maintain an active monitoring of third-party technologies that it might acquire to improve its technology offerings where appropriate.

1.7.1.14 Infringement of Third-Party Intellectual Property Rights and of Third-Party Technology Licenses

Third-parties, including the Company's competitors, may own or obtain copyrights, patents or other proprietary rights that could restrict the Company's ability to further develop, use or sell its own product portfolio, potentially inherited from acquisitions. Dassault Systèmes has received, and may in the future receive, letters of complaint alleging that its products

infringe the patents and other IP rights of others. Such claims could cause the Company to incur substantial costs to defend itself in any litigation which may be brought, regardless of its merits. If the Company fails to prevail in IP litigation, it may be required to:

- obtain and pay for licenses from the holder of the infringed IP right, which might not be available on acceptable terms for Dassault Systèmes, if at all; or
- redesign its products, which could involve substantial costs and require the Company to interrupt product licensing and product releases, and which may not be feasible at all and may require ongoing development to be put on hold.

In addition, the Company embeds in its products third-party components selected either by the Company itself or by companies which it acquired over time. Although Dassault Systèmes has implemented strict approval processes to certify the originality of third-party components and verify any corresponding licensing terms, the same approval processes may not have been adopted by companies acquired by Dassault Systèmes before their acquisition. As a result, the use of third-party embedded components in the Company's products generates exposure to the risk that a third-party will claim that these components infringe their IP rights. Also, due to the use of third-party components, there is also a risk that such license(s) might expire or terminate without renewal, thereby affecting certain Company products.

If any of the above situations were to occur for a significant product, it could have a material adverse impact on the Company's financial condition and results of operations.

The Company seeks to limit this risk through a process for identifying and certifying origins of its products with respect to IP before making them available for sale.

1.7.1.15 Technology Stock Volatility

Under conditions of increased market uncertainty, the trading price of the Company's shares could be volatile. The market for shares of technology companies has in the past been more volatile than the stock market overall.

1.7.1.16 Shareholder Base

Groupe Industriel Marcel Dassault SAS ("GIMD"), main Company shareholder, owned 40.70% of the Company's outstanding shares, representing 55.02% of the exercisable voting rights (54.44% of theoretical rights) as of December 31, 2018. As more fully described in paragraph 6.3 "Information about the shareholders", GIMD plays a decisive role with respect to matters submitted to shareholders, including the election and removal of directors and the approval of any merger, consolidation or sale of all or substantially all of the Company's assets.

1.7.2 Financial and Market Risks

The Company's overall risk management policy is based upon the prudent management of the Company's market risks, primarily foreign currency exchange risk and interest rate risk. The Company's programs with respect to the management of these risks, including the use of hedging instruments, are discussed in Note 21 to the consolidated financial statements. The Company's exposure to these risks may change over time and there can be no assurance that the benefits of the Company's risk management policies will exceed the related costs. Such changes could have a materially adverse impact on the Company's financial results.

The Company generates positive cash flows from operations and has financial obligations (e.g., bank loans, loan facilities, employee profit-sharing), but the Company's cash position net of debt is positive throughout the year.

1.7.2.1 Interest Rate Risk

The Company's cash surplus generally earns interest at fixed or floating market rates, while the Company's debt carries

interest at floating rates. Therefore, the Company's interest rate risk is primarily related to a reduction of financial revenue. See Notes 20 and 21 to the consolidated financial statements.

1.7.2.2 Foreign Currency Risk

See paragraph 1.7.1.6 "Currency Fluctuations" above and Note 21 to the consolidated financial statements.

1.7.2.3 Liquidity Risk

The Company has a low liquidity risk. As of December 31, 2018, the Company's cash, cash equivalents and short-term investments totaled €2.81 billion. See Note 12 to the consolidated financial statements.

The Company has analyzed the amounts it will be required to pay under its contractual commitments at December 31, 2018. The Company believes that it will be able to meet such obligations.

The following table summarizes the Company's principal contractual obligations to make future payments as of December 31, 2018.

CONTRACTUAL OBLIGATIONS

<i>(in millions of euros)</i>	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations ⁽¹⁾	469.0	88.1	145.4	108.9	126.6
Loan facilities ⁽²⁾	1,022.0	359.9	9.6	652.5	-
Employee profit-sharing	70.4	70.4	-	-	-
TOTAL	1,561.4	518.4	155.0	761.4	126.6

(1) Including €204.8 million of future minimum rental payments for the Company's headquarters facilities in France (3DS Paris Campus) and €90.8 million of future minimum rental payments for the American subsidiaries' facilities located in Waltham near Boston, United States (see Note 25 to the consolidated financial statements).

(2) Including interests on the €350 million and €650 million term loan facilities (see Note 20 to the consolidated financial statements). The variable component of the future cash flows from loan interests was calculated using the spot Euribor rate 1 month on December 31, 2018.

1.7.2.4 Credit or Counterparty Risk

The financial instruments which could expose the Company to credit risk include principally its cash equivalents, short-term investments and customer receivables. The hedging agreements entered into with financial institutions pursuant to its policy for managing currency and interest rate risks also expose the Company to credit and counterparty risk. See Notes 12, 13 and 21 to the consolidated financial statements. The Company uses a rigorous selection process for its counterparts according to credit quality, based on

several criteria including agency ratings and depending on the maturity dates of the transactions.

1.7.2.5 Equity Risk

For cash management purposes, the Company does not directly invest in listed shares, or any material amounts in funds invested primarily in or indexed to stocks. The Company's financial results are therefore not significantly and directly linked to stock market variations.

1.7.3 Insurance

Dassault Systèmes is insured by several insurance companies for all significant risks. Most of these risks are covered either by insurance policies underwritten in France for the whole Group, or by a North American policy that covers all the North American subsidiaries and their own subsidiaries and branches around the world. In addition, the Company subscribes to specific coverage and/or local policies to comply with applicable local regulations or to meet the specific needs of certain activities or projects.

All of the Company's entities are protected by a policy covering professional and product liability as well as civil liability for operations for a total insured value of €100 million for 2018.

In 2018, the Company renewed its Directors and Officer's Liability Policy for Dassault Systèmes SE and its subsidiaries.

The Company also carries insurance coverage for damage to goods in the Company's various locations, equipments and computer goods.

Based on the legal requirements applicable in each country, the North American companies and most of their subsidiaries have specific insurance cover. This insurance includes in particular coverage for damage to goods, computer risks, loss of business and operational civil liability and professional liability. In connection with this insurance, the Company also has coverage for work-related accidents in the USA (other countries being covered by State programs) and automobile accidents. As additional coverage for the various insurance policies covering the North American companies and their subsidiaries, Dassault Systèmes carries an "umbrella" policy for a maximum amount of \$25 million.

The insurance policies are regularly reviewed and may be modified to reflect changes in the revenue, the integration of newly acquired companies, activities and risks of the different companies within the Company.

Dassault Systèmes has not established captive insurance coverage.

2

SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

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Dassault Systèmes constantly strives to provide businesses and individuals with 3D universes that allow them to imagine sustainable innovations capable of harmonizing products, nature and life. Through this ambition, we contribute to the improvement of society and the quality of the environment.

By their very nature, virtual universes and the experimentation they allow, provide possible answers to society's major challenges, in areas such as the environment, health or education. Virtual universes are essential for better planning, better collaboration and better learning. The **3DEXPERIENCE** platform thus enables our customers to envision new ways of imagining, creating and producing.

In January 2018, we were ranked first among the 2018 Top 100 Most Sustainable Corporations by Corporate Knights for our vision and for implementing this vision in everything that we do. We were also recognized in various sustainable development indexes and rankings, including the FTSE 4Good and the Carbon Disclosure Project.

Our employees are the Group's most precious assets. They are at the heart of our mission (harmonizing product, nature and life), and long-term development. Sharing a common culture and the same values is of capital importance as they underpin the employees' daily interactions within the Company, with its customers and more broadly in its ecosystem. They are Dassault Systèmes' distinctive feature, making everyone eager to work together and grow.

In light of our rapid growth, the innovative environment in which we operate, and the growing number of markets we reach, we pay special attention to the following challenges:

Developing knowledge, know-how and leadership with the **3DEXPERIENCE** platform

The **3DEXPERIENCE** platform is the catalyst for the continuous development of knowledge, know-how and leadership of our employees and ecosystem. This strategy is based on three pillars:

- A major focus is to onboard and train new employees. We have an employee onboarding program provided from the very first day through the 3DS University and online communities, offering instant access to information concerning the Company, the organizations and the projects, and allowing for faster skill acquisition;
- Through learning programs validated by a certification, employees can continually upgrade their skills and know-how in order to progress in their jobs and within the Company;
- Our new performance review model takes into account the employees' know-how and attitude, thereby setting the Company on a course of exemplary employee behaviors in order to build solid long-term relationships within our internal network and our ecosystem of customers and partners.

Preparing the "workforce of the future"

The **3DEXPERIENCE** platform makes use of our technologies and our talents to address a major challenge in our society: preparing the "workforce of the future" jobs and economic models.

La Fondation Dassault Systèmes provides support to the world of education and research centers by transforming the learning experience through powerful 3D technologies supporting education and research methods.

Our Workforce of the Future organization collaborates with a global network of partners to transform the education system – from primary school to university – to meet business needs. Through innovative, holistic and interdisciplinary programs based on our solutions and our technologies, we help to prepare the talents of the future.

The **3DEXPERIENCE** Lab, an innovation laboratory opened within the Company in 2015, helps innovative external startups to develop. This initiative gives our employees the opportunity to get involved in new projects, enabling them to share their knowledge and gain new skills.

The **3DEXPERIENCE** Center Network is a group of innovation laboratories which connects technology, industry, regulatory authorities and researchers to shape the future of aviation and other industries by providing an advanced product creation and development environment. Through these centers, we offer our customers our expertise, in combination with our solutions, to help them reinvent their ways of designing their products.

In 2018, a working group was set up to identify the social, societal and environmental risks associated with our business model (see Chapter 1 "Presentation of the Group"). Following this first analytical phase, 18 potential risks were submitted to more than 35 experts, Directors and Vice-Presidents in order to assess the likelihood of their occurrence, the possibility of overcoming them, and their potential strategic, operational, legal, financial, and reputational impacts on our ability to innovate.

Based on the results of this assessment, the main contributors, meeting in committee, drew up a mapping of social, societal and environmental risks, thus identifying nine priority areas. Each one of these was analyzed in view of associated policies and procedures, upcoming measures, and the defining of key performance indicators.

The nine priority areas are the following:

- Attracting talented individuals;
- Developing knowledge and know-how;
- Developing employee engagement;
- Preserving health and safety;
- Retaining our talents;

- Digital responsibility;
- Facilitating open innovation and collective intelligence;
- Managing greenhouse gas emissions;
- Responsible company and partner.

These nine priority areas are detailed in this chapter and underpin our non-financial performance statement.

The impacts of our business with regard to human rights were assessed in 2017 as part of the Vigilance Plan. The impacts of our business with regards to the fight against corruption are subject of a specific mapping dedicated to the risk of corruption, updated annually. They do not represent main

risks and are covered under our Code of Business Conduct (see paragraph 2.4 "Business Ethics and Vigilance Plan").

Given the nature of our activities, we consider that the areas relating to adaptation to climate change, food waste, collective agreements and their impact on the company's economic performance do not represent main risks and do not require development in this chapter.

Due to the late publication of regulations (*Act No 2018-898* of 23 October 2018 and *Act No 2018-938* of 30 October 2018), we were unable to include areas relating to combating tax evasion, combating food insecurity, the respect for animal welfare, the responsible, fair and sustainable food into our risk analysis. If they present major risks, these areas will be addressed in the next fiscal year.

2.1 Social responsibility

2.1.1 Group Organization and Workforce

Our Group is organized into major fields of activities, R&D; Sales, Marketing & Services; and Administration and other functions. They cover our main markets across three large geographic regions.

As of December 31, 2018, the workforce was 16,055 employees, covering subsidiaries in which the Group has more than a 50% shareholding, representing an increase of 5.4% compared to December 31, 2017. Reflecting our international dimension, 45% of our employees are located in Europe, 24% are located in the Americas and 31% are located in Asia, representing 43 different countries and employees originating from 133 different countries.

In 2018, 2,793 new employees joined Dassault Systèmes, 83.5% of whom through recruitment and 16.5% through newly acquired companies. This growth in the number of employees brings our breakdown by activity to:

- 37% in R&D;
- 50% in Sales, Marketing and Services;
- 13% in Administration and other functions.

The Code of Business Conduct demonstrates the extent to which the Dassault Systèmes culture is based on mutual respect, fairness, and the diversity of its employees. In this respect, recruitment, training, promotion, assignment and more generally, all work-related decisions are based on competencies, talent, achievements and employee motivation, without any form of discrimination, harassment or bullying.

In line with our aim to be recognized as an exemplary employer that contributes to employability, 94% of our employees are under permanent contracts and are recruited locally, thus contributing to the economic development of each country in which we operate. The proportion of women in the Group is 24%, which is representative of parity in universities and in High Tech work environment. In 2018, 745 women joined Dassault Systèmes.

On December 31, 2018, Dassault Systèmes' Executive Committee was made up of two women and seven men. The Board of Directors comprises five women and eight men, including the employee's representative.

Nearly 19% of employees have management responsibilities, of which nearly 17% are women. A community of 3,018 women and men manage our human capital throughout their career development within Dassault Systèmes.

Our social responsibility approach is entrusted to the Human Resources and Information Systems Executive Vice-Presidency, including the Real Estate Management and General Resources department. The definition and implementation of related policies is based on a global network of employees composed of experts and operational staff, at global and local level. Projects and indicators are monitored and managed on a monthly or quarterly basis, through dashboards in the **3DEXPERIENCE** platform, facilitating collaboration between all contributors, decision-making and the implementation of relevant action plans.

2.1.2 Attracting talented individuals

Since the very beginning, we have demonstrated our unique ability in the field of **3DEXPERIENCE** universes, enabling our clients to accelerate their transformation and imagine innovative solutions. Our sustainable growth is based in particular on our ability to meet the talent needs generated by our ambition and on the expertise and quality of our employees.

To work for Dassault Systèmes, it is important to have a passion for technological innovation, a desire to work in a collaborative and agile manner in an international and multicultural environment and constantly learn, have an appetite for challenge and a mindset that embodies our Group's values.

On the global employment market, competition for digital and high-tech skills is increasingly stiff. To achieve our objectives, we need to implement consistent and diversified candidate search and selection solutions that allow us to be recognized as an employer of choice to attract and engage talent in line with our values and motivated by our vision. We aim to be acknowledged as an exemplary actor that contributes to the development of each and everyone as well as to sustainable employability in all its forms.

In 2018, we filled 2,565 job offers, of which 94% under permanent contracts.

Referral is an efficient way of attracting the talents we need and is an important recruitment channel. We aim to capitalize on our employees' network to promote Dassault Systèmes and to enhance our career opportunities worldwide. Our referral program encourages and rewards employees who contribute to our recruitment efforts. Any employee can recommend an applicant using our referral application on the **3DEXPERIENCE** platform. In 2018, this referral program was rolled out worldwide, covering 96% of the workforce on December 31, 2018, allowing us to receive 8,397 job applications from candidates recommended by our employees.

We aim to achieve around 20% of recruitments by referral in 2021. In 2018, 14.5% of the candidates recruited were coopted.

We also aim to strengthen our ability to attract and onboard the most talented individuals by offering them opportunities for internships or apprenticeships to supplement their academic program with an experience in an innovative environment. Our objective is to offer them long-term career opportunities by offering them to join Dassault Systèmes after graduation.

In 2018, we defined a plan to increase the number of internship opportunities in our main countries of operation. In France, we deployed an intern and apprentice identification process in order to offer them job opportunities once graduated. We organized an event targeting the community of interns and apprentices to help them write their resumes, prepare them for job interviews and enable them to meet managers from various organizations.

In 2018, we hired 168 trainees or apprentices within 12 months of their graduation, representing 15.1% of job offers requiring less than three years of professional experience.

Over the next three years, our priority actions will focus on:

- The development of the internship pool in our main countries of operation;
- The development and enhancement of our privileged relationships with targeted higher-education establishments and universities;
- The development of synergies and joint actions with our "Workforce of the Future" organization (see paragraph 2.2.1 "Digital Responsibility");
- Improving our process for following-up and identifying trainees and apprentices who can develop and succeed within Dassault Systèmes;
- The identification of relevant and suitable target positions to be offered directly to our trainees and apprentices;
- The implementation of an indicator to monitor the conversion rate of our trainees and apprentices on available job offers.

2.1.3 Developing knowledge and know-how

Throughout the major transformations brought by Dassault Systèmes with 3D, digital mock-up (DMU), 3D product lifecycle management and now the **3DEXPERIENCE** platform, we have demonstrated our ability to learn and master new technologies, to assemble and develop skills to innovate. This individual and collective capacity is at the root of the company's success and growth. "Passion to Learn" is one of our values and part of our DNA and is embodied into two behaviors, developing knowledge and revealing talents that are subject to annual objectives.

Our certification process is driven by the 3DS University, which aims to offer development initiatives in line with our activities. Through the *3DS University* application, it offers all our employees a portfolio of training and knowledge acquisition experiences in areas related to our solutions and business expertise.

Each employee can register for the certification program related to their role, to our brands, or to our targeted industry segments in order to develop specific skills:

- The salesforce programs enable employees to develop skills that will ensure a long-term partnership with our customers revolving around our solutions;
- The technology programs aim to ensure that innovation and creativity increase the added value, especially from an industry standpoint, that we provide to our customers and to our users;
- The programs relating to channels and brands increase knowledge and understanding of the technological and environmental challenges facing companies in the various industrial and consumer goods sectors, ensuring the capitalization and inspiration of new experiences in line with their sustainable development objectives.

The 3DS University fits into a long-term model for managing and developing knowledge and know-how by connecting experts through communities and getting them to contribute to the definition of certification programs, in compliance with Dassault Systèmes' quality standards. Their effectiveness is measured through exams which certify the acquisition of knowledge and skill levels achieved. This process is supplemented with a portfolio of over 15,000 training courses, enabling employees to undertake specific skills training, with the support of their manager.

In 2018, we rolled out 28 new certification programs. For our sales forces and service teams, we particularly enhanced our

certification programs focusing on our sales strategy, digital marketing, the integration of the **3DEXPERIENCE** platform, and the development of consulting skills. The technology programs were enhanced with skills relating to the languages required for the development of our solutions and test methods to ensure quality. Within a continuous progress approach, we also developed a digital method to assess educational content and set up a dedicated collaborative community. Bringing together experts in the creation of educational content, this community allows to share and disseminate good practices, as well as to improve our processes. The creation of certification exams is now based on a collaborative process through the **3DEXPERIENCE** platform. This enables us to capitalize on our internal network of experts and enhance our knowledge base.

Since 2014, all the actions carried out have made it possible to issue 16,541 certifications, covering employees as of December 31, 2018. In order to continue our commitment to develop our employees' knowledge and know-how, we have set ourselves the objective of delivering more than 25,000 certifications over the next three years.

To this end, in 2019, we plan to formalize our global certification process in a dedicated policy accessible to all employees, and enhance our portfolio with nearly 15 additional certification programs. Our certification programs are currently available to employees according to their current assigned role. In order to promote and support employees' career development or role change, we plan to make the relevant certification program available for the targeted new position.

The aim of our human capital development policy is to provide our employees with internal career development opportunities allowing them to increase their expertise and understanding of our Group, our solutions and the industry segments we target.

We have a broad approach of mobility, starting by enriching the current role, broadening the scope of responsibilities or adding a project. It then extends to role change in the same role family and can go as far as professional retraining. The objective of mobility is to enable each employee to develop professionally in order to achieve personal fulfilment and thus maximize motivation and sense of pride.

This policy rests on three pillars:

- Each employee is invited every year to think about his development needs and career aspirations, to define the associated project and set a timeframe allowing relevant preparation time;

- The manager plays a supporting role and Human Resources an advisory role to deploy relevant conditions for the desired project;
- For equivalent skills, preference is given to employees applying for job opportunities to be filled.

To support this commitment, we make sure that our employees and managers are provided with the required resources. All employees can connect to our *My Job Opportunities* application, available on the **3DEXPERIENCE** platform, giving real-time access to available jobs, enabling them to apply online and follow the progress of their job applications. In 2018, we deployed a new application, *My Journey*, enabling each employee to define a career development project, whether it concerns an evolution in the role or a role change in the same or a different organization. In this application, employees have access to analytical data to find out more about the different roles within Dassault Systèmes and the associated skills, to simulate and explore potential development perspective,

and to document an individual development project. Each project is then reviewed and validated by the manager, and subsequently by Human Resources. This new application has been deployed progressively, starting on October 1st, 2018 and covering 93.3% of the workforce on December 31, 2018. In 2018, employees have submitted 1,266 projects of evolution in the role and 570 mobility projects.

In 2018, 31.7% of the available job vacancies, requiring at least three years' professional experience, were filled by internal applications.

Over the next three years, we aim to maintaining this rate at around 30% of these available job offers. To this effect, we will continue our efforts to make the *My Journey* application available to all Group employees, except for newly acquired companies that are subject to a specific integration plan, and to identify relevant actions to materialize the projects submitted by employees and validated by managers and Human Resources.

2.1.4 Developing employee engagement

Employee engagement is of major importance for the fulfillment of our ambition. Our employees embody the Group's values and culture and are the key players in the implementation of our strategy.

Since 2010, an internal satisfaction survey has been open to all our employees worldwide. This survey enables employees to give their opinions on five dimensions including the meaning of their work, the quality of the management, the competitiveness of the work environment, the community of people, and the pride in working for Dassault Systèmes. This survey makes it possible to identify watchpoints and the required priority actions to carry out for each team and each country, leading to the development of local action plans, presented to employees and shared within the *Life@3DS* community.

Our global policy covers three development axes:

- Sharing our values to demonstrate leadership and work collaboratively using the **3DEXPERIENCE** platform;
- Work environment contributing to employee well-being and creation of synergies between teams;
- Managerial skills to support employees' development.

Sharing our values

Within the scope of the certification process (see paragraph 2.1.3 "Developing knowledge and know-how"), the 3DS University strives to impart to each employee the fundamental

knowledge concerning our strategy, our values and our processes. This certification program, aimed at all employees, allows everyone to acquire knowledge concerning:

- Our purpose, our strategy, our shared values and our environmental responsibility;
- Our brands and the creation of value;
- Our processes and applications for our human capital development;
- The **3DEXPERIENCE** platform navigation.

In line with the Group's commitment concerning business ethics and corporate social responsibility (see paragraph 2.4 "Business Ethics and Vigilance Plan"), this certification program also includes mandatory courses relating to ethics, compliance, personal data protection, the fight against corruption, and the safety of people and property.

We are also committed to creating quality solutions that enable our clients to meet the critical requirements of the industries in which they operate. Our commitment to quality is confirmed by our ISO 9001 certified quality management system. A specific training module is dedicated to this process.

This program is essential for the creation of a sense of belonging and community as well as the understanding of our values, requiring soft skills in an exemplary approach to behavior. The content of this program undergoes continuous

improvement, as shown by the new training modules released in 2018:

- A module to discover and understand the **3DEXPERIENCE** platform and to acquire the necessary knowledge for its use;
- Five new modules to understand the value and operation of our brands;
- Four modules to meet our commitments and requirements in terms of ethics and compliance.

For employees joining Dassault Systèmes, this certification program includes participation to two onboarding sessions, called *DAY1* and *DAY90*. In 2018, 2,333 employees joined Dassault Systèmes as part of a recruitment process. 203 *DAY1* and 73 *DAY90* sessions were organized to support their integration.

All actions carried out in 2018 allowed to issue 5,819 certifications, validated by the successful completion of two exams, bringing the proportion of certified employees to 37%.

Work environment

Each site reflects the company's spirit and identity. It hosts and contributes to the well-being of our employees, potential talents, our clients and our partners. The physical environment is thus at the heart of our real estate strategy. The Real Estate and General Resources Management department has defined guidelines for the design, layout and identity of our work spaces. It ensures that these guidelines are complied with and implemented by local teams in order to ensure the global consistency of our sites and abide by our commitment of providing comfortable, collaborative work spaces.

Each year, our internal survey measures employee satisfaction with their work environment. This indicator enables us to identify the sites requiring the implementation of priority action plans. In 2018, 21 sites were thus renovated, while nine others were extended.

In Cork (Ireland), a new site was identified and refurbished, which will lead to the relocation of 72 employees in 2019. In Barcelona (Spain), new city-center premises were fitted for the arrival of 39 employees in early 2019.

In the United States, improvements were made to one of the 3DS Boston Campus buildings, including the creation of innovative collaborative spaces, in order to bring together 187 employees, some of whom come from recently acquired companies previously spread across three different sites. In Seattle, 111 employees were brought together on a new site with an attractive environment.

In Mumbai (India), 58 employees previously spread over two sites, were brought together in new premises featuring a space for the demonstration of our solutions.

In 2018, the work environment satisfaction rate reached 72%.

Managerial skills

Managers play a key role in the commitment, motivation and development of our human capital through the collective management of the teams, as well as through the individual support they provide to employees throughout their careers within Dassault Systèmes.

Our *People Manager* certification program provides managers with a common base of managerial skills, allows them to improve their leadership skills and management style. The program also enables managers to gain in-depth knowledge of our human resources development processes, improve their communication style, identify techniques to bond and motivate their teams around common goals, and steer individual and collective performance. Principles of intercultural and diversity management have also been added to this program. A personalized development plan can also be implemented. It includes an assessment of managerial skills and specific actions such as mentoring, coaching and team-building.

In 2018, we focused on the local promotion of the *People Managers* certification program in order to get them involved in this skills development and recognition process and help them prepare for the exam, in particular in the Americas through videoconferencing and in France through collective information sessions, such as the "Leadership Development Days" initiative, and collective certification sessions.

Through these initiatives, we reached a level of 61.1% of *People Managers* certified at the end of 2018, representing 686 certifications delivered during the year.

In order to increase employee engagement, our objectives for the end of 2021 are the following:

- About 60% of employees benefiting from certification related to our strategy, values and processes. To this effect, we will continue to enhance this certification program with a focus on the required behavior for interaction of all employees in their ecosystem, and creation of value through the **3DEXPERIENCE** platform. We will formalize our global *DAY1* and *DAY90* onboarding program in a dedicated policy, accessible to all employees;
- About 75% satisfaction concerning the work environment. In this area, we are planning to conduct renovation or improvement work on 45 sites across the world;
- About 75% of *People Managers* certified continuing the promotion of this certification program.

2.1.5 Preserving health and safety

We are committed to safety and health, particularly for our employees, as set out in our Code of Business Conduct and our Corporate Social Responsibility principles. In particular, we are committed to providing all employees with a safe and healthy working environment and to ensuring that all employees have working conditions that ensure their health and safety, in compliance with applicable laws and regulations.

We are working on formalizing and implementing measures and procedures to ensure the protection of people in the context of our operational activities and wish to ensure the competitiveness of our employee benefits plans.

Personal safety

In support of our commitment, four major policies lay down the scope of application, measures and procedures, as well as the responsibilities of all contributors, in particular the Safety department, the Real Estate and General Resources Management department, the Human Resources department and the Legal department. These policies cover our employees in their business activities, on our sites and during their travel. They also cover our stakeholders, in particular our clients, our partners and our service providers when on our sites or during events organized on behalf of Dassault Systèmes. This portfolio of policies stems from the strengthening of procedures since 2015.

In 2018, the policy defining the safety standards on our sites was updated. This new version will be rolled out across all our sites in order to adapt local procedures to the globally defined standards. Priority will be given to our main sites, according to the pilot conducted for the 3DS Paris Campus (France), which has had an incident management guide in place since December 2018.

Given our international dimension, we recognize that a large number of business trips are required to maintain our relations with our clients and partners. Our Security and Safety Guide for business travel was updated in 2018. It informs employees of the precautions to take for the preparation of a trip and during their travel. This guide supplements the prevention measures implemented by our assistance partner concerning health and safety issues. Employees are also informed of any relevant assistance solutions available to them, if necessary.

Based on this formal framework, a variety of actions and initiatives are undertaken every year. In 2018, over 2,800 employees thus received safety training. In addition, fourteen awareness-raising conferences were organized and a safety plan was rolled out for more than ten international events. An information video was produced and is shown to new Group employees during the *DAY90* onboarding session. Over 70,000 individual notifications were sent to employees to effectively prepare them for weather conditions or safety-related issues that could involve risks. Over 1,500 employees received such warnings when on business trips abroad.

We will continue our initiatives over the next three years. In 2019, we will roll out a call for tenders for the renewal of the employee protection procedure relating to business travel. We will work on the preparation and deployment of a training module for site managers and a crisis management training module for all employees. We will also update our personal safety policy in connection with events.

Employee benefit plans

Our policy aims to propose a benefit plan to our employees in accordance with the local practices of the countries in which we operate. We also propose supplemental health insurance plan and contingency coverage in a number of countries including France, Germany, the United Kingdom, the United States, Canada, South Korea, Japan and India.

In order to ensure the competitiveness of these plans, including pension plans, health insurance, contingency and invalidity coverages, we regularly conduct comparative studies based on the practices of each local market. The study, held in 2017 and 2018, covered 35 countries, representing 81.4% of our locations, and enabled us to identify five countries for which we will carry out actions by the end of 2021.

In 2019, we will complete this comparative study to cover all our countries of operation, with the exception of newly acquired companies that are subject to a specific integration plan. In addition, we will review our health and provident insurance coverage in the context of business travels.

We aim to keep our absenteeism rate below 4% over the next three years. In 2018, the absenteeism rate is 1.9% and the number of work-related accidents reported is 15.

2.1.6 Retaining our talents

The achievement of our ambition and our long-term development depends in particular on our ability to retain our key talents. At the heart of our relationship with our employees, we believe that our purpose, which contributes to sustainability in numerous fields, also gives meaning to the professional lives of our employees. It is also for this reason that they decide to join Dassault Systèmes.

We provide our employees with a competitive working environment characterized by:

- Our commitment to innovation and our long-term growth strategy;
- Our embodiment of a collaborative, community-focused learning company;
- Our extensive ecosystem resting on harmonious, lasting relationships.

The experience and value proposition we offer our employees particularly rest on the development of knowledge and know-how (see paragraph 2.1.3 “Developing knowledge and know-how”), on our initiatives to promote commitment (see paragraph 2.1.4 “Developing employee engagement”), to reward performance and to recognize our employees.

Our compensation policy aims to ensure that each employee’s compensation is in line with high-tech market practices in each of the countries in which we operate, and varies according to individual performance. Our new performance review model takes into account the employees’ know-how and attitude, emphasizing the value of behavior, which rests on our values and must be demonstrated by everyone throughout the year.

As innovation is part of our DNA, we value employees’ projects and initiatives in this area. Every year, the *3DS INNOVATION Forwards* reward the most innovative projects led by Dassault Systèmes’ teams worldwide. Launched in 2004, the initiative encourages a spirit of innovation and collaboration within our Group. It partakes in employee recognition and deepens their understanding of the corporate strategy. Indeed, the projects submitted must fit into one of our strategic priorities, notably: responding to industry challenges, creating new user experiences, creating value for clients, partners or employees, enhancing the use of the

3DEXPERIENCE platform, or developing the Group’s activities. All our employees are invited to submit their projects through a dedicated application. The projects can be seen by everyone and the winners are selected through the votes of employees and by a jury made up of members of the Executive Committee. In 2018, 323 projects were submitted to *3DS INNOVATION Forwards*, representing 2,076 employees. Prizes were awarded to 79 projects representing 461 employees.

We also value initiatives that promote the sustainable development of our ecosystem through participation in social and community-based actions.

We want to maintain the competitiveness of our employer offering in order to retain talents. To this effect, we are engaged in a continuous improvement approach in order to identify new practices and initiatives that meet employees’ expectations.

In support of this approach, we deployed progressively a new process since October 2018 to improve our understanding of the reasons that prompt employees to leave Dassault Systèmes. We thus ask each employee who voluntarily leaves Dassault Systèmes to participate in a survey during which they can state the reasons for their decision and share information with us on their experience within the Group and their future career prospects. As of December 31, 2018, this new process covers 65.1% of the workforce and the employee participation rate was nearly 81%.

In 2019, we will continue our efforts to offer participation in the survey in all our countries of operation, with the exception of newly acquired companies that are subject to a specific integration plan. We will regularly monitor and analyze the information from this survey in order to identify employees’ expectations and our areas of progress, which will make it possible, from 2020, to identify global policies or initiatives as well as local action plans.

In 2018, the average length of service was 8.5 years and the average rate for employees leaving at their own initiative was 7.8%.

We aim at maintaining this rate below 10% over the next three years.

2.2 Societal responsibility

As a European company, Dassault Systèmes is involved with associations to support the virtual economy and encourage sustainable innovation. To promote the development of the digital economy in France and across Europe, Dassault Systèmes is a founding member of "Tech in France" (formerly *Association Française des Éditeurs de Logiciels*). The goal of this association is to promote the software industry as an industry that contributes to sustainable growth. Dassault Systèmes also co-chairs the Alliance for the Industry of the Future in France, of which "Tech in France" is a founding member. This Alliance helps promote the transformation of French and European production tools and support companies

in transforming their business models, organizations, design modes and marketing. Our Group also supports the "Villette Universcience Company" in France, whose goal is to promote and encourage the spread of scientific and technical culture to young people and to the general public. Throughout the world, our brands are also involved in local community efforts.

As the **3DEXPERIENCE** leader, Dassault Systèmes strives to transform the world of education and prepare tomorrow's workforce. In the age of digital economy, and in a context of ever stiffer regulations, the protection of personal data is a major issue for our clients and partners.

2.2.1 Digital responsibility

Preparing the "Workforce of the Future"

As part of the Industry Solutions, Field Marketing, Global Affairs General Executive Vice-Presidency, our Workforce of the Future organization is responsible for defining and implementing policies and initiatives to prepare the living forces of tomorrow. To this end, our organization relies on an international team of employees in charge of developing our global network of partners, particularly academic partners, and deploying appropriate programs for initial and lifelong learning, whose activities and indicators are monitored on a quarterly basis.

Our relations with the world of education target the ongoing modernization of teaching practices, as well as the development of today's and tomorrow's workforces. Our commitment is focused on:

- Supporting lifelong learning, thereby supporting employability;
- Increasing the attractiveness of engineering and science with youngsters;
- Stepping up educational innovation in line with the transformation of future skills.

We have set up a team dedicated to lifelong learning, whose mission is to come up with an educational proposal suited to the different external audiences. In a fast-changing environment, we want to facilitate and support the learning process for individuals by getting them to play an active role in their own training. To this effect, we launched a program to create a Learning EXPERIENCE portfolio backed by industry-recognized professional certifications. For greater effectiveness, job proximity, understanding and anticipation of future skill requirements, our approach is collaborative

and partnership-based. In France, for example, for the transformation of the industrial sector (new jobs, new skills, new knowledge, and new technologies), we entered into partnerships with SAFRAN, the *Faculté des Métiers de Corbeil-Essonnes*, the *Ile de France* regional authority, and the French department of Education to co-define the expected skills for future industrial jobs, as well as the related training programs and certifications. In Adelaide (Australia), we are taking part in a government program amounting to 150 million Australian dollars aimed at transforming the local industrial base and involving a change in related skills. Through our involvement in this tripartite project, we aim to support the University of Adelaide in the transformation of its educational contents and programs, as well as in the training of lecturers and teachers.

It is also crucial to inform and support massively the young generations and get them interested in science, technology and sustainable innovation in order to anticipate and fill tomorrow's skill requirements, and boost the employability of these young people. For this purpose, in the United States, we entered into a partnership with Base 11, within the scope of the *Base 11 Space Challenge*, a national initiative aimed at promoting careers in Science, Technology, Engineering and Mathematics (STEM) and developing the next generation of aerospace engineers, with the participation of an increasing number of women and minorities. This initiative will encourage universities to enhance their aerospace engineering programs, and provide students with the means to learn much more than the theory of liquid propulsion systems by developing expertise in equipment and flight rules, and by demonstrating the essential skills of team work and innovation which are the most sought-after by forward-looking companies. The teams will be encouraged to conduct awareness-raising activities and offer mentoring to junior and senior high-school students in

order to boost the development of the STEM talent pool, which includes women and ethnic groups which have traditionally been under-represented in this field.

New technologies (3D, virtual reality, augmented reality, **3DEXPERIENCE** twin, artificial intelligence, etc.), new knowledge and know-how and new generations require innovative educational approaches. The development of new educational practices based on our solutions has taken on a new dimension since 2015 with the creation of a “Learning Lab” on the 3DS Paris Campus in France. In 2018, numerous directors of academic institutions worldwide visited this lab to discover new learning experiences that replicate real life experiences that students can apply to their future work environment.

This Learning Lab, set up to imagine and document new ways for digital technology to be used in education, continued to develop its two main activities, dissemination and innovation.

The innovations continued in 2018 with a focus on the teaching of new practices for the industry of the future, such as the internet of industrial things, the **3DEXPERIENCE** twin concept, additive manufacturing, the digital factory, as well as project-based teaching methods. Innovative educational activities have been tested, documented and published online, in particular for the teaching of **3DEXPERIENCE** twin practices in the context of smart buildings and to increase awareness of the self-learning robot concepts. We actively collaborate with our academic partners to build innovative educational projects in the prospect of their funding by agencies supporting research and innovation (European Union, National Research Agency, etc.). This activity continued in 2018 with:

- The skills development program conducted by the Andhra Pradesh State aiming to set up a Center of Excellence to foster employability of engineering students and reskilling of professionals through innovative learning programs based on the **3DEXPERIENCE** platform in automotive, aerospace and marine industries;
- In France, the “TINA” (intelligent tutor for new learner) project, conducted by the University of Lorraine and the *Fondation de l'Académie des Technologies* (Foundation of the French National Academy of Technologies), aiming to develop a new cross-cutting educational curriculum in collaborative engineering to train future technology teachers in new industrial practices;
- The “DEFI&CO” project headed by CESI, aimed in particular at producing, for remote educational purposes, **3DEXPERIENCE** twins for demonstrators of factories of the future and buildings of the future;
- The “EOLE” project headed by the University of Strasbourg, in which the **3DEXPERIENCE** twin concept will be used to

create new types of practical exercises in connection with the skills required for the industry of the future.

Lastly, the participative teaching platform Peer Learning EXPERIENCE® continues to expand its footprint. It now has 151 teachers from ten different countries, who contribute to its crowd sourcing of educational content. Accessible from the **3DEXPERIENCE** platform, it enables all learners in the academic world to follow customized online learning courses, co-created by the community of recognized teachers and researchers. These courses interconnect learners in order to digitally reproduce the mutual help and peer learning mechanisms observed in classrooms.

Research on content and dissemination methods has made full use of the new possibilities offered by the latest cloud-based version of **3DEXPERIENCE** solutions. The roll-out of these solutions has significantly accelerated in most of the countries in which we operate.

All of these activities have been supported by our active collaboration with a number of scientific associations including the American Society for Engineering Education (ASEE), the *Société Européenne pour la Formation des Ingénieurs*-European Society for Engineer Training (SEFI), the International Federation of Engineering Education Societies (IFEES), the Global Engineering Deans Council (GEDC), the Indian Society for Technical Education (ISTE), the U.S. National Academy of Engineering and the Conceive Design Implement Operate (CDIO) consortium. We also cooperated with the ICEE (Indo-U.S. Collaboration on Engineering Education) which works towards modernizing technical educational practices in India.

In 2018, we estimate that nearly 7.6 million learners are using or have used one or more of our Group’s technologies in initial or lifelong learning. Through all our initiatives and commitments, we aim to increase the number of learners by about 10% over the next three years.

(For more information, <https://academy.3ds.com/fr>).

La Fondation Dassault Systèmes

The purpose of *La Fondation Dassault Systèmes* is to contribute to transforming education and research by building on the learning opportunities offered by 3D technology and virtual universes. *La Fondation* wants to support the creation of conditions conducive to developing creative thinking in order to harmonize product, nature and life. Its ambition is to:

- Actively support the transformation of teaching and educational innovation particularly through 3D experience imaging and content;
- Generate interest from young people for careers in engineering, sciences and digital technologies;

- Broaden access for schools and universities to 3D technologies and content, as well as simulation;
- Encourage scientific and technological research;
- Contribute to the preservation, conservation and enhancement of humanity's intellectual heritage.

La Fondation Dassault Systèmes makes donations and provides virtual technology expertise to education and research projects led by universities, research institutes or other general-interest organizations. This support promotes access to 3D technologies that had long ago proven their worth in industry, thereby improving the employability of young generations.

Since its creation in 2015, *La Fondation Dassault Systèmes Europe* has supported over 50 innovative projects in a wide variety of fields, including the industry of the future, geology, health, engineering jobs, robotics and the environment.

In 2018, it supported the creation of a training program in France for the new job of plastronics project manager. This technology is mid-way between mechatronics and the techniques used by the manufacturing industry for the transformation of plastic materials, playing a key role in the design of connected objects. The goal of this training program is to promote and accelerate the training of students in this field to meet the growing needs of the industry of the future. *La Fondation Dassault Systèmes* actively promotes the discovery of engineering professions and strives to inspire young people. For this purpose, it relies on the passion and commitment of Dassault Systèmes employees, within the framework of the new skills sponsorship policy. In addition, it continues to support the *La Main à la pâte* foundation for the *3Défi* project, enabling junior high-school students to create a fictitious startup and work as a team to design an innovative product and print it in 3D. The goal is to promote the students' innovative and creative potential, and introduce them to innovation professions, the "maker" culture and the world of startups.

In Great Britain, *La Fondation's* support for the "3DCARE" project, the creation of a 3D application from real images of the heart of newborn babies with genetic malformations in order to facilitate treatments, won recognition at the Franco-British Business Awards in the Corporate Social Responsibility category.

In the United States, the Board of *La Fondation Dassault Systèmes US* announced its support for Workshops for Warriors, an organization that prepares army veterans and members of the armed forces for new careers in the high-tech industry. Workshops for Warriors address two major challenges: the shortage of skills in the high-tech industry and the need to ensure the successful transition of members of the armed forces when they return to civilian life. The organization provides army veterans with training, qualifications and high-paying jobs in less than four months. The Composite Prototyping Center (CPC) based in Plainview, New York, also received a grant from *La Fondation Dassault Systèmes US*. This organization launched a Science, Technology,

Engineering and Mathematics (STEM) program dedicated to composite materials and related products. The program will be rolled out in four sessions taking place until the spring 2019 in junior high-schools in deprived areas. *La Fondation Dassault Systèmes US* also decided to extend the Base 11 initiative, funded in 2017, to allow a larger number of university students throughout the United States to benefit from the design engineering program. Indeed, Base 11 prepares students to become tomorrow's talents, by pushing them towards excellence in concrete experiential learning programs. Furthermore, *La Fondation Dassault Systèmes US* extended its support to two other organizations:

- The New Orleans 1881 Institute in Louisiana, with the University Preparation program that targets adolescents and young adults and enables them to combine robotics and mechatronics studies;
- The "Maker Space" project conducted by the New York Hall of Science based in the Queens borough of New York, which offers free activities to children in a dynamic learning environment, where they can experiment, test, create, share and work with real and virtual tools.

Founded in 2017, *La Fondation Dassault Systèmes India* relies on employee experience to roll out educational projects for the inclusive economic development of India, particularly in the fields of agriculture, renewable energies, sustainable development, health and smart cities. We thus support the priorities set out by the Indian government.

In 2018, *La Fondation Dassault Systèmes India* held an India-wide competition called "Aakruti", focused on the modernization of the rural economy. A total of 1,120 teams from 218 engineering schools from 24 Indian states presented innovative projects in a spirit of sustainable development. *La Fondation* also supports a program called "Knowledge on Wheels", aimed at improving the education of farmers, who account for 65% of India's manpower. As the great majority of them cannot attend courses on a university campus, a mobile truck equipped with a training facility using virtual reality will enable them to access these technologies and develop their skills. Furthermore, *La Fondation Dassault Systèmes India* supported the creation of a research center for the development of solar energy skills. This center offers courses that will enable engineers to get training in the technologies required for the harnessing of this type of energy.

In 2018, *La Fondation Dassault Systèmes* supported nine projects in Europe, 10 in India and 11 in the United States. Throughout the year, 132 employees participated in the skills sponsorship program.

Three years after its launch, *La Fondation Dassault Systèmes* is refining its strategy in order to increase its societal impact for the general good. It wants to promote better sharing of 3D educational content in the aim of increasing the number of people having access to educational content suited to their needs and improving their employability.

(For more information, <https://www.lafondation3ds.org>).

Protecting personal data

We have always considered the protection of personal data as a major issue for our clients and partners, and are conscious of the responsibility in the processing of personal data. Following the introduction of the European Union's General Data Protection Regulation (GDPR), we extended our data protection commitment by improving our solutions through new capacities that enable our clients and partners to manage their GDPR compliance programs.

Designation of a person or an entity as a data controller or data processor has different obligations under the GDPR.

Dassault Systèmes can be considered as data controller when processing personal data within the use of its internal applications. A client, that has licensed Dassault Systèmes solutions, is generally considered as being responsible for the processing of personal data it is required to use in this context. When Dassault Systèmes offers its Cloud solutions, such as the **3DEXPERIENCE** platform, it acts as a data processor for the personal data it is requested to process and store.

In 2018, we identified and implemented the required diligences to meet the requirements of the European Regulation.

We appointed a Data Protection Officer and set up a team to ensure that Dassault Systèmes is in compliance both internally and with our offers. This team has notably:

- Managed Dassault Systèmes' internal compliance with the GDPR, including, and in particular, our policies on personal data protection;
- Identified and tracked improvements to our offerings, websites and communicated those changes to enable our clients and partners in particular to comply with the GDPR. These improvements include:
 - Changes to access rights and security mechanisms,
 - Improvements to the management of user consent,
 - The strengthening of procedures to request the modification or deletion of personal data;
 - The improvement of the documentation on products and user guides concerning best data protection practices.

Our solutions are designed according to the concept of "Privacy by Design", which aims to ensure that privacy is integrated into applications from the design stage. In 2018, our 15 Cloud offers and our 25 on-premise solutions were updated to take account of regulatory changes and comply with this concept. A deployment plan has been defined to bring our offers and solutions into compliance. In accordance with the GDPR, any new update or product will take account of the improvements required under the "Privacy by Design" concept.

Our portfolio of personal data protection policies is structured in three parts and covers the websites and activities of the Group's companies (customers, partners, visitors, etc.), employees and job applicants. These personal data protection policies and our internal processes have been updated in the light of regulatory developments. The annual review process to ensure continued compliance has been defined. We implemented a personal data processing register and created a notification process in the event of a security breach affecting the data subjects. We deployed the process to handle the personal data request from the data subject within the legal time limit.

We are working to identify a crisis management system that can also be used in the event of any personal data breach and aim to deploy it in 2020.

Training is a key requirement for all employees. In 2018, we reinforced the mandatory nature of the training that enables everyone to acquire the necessary knowledge in the field of personal data protection. This training is integrated into the certification program focusing on the fundamental knowledge concerning our strategy, our values and our processes. It is validated by the successful completion of the "Understanding Ethics and Compliance" exam.

In 2018, all requests related to personal data, from data subjects, were processed within the legal timeframe and 1,908 employees completed the online training, bringing the total number of trained employees to 12,763.

In order to ensure our long-term compliance, we are committed to carrying out an annual review of our internal processes and data processing register, as well as handling all personal data request from data subjects with the legal time limit. We will continue to train our employees as part of the certification program focusing on the fundamental knowledge concerning our strategy, our values and our processes (see paragraph 2.1.4 "Developing employee engagement").

2.2.2 Facilitating open innovation and collective intelligence

The **3DEXPERIENCE** Lab is Dassault Systèmes' open innovation laboratory. Its objective is to support breakthrough products and services stemming from various industries, by tapping collective intelligence in order to drive society forward.

This system is based on the strong conviction that breakthrough projects are born out of collective intelligence. Its mission is to accelerate projects in the prototype phase initiated by startups, innovator communities and research or innovation laboratories and enable to market their products or services on a large scale.

The **3DEXPERIENCE** Lab supports projects based on themes from everyday life, i.e. cities, lifestyles or life sciences, calling on various innovation levers such as additive manufacturing, big data or virtual reality. This approach is based on a community of innovators, including:

- The **3DEXPERIENCE** Lab core team, which manages governance and implements the required technical and legal tools. It is the source of inspiration and relies on the network of contributors;
- Innovation correspondents, employees of various Group organizations, who participate in the sourcing and qualification of projects;
- A community of participants that provides strategic guidance and key ideas on specific topics and in which decision-makers are responsible for arbitrations.

This community of innovators meets quarterly in project presentation sessions where members and the jury express their opinions.

The **3DEXPERIENCE** Lab program offers each supported startup the means to achieve its development by allowing them to access to:

- The **3DEXPERIENCE** platform allowing digital continuity and the development of cross-organizational networks, to capitalize on knowledge and know-how;

- A technical and commercial tutoring program in which each Dassault Systèmes employee can provide their skills to support startups in their digital project;
- Dassault Systèmes international ecosystem to accelerate startups' product launches and international footprint;
- Events to increase their visibility.

Over 400 ideas have been processed by 500 innovators working in the community. Since its creation, 27 projects are being supported, including:

- The development of a satellite launcher assisted by a stratospheric balloon. Being more economical and environment-friendly than traditional rockets, this launcher requires less infrastructure and simpler engines while preserving the integrity of the satellite;
- The development of a biomimetic membrane model producing energy through marine and river currents;
- The design of new types of unmanned long-range solar drones opening up prospects in the field of continuous flights;
- The development of digitally printed organic photovoltaic cells generating energy from natural or artificial ambient light.

In 2018, a new **3DEXPERIENCE** Lab was opened in India to expand the geographical scope of the program beyond France and the United States. In addition, we expanded our network of partners, in particular with Founders' Factory, based in London (UK), as well as Tshimologong, based in Johannesburg (South Africa) and OuiCrea based in Shanghai (China). We will continue our qualitative approach to sustainable innovation in 2019 with new projects and partners.

(For more information, <http://3DEXPERIENCElab.3ds.com>).

2.3 Environmental Responsibility

Dassault Systèmes' corporate purpose is to provide business and people with **3DEXPERIENCE** universes to imagine sustainable innovations capable of harmonizing product, nature and life. Through this ambition, we contribute to sustainable development.

In this regard, we integrate environmental protection in our operations. Our environmental approach and its annual reporting are entrusted to the Group's Real Estate and General Resources Management department, in conjunction with the Public Affairs and Sustainable Development department, which remain responsible for the development of partnerships to assess our impact on the environment through our software applications portfolio.

Our environmental approach rests on our global network of employees, composed of *Sustainability Team*, *Sustainability Leaders* and *Sustainability Contributors*, and a global data monitoring and collection process for our indicators.

Since 2016, we have been using the Group's solutions to monitor and manage our environmental impact through a dashboard in the **3DEXPERIENCE** platform, thereby facilitating collaboration among all contributors.

As of December 31, 2018, the Group's companies are spread out across 191 sites in the three geographic regions in which we operate. Data presented in the environmental report covers Dassault Systèmes SE and all companies in respect of which it has a shareholding exceeding 50% and the majority of our indicators cover the 46 main sites representing 80.3% of the workforce as at December 31, 2018 (see paragraph 2.5.2 "Methodology for Environmental Reporting"). With the exception of facilities totaling 21,000 square meters belonging to 3DPLM Software Solutions Ltd located in Pune (India), the Group does not own the offices it occupies and does not have full ownership rights over any land or building, either directly or through a lease (see Notes 14 and 25 to the consolidated financial statements).

2.3.1 Managing greenhouse gas emissions

To analyze our carbon footprint, we use the "GHG Protocol" (Greenhouse Gas Protocol: www.ghgprotocol.org). The assessment of greenhouse gas emissions includes direct emissions (scope 1), indirect emissions from energy consumption (scope 2) and some other indirect emissions (scope 3).

3DEXPERIENCE platform for Sustainability: Apps and solutions for sustainable development

The use of our solutions involves energy consumption by our customers, which varies according to the application and utilization time. Associated greenhouse gas emissions represent 423,457 tCO₂-eq, estimated based on the number of users, average consumption per user and the application of energy emission factors. The uncertainty factor is very high, in particular due to the estimation of the number of users, average consumption and time of use, so the estimates produced must be considered as an order of magnitude.

Today, companies face a variety of technological and ecological challenges. The **3DEXPERIENCE** platform enables our customers to achieve their sustainable development objectives through a portfolio of dedicated applications that complement some of our Industry Solution Experiences

(see Chapter 1 "Group Presentation") and are based on the following technologies:

3D Modeling Technologies

Our portfolio of 3D modeling applications technologies makes it possible to create scientifically accurate representations of the environmental impacts of products. These technologies also offer techniques to reduce these impacts, such as eco-design for predictive environmental assessment and virtual prototyping, which improve the carbon footprint, energy consumption, human health impacts, and overall sustainability of products and systems. For example, SOLIDWORKS Sustainability features an integrated Life Cycle Assessment (LCA) dashboard that estimates the environmental implications of each design decision using several environmental indicators. One of our clients the global leader in door-opening solutions uses SOLIDWORKS Sustainability to reduce product environmental impact and material usage while cutting their product material and energy costs by 15%.

"Virtual+Real" Technologies

Technologies that enable real-time realistic simulation can help optimize the physical world in virtual universes, leading

to reduce environmental impacts. Our simulation technologies improve performance and weight testing, allowing engineers to optimize product design to make it as lightweight as possible. Industrial and production systems can be executed with minimal material and energy expenditure to enable “green” manufacturing. Ultimately, end consumer usage can be simulated to examine and reduce environmental impacts over the entire life cycle. For example, one of the leaders in packaging design is using SIMULIA to simulate complex interactions, resulting in a 27% reduction of carbon footprint and plastic resin usage while maintaining product integrity.

Intelligent Information Technologies

Searching, sorting, filtering, navigating, real-time analysis and understanding of large amounts of environmental data are essential for sustainable innovation. Data requirements become key for the entire value chain, not only for companies. This expanded producer responsibility requires both sophisticated and flexible access to large volumes of data to be able to use information intelligence applications that can generate an environmental impact dashboard across the extended enterprises. For example, the EXALEAD search-based infrastructure allows the management of structured and unstructured environmental data, providing decision support to execute corporate sustainability and environmental impact-reduction strategies.

Connectivity Technologies

Connecting data and people, by breaking down silos in organizations, contributes to sustainability strategies. Connectivity technologies allow companies to build internal and external communities to manage sustainability efficiently. They also make it possible to connect product data with governmental data to proactively manage compliance with government and industry environmental regulations and standards, such as the Restriction of Hazardous Substances (RoHS) directive and the management of minerals which fuel conflicts.

Our solution for environmental compliance and materials intelligence help maintain a proactive risk minimization strategy, and make it possible to engage the people and communities that are critical to the success of sustainability strategies. For example, one of our customers a leader in test and measurement systems in electronics and bio-analytic instruments uses ENOVIA Materials Compliance Management (MCM), an automated, enterprise-wide materials compliance data tracking system, to demonstrate compliance with strict environmental regulations for more than 1,800 products and 160,000 parts from more than 7,000 suppliers.

Dassault Systèmes’ solutions also make it possible to imagine breakthrough innovations for sustainable development, such as the following:

Energy transition

We collaborate with the world’s renewable energy producers and help to accelerate the development of hydraulic, wind and solar energy. One of our customers a global leader in the manufacturing of wind turbines thus considerably reduced its development and production time through the Sustainable Wind Turbine solution.

In addition, we support innovative solar energy projects such as the Solar Impulse project, whose aircraft was designed using the modeling applications of the 3DEXPERIENCE platform.

Sustainable mobility

Our solutions are essential for the growth of the autonomous vehicle, which allows greater energy efficiency. The design of this new type of vehicle must combine mechanical, electronic and systemic functionalities. We work with all of the global leaders who design and test these vehicles. We also foster startups’ innovation in areas such as two-seater electric airplanes and high speed public transport systems.

Sustainable city

The 3DEXPERIENCECity strategy based on the 3DEXPERIENCE platform addresses urban planning issues by allowing holistic and sustainable management of cities and territories. Thus, new modes of transport, constructions, infrastructures, as well as services, can be simulated on a single platform, for the benefit of inhabitants, companies and public decision makers.

Industry of the Future

We are at the heart of the world’s industrial policies and programs. All of the technologies allowing the redefinition of production models such as cobotics, additive manufacturing, and augmented reality are available on the 3DEXPERIENCE platform. These technologies allow considerable gains in terms of raw materials and resources. For example, in the aerospace industry, the additive manufacturing of certain parts allows reduction of up to 80% of their weight.

The 3DEXPERIENCE platform is composed of an applications portfolio which enables Dassault Systèmes’ customers to imagine breakthrough innovations and reduce their greenhouse gas emissions. Each of the applications has a unique value and a distinctive positive impact on greenhouse gas emissions:

- CATIA applications can optimize the aerodynamics of vehicle models, thereby reducing the vehicles’ greenhouse gas emissions in the utilization phase;

- using the SOLIDWORKS Sustainability application, designers can reduce greenhouse gas emissions by choosing lower-impact materials in the design phase;
- DELMIA applications used for the planning, simulation and modeling of manufacturing processes make it possible to optimize material consumption, energy consumption and transport during the logistics phase, thereby reducing greenhouse gas emissions;
- SIMULIA applications used for virtual tests and to assess the performance, reliability and safety of materials and products make it possible to optimize the use of materials and energy, thereby reducing greenhouse gas emissions.

Dassault Systèmes' applications have different impacts, depending on industry segments, customers and users. Only a case-by-case assessment of the reduction in greenhouse gas emissions from the use of the 3DEXPERIENCE platform would be relevant such as the one conducted by Dassault Systèmes in December 2015 with Harvard's Sustainability and Health Initiative for NetPositive Enterprise (SHINE) concerning automotive modeling and simulation applications. This case study states that Dassault Systèmes' solutions have the potential to enable sectors such as automotive to create handprints which are on the order of 10,000 times greater than the footprint resulting from the development and use of these solutions.

http://hwpi.harvard.edu/files/chge/files/handprints_of_product_innovation.pdf

Inclusion of environmental considerations in our operations

The other sources of greenhouse gas emissions include direct emissions (scope 1), indirect emissions from energy consumption (scope 2) and indirect scope 3 emissions relating to:

- Purchase of products and services, mainly consisting in insurance services, bank charges, fees for consulting and other intellectual services, subcontracting, communications and other services required for the Group's business;
- Capital goods consisting of desktop and laptop computers, servers and office furniture;
- Business trips required to maintain our relations with our customers and partners;
- Employee commuting.

In 2018, these emissions amounted to 158,826 tCO₂-eq, representing a carbon footprint of 11.5 tCO₂-eq per employee. The uncertainty factor is very high, mainly due to the use of monetary ratios and the estimation of the distances covered, so the estimates produced must be considered as an order of

magnitude. These emissions break down as 4.7% for scope 1 emissions, 12.8% for scope 2 emissions and 82.5% for scope 3 emissions, excluding greenhouse gas emissions related to the use of our solutions by our customers.

Sites

We choose our site locations based on the objectives of supporting our business growth and providing our employees with a pleasant working environment while integrating sustainable development strategies such as promoting synergies and collaboration, reducing the environmental footprint of our operations, and improving employee working conditions. We also seek to be close to our customers, our research partners and the leading schools and universities, which are major sources of recruitment for our Group.

The siting of our facilities is designed to foster collaboration among employees and with customers and partners by grouping together sites, subsidiaries and operations in a particular region or country. This process has, in particular, led to an audit of the facilities and their usage conditions, during external growth transactions, in order to determine steps to be taken in connection with the Group's strategy (maintaining the lease, facilities rehabilitation or consolidation).

Since 2008, we have implemented a policy of setting up our activities in offices certified under local environmental standards such as "Haute qualité environnementale" (High environmental quality) in France and LEED in the United States, or on sites applying an environmental management system such as ISO 14001. Sustainable development is integrated in real estate projects right from the inception of any plan to move or open up a new site.

In 2018, 21 sites were renovated, while nine sites were extended, covering more than 350 employees and allowing to optimize the quality and number of our locations (see paragraph 2.1.4 "Developing employee engagement").

Through the initiatives carried out since 2008, we now have 24 certified sites, of which nine in Europe, eight in the Americas, and seven in Asia. In 2018, seven sites were subject to an energy audit, five in Great Britain and two in Australia.

We use renewable energy at our 3DS Paris Campus headquarters, and have also included the purchase of electricity produced by renewable resources, in particular for the 3DS Paris Campus, 3DS Colomiers and Villeneuve d'Ascq sites in France, 3DS Stuttgart and 3DS Munich J Wild in Germany, 3DS Cork in Ireland, 3DS Montreal in Canada and 3DS Tokyo Osaki in Japan. At the end of 2018, eleven sites used electricity from renewable resources.

In 2018, the energy consumption of our facilities amounted to 67,622 MWh. The share of electricity was 89%.

Purchase of goods and services

Reporting to the Finance department, the Purchasing and Travel department rests on a network of employees, structured according to a matrix organization, including the operational and geographical dimensions as well as the responsibility for purchasing categories. The objective of this organization is to ensure the implementation of global practices while ensuring respect for local specificities.

Our Purchasing policy integrates sustainable development concerns into its principles and recommendations aimed at ensuring that best practices are applied, such as:

- Assessing the products purchased taking into account, in particular, specifications, use, maintenance, resource and energy efficiency and the potential for reuse, recycling or destruction;
- Obtaining from suppliers the relevant information on the environmental performance of their goods or services;
- Working with our suppliers to improve the environmental performance throughout the supply chain.

In accordance with these principles, many calls for tenders include an environmental component, such as the one conducted in 2018 for the purchase of laptops (see paragraph 2.3.2 "Responsible company and partner"). We also continue to pay particular attention to local service providers with environmental certifications, such as the "Energy Star" label for our IT equipment, as well as to recycling channels for our office supplies and furnitures.

We have been engaged in a travel optimization process since 2009. The Travel policy implemented limits the environmental impact of business travel by giving preference to meetings by conference call or video conference rather than by physical travel, train journeys rather than air travel for trips under three hours in length, and use of economy class for air travel. Thus, except in newly acquired companies, all bookings must be made through the site of our service provider, who ensures that the rules laid down in our policy are implemented and complied with.

In France, we also initiated a review of our catalog of company vehicles, which will continue in 2019, in order to bring in

models with lower CO₂ emissions. Five models of hybrid or electric vehicles are now included in the catalog available to eligible employees, who will be able to opt for these new offers upon the allocation of a vehicle or its renewal. This initiative has been backed by the installation of electric charging stations for employees and visitors in the parking lots of the 3DS Paris Campus (France).

In 2018, as part of our vigilance plan, we initiated a risk study, in collaboration with an external company, concerning our relations with our suppliers in order to improve the integration of environmental and social impacts. Thirteen criteria, five of which relate to the environment, were thus selected to assess 50 categories of purchases. Based on the thirteen criteria defined, the gross supplier risks were mapped out for each of these categories.

This analysis is the cornerstone of a procedure aimed at formalizing purchasing strategies, thus improving the integration of specifications in the calls for tenders, as well as the methods used for appraising the bids and communicating with suppliers.

In order to control the environmental impact of our facilities:

- In 2019, we will define a certification policy for the sites we occupy and the associated deployment plan;
- We will assess the possibility of using renewable energy electricity for ten sites by 2021, depending on the offers available in these countries.

In 2019, further to the risk study concerning our supplier relations, we will define, in collaboration with the various departments involved, the priorities and action plans that we will implement over the next three years to reinforce our sustainable purchasing practices.

In order to control the environmental impact of the transport of our IT equipment, we will have this equipment delivered to several sites in Europe directly from our suppliers' transit platforms; thereby avoiding a centralized delivery to the 3DS Paris Campus (France) followed by a dispatch to the final destination sites. Contracts with our suppliers were renegotiated on those terms in 2018.

2.3.2 Responsible company and partner

In light of the nature of our business, we generate primarily ordinary waste such as paper, cardboard and plastic. Our ability to recycle waste depends on the existence of local product lifecycle management systems. Our Sustainability Leaders are thus responsible for the local implementation of the relevant recycling actions.

In 2018, in the United States, six sites conducted recycling initiatives, mainly for paper, plastic, aluminum and glass, organized collection systems for light bulbs and batteries, and reduced the consumption of disposable tableware by providing employees with re-usable items.

In June 2018, a waste management audit, covering more than 1,700 kilograms of waste, was conducted on the 3DS Paris Campus in France, rating the quality of the waste sorting process as “compliant” or “optimal” in all the buildings. Five recommendations, due to be followed up with actions in 2019, were issued. They include a reminder of the rules to cleaning staff, and better communication of the relevant information to employees.

In parallel with these various actions, we will continue to promote eco-friendly behavior among our employees.

In December 2018, the initiative called *Le Bon Réflexe – Collecte Solidaire* was renewed jointly on the 3DS Paris Campus (France) by the Dassault Systèmes SE Disability Taskforce and the Real Estate and General Resources department. Employees were asked to drop off their personal obsolete or out of order electrical and electronic equipment. Around 650kg of equipment was collected and sent for recycling to a sheltered-sector company employing people with disabilities. In Melbourne (Australia), a program aimed at promoting plastic recycling was rolled out, thus shifting 120 liters of soft plastic and 360 liters of recyclable waste away from landfill sites every week.

In 2018, 35 sites had a sorting system for ordinary waste, representing 76.1% of our main sites.

We place great importance on the environmental management of our computer equipment. Our IT equipment management policy lays down standards in terms of equipment allocation to employees, thus ensuring that they are provided with the required equipment while avoiding excessive use of electrical and electronic equipment. The purchase of this equipment is subject to calls for tenders and contracts including an environmental aspect. In 2018, the call for tenders relative to the purchase of laptops placed emphasis on the devices’ “Energy Star” label regarding their energy consumption, and to their ease of disassembly for easy maintenance and to combat obsolescence.

Through technological improvements and the extension of our suppliers’ maintenance period, the life cycle of our servers was gradually increased from three to five years. Where servers are de-commissioned from the data centers, we strive to re-use them for other purposes within Dassault Systèmes.

Since 2015, all electronic waste has been disposed of in accordance with environmental standards. In 2018, 22,413.5 kilograms of waste electrical and electronic equipment, consisting of computers and servers, were recycled. In Europe, the recycling of this equipment is entrusted to sheltered-sector companies employing people with disabilities. One of these companies recycles plastic materials into urban furniture.

In order to improve our waste management actions, in 2019 we will initiate measures focused on the following:

- We will assess the feasibility of implementing a system for sorting common waste at six sites by 2021, based on the availability of local product lifecycle management systems;
- We will extend our recycling policy to audiovisual equipment, fixed and mobile phones and accessories over the next three years.

2.4 Business Ethics and Vigilance Plan

2.4.1 Promoting strong business ethics

Since its creation, Dassault Systèmes has developed its culture and built its reputation on different fundamental principles, particularly the creation of long-term relationships with its employees, customers, partners and shareholders, as well as high-quality products with high added-value. Confidence and integrity, supported by rigorous ethics and regulatory compliance, are at the heart of Dassault Systèmes' commitments for sustainable innovation and growth.

The Company's commitment to professional ethics and corporate citizenship is formalized through policies and procedures regarding corporate governance, in particular the "Code of Business Conduct" distributed to all the Company's employees since 2004 (see paragraph 5.1 "The Board's Corporate Governance Report") and the "Corporate Principles of Social Responsibility" both available on the Company's internet site. The Code of Business Conduct, which is backed up by specific policies, recommendations and trainings, is intended to serve as the reference for all Company employees to guide their behavior and interactions when performing their activities.

This commitment is also demonstrated through awareness around ethics and compliance being raised among new employees and by offering targeted training courses, online and/or in-house.

A mandatory online training course on ethics and compliance is thus an integral part of the onboarding program for all new employees. This course, available in 11 languages, comprises thirteen modules, each of which is broken down into a theory section followed by practical applications in a question/answer format. The topics covered include the fight against corruption, the protection of intellectual property, respect for confidentiality, ethics in the workplace with a focus on potential harassment and discrimination situations, competition law, the strict monitoring of exports, IT security, personal data protection, conflicts of interests, etc. As of February 28, 2019, 14,774 employees had attended this general training course.

The fight against corruption

The Code of Business Conduct prohibits Group employees from:

- exchanging gifts or invitations in order to favor or influence a business decision, whether it be taken by a customer, partner, supplier or employees of the Group;
- using Dassault Systèmes' funds or assets to pay bribes or kickbacks or make payments of a similar nature liable directly or indirectly to benefit third parties, including shareholders or companies, whether they are partners, customers, suppliers, service or other companies or organizations, with the goal of benefiting from preferential treatment; and
- using Group funds to make a contribution of any kind to political candidates or parties.

These principles are supplemented with the following policies and procedures:

- the Dassault Systèmes "Anti-corruption policy" (updated in December 2017);
- the "Dassault Systèmes Guidelines for dealing with Intermediaries" (June 2017);
- the "Dassault Systèmes Guidelines on Conflicts of Interests" (April 2017);
- a Dassault Systèmes "Internal Whistleblowing Procedure" (updated in December 2017).

In 2017, as part of its continuous improvement process, the Group strengthened its commitment to a zero-tolerance policy regarding corruption and influence peddling. It brought its anti-corruption policy and whistleblowing procedure (introduced in 2004) into line with the French law of December 9, 2016 relative to transparency, the fight against corruption and the modernization of economic life (the "Sapin II" Act). The Group also took steps to increase employee awareness on how to conduct negotiations with intermediaries (in particular through a reminder of the provisions adopted by the Group and integrated in its operational processes, concerning the selection of its partners) and on how to identify and deal with situations involving suspected or proven conflicts of interests, in order to avoid such situations for oneself and for the Group.

The Company's program for corruption prevention is based not only on these policies, guidelines, whistleblowing procedure, communications and employee awareness/training programs

(at February 28, 2019, a total of 14,064 employees had received training via a module dedicated to the fight against corruption “*Understanding anti-corruption principles*”), but also on:

- a Compliance department related to the general secretary, since 2018;
- the specific mapping of corruption and influence peddling risks, updated every year, in line with the Group’s activities;
- an internal control and audit system;
- stringent operational processes. Thus, the due diligence process regarding intermediaries, whether or not they are retailers, agents or consultants, take many variables into account: the nature of the activity, local environment, type of relationship, type and scope of the mission the third party will have to achieve for the company. This *Due Diligence* process is completed by intermediaries’ statements and commitments.

The processing and follow-up of the reporting received under the internal reporting procedure are systematically managed by the Compliance department and supervised by the Ethics Committee.

The risks of corruption and influence peddling arising from the Group’s business model (see Chapter 1 “Presentation of the Group” and paragraph 1.5.2.6 “Sales and Marketing”) include the following:

- Its reliance on intermediaries (distributors, agents, and system integrators). Such intermediaries are independent third parties and are fully liable for their actions, but the Group could, in certain circumstances (negligence, willful blindness), be held liable in the event such intermediaries were to make illicit payments to generate revenue;
- Trading directly or indirectly with clients deemed in in “higher risk countries” and/or qualified as “public officials”.

Dassault Systèmes systematically manages its risks through the policies, procedures and training courses described below. In particular, the Group has strengthened its policy of applying reasonable diligence in the selection of intermediaries, through additional processes including a self-administered questionnaire, reputational checks via the compliance database, the verification of the services performed by the agents, and the Compliance department’s approval. Invoices and transfer prices are controlled by the financial services who carry out formal checks and assess their relevance. Moreover, the Internal Audit department may include specific checks in the Internal Control review or ad hoc reviews relative to the prevention and detection of fraud or non-compliance with the Group’s rules and procedures.

The Group’s anti-corruption training course includes raising the awareness of Group employees on the risks of dealing

with public officials. For example, the Group’s rules concerning gifts and invitations are stricter for public officials. Moreover, in certain countries with higher risks of corruption, Dassault Systèmes’ distributors are required to attend in-person training where they are specifically made aware of the Group’s policies and “zero tolerance” rules concerning corruption.

Lastly, the Group measures the performance of its anti-corruption program through key performance indicators that cover its mandatory training courses’ implementation rate (see above).

Corporate Principles of Social Responsibility and commitments to ensuring respect for basic rights

As early as 2004, the Group asserted its Corporate Social Responsibility (“CSR”) commitment through Group-wide policies applicable to its employees, such as its Code of Business Conduct and Corporate Social Responsibility Principles. Pursuant to these policies, employees are required to conduct their activities in compliance with the laws applicable in the countries where the Group operates and in accordance with international standards, such as the International Bill of Human Rights and the International Labor Organization’s Fundamental Conventions.

The Group also promotes corporate social responsibility within its ecosystem as its suppliers and partners are required to adhere to its CSR Principles. They include: eradicating child labor by banning the employment of school-aged children (and in any event under 15 years of age), eliminating forced labor and other forms of modern slavery, banning all forms of discrimination (in recruitment as well as career development and employment termination), ensuring that working conditions are adequate to preserve employee health and safety, complying with minimum legal and regulatory requirements concerning pay, freedom of association and the protection of labor union rights, and the right to collective bargaining, ensuring zero tolerance for corruption and influence peddling, protecting personal data, and protecting the environment (<http://www.3ds.com/fileadmin/COMPANY/Ethics-and-compliance/Principes-de-Responsabilite-Sociale.pdf>).

Most Group companies’ standard contracts and general purchasing terms and conditions thus provide for the right to immediately terminate the contract in the event of a supplier’s breach of any of these CSR Principles. The Group is also initiating a “Responsible Purchasing” approach described in section 2.4.2 “Implementing an Appropriate Vigilance Plan”.

In 2018, like in 2017, the Group published a statement of the measures it has taken to combat modern slavery and human trafficking, as required by the UK’s Modern Slavery Act (https://www.3ds.com/fileadmin/COMPANY/Ethics-and-compliance/2017_DS_SE_MSA_Statement.pdf).

Group-wide, to manage and mitigate the risks of non-compliance with its CSR Principles, Dassault Systèmes systematically relies on mandatory training in ethics and compliance and on Dassault Systèmes' whistleblowing procedure. This procedure enables Group employees to report any risk of serious violation of human rights or fundamental freedoms. The Group also has policies, procedures, training courses and indicators relative to the prevention of the risk of non-compliance with:

- the prohibition of all forms of discrimination (see paragraph 5.2.3 "Internal Control and Risk Management Procedures");

- the guarantee of providing satisfactory working conditions (see paragraph 2.1.5 "Preserving health and safety");
- the guarantee of pay no lower than the minimum legal requirement (see paragraph 2.1.6 "Retaining our talents");
- the protection of personal data (see paragraph 2.2.1 "Digital Responsibility");
- the protection of the environment (see paragraph 2.3 "Environmental Responsibility").

The Group measures its human rights performance through key performance indicators including the rate of implementation of its mandatory training in ethics and compliance (see above).

2.4.2 Implementing an Appropriate Vigilance Plan

As stated above, Dassault Systèmes is committed to conducting its activities in compliance with the laws of the countries in which it operates and in accordance with international standards. For the prevention of environmental risks, the Group's approach concerning its environmental responsibility has been in place since 2010 (see paragraph 2.3 "Environmental Responsibility").

In accordance with the French Law of March 27, 2017 relative to the duty of vigilance of parent companies and contracting undertakings, the Group has set up a vigilance plan (the "**Plan**") covering the following three areas: human rights and fundamental freedoms, the health and safety of persons, and the environment (the "**Areas**").

The Plan is implemented by the Group's various stakeholders, i.e. mainly the Purchasing department, Internal Audit department and Human Resources department. It is monitored by a steering committee composed of members of these departments and of Compliance department, which is also responsible for the assessment of these procedures.

Report on the implementation of the 2018 Plan

For 2018, the Plan consisted of some twenty measures to be implemented on the short and medium terms within a structured process, of which the year's major accomplishments are the following:

- the update of the whistleblowing procedure to include aspects relating to the duty of vigilance. As of December 31, 2018, the deployment of this procedure has been launched in 15 languages;
- the review and modernization of the Group's CSR Principles (regarding non-discrimination and the prohibition of any form of child labor, forced labor or slavery, or any form of corruption) were stepped up. In addition, principles were

introduced concerning compliance with regulations relative to personal data and environmental precaution principle;

- the review and modification of the content of the mandatory employee training courses on ethics and compliance, to include aspects required under the French Act on the Duty of Vigilance and the UK's Modern Slavery Act;
- An analysis of supplier risks per category of purchases in order to upgrade the related risk map and determine actions to be prioritized for 2019; this approach, in particular the interviews carried out in this context, made it possible to sensitize the Group's buyers to "Responsible Purchasing";
- the standardization of a procedure for monitoring and assessing the Plan's measures, particularly through meetings of its steering committee, at least quarterly, and the use of dedicated tools.

2019 Vigilance Plan

For 2019, the Plan is based on the mapping of Group and supplier risks and the related assessments, as well as risk prevention and mitigation measures, a whistleblowing procedure, and a procedure to monitor the measures.

Within the scope of the 2018 Plan, the first risk assessment revealed the limited nature of the risks of serious breaches in the three Areas covered by the law, as a result of the Group's activities or business model (described in Chapter 1 "Group Presentation" of this Annual Report) or those of its suppliers or sub-contractors. Indeed, due to their almost intangible nature, software publishing activities involve almost no assembly of products from a Supply Chain. This assessment was confirmed by the analysis of supplier risks conducted within the scope of the 2018 Plan. However, the Group intends to use this risk map to continue to improve its performance in terms of Responsible Purchasing.

For 2019, the Plan thus includes appropriate, proportionate to the Group risks profile, vigilance measures to be implemented on the short or medium terms to prevent or mitigate risks in the Areas covered by the law. Some of these measures consist in the continuation or monitoring of the actions initiated under the 2018 Plan, while others are new. Dassault Systèmes' main focus areas are the following:

- "risk management": the Group intends to push forward with a thorough analysis of its sites' risks in terms of "Employee health and safety" and to take guidance from the supplier risk map, in particular by initiating the formalization of "responsible purchasing" strategies adapted to Dassault Systèmes' purchases, and by reflecting on the opportunity of adopting a specific Suppliers Charter;
- "employee training and awareness-raising": the Group intends to implement internal communication actions on the whistleblowing procedure and the modernization of its CSR Principles; the in-house e-learning courses on ethics and compliance, environmental responsibility and safety issues will continue to be tracked in terms of audience and some of them will be updated;
- "policies and procedures": the rollout of the whistleblowing procedure will continue to be monitored, especially in new Group acquisitions; in addition, certain policies are due to be finalized, in particular the Group's environmental policy, prior to its publication.

2.5 Reporting methodology

2.5.1 Methodology for social and societal reporting

As a general rule, the scope of social and societal reporting includes all Group companies at the end of the financial year. However, for some indicators, the scope of coverage may be more limited. The indicators were selected from the mapping of social and societal risks.

Data related to employees is calculated on the basis of "full-time equivalents", which corresponds to the proportion of "hours worked per standard full-time work hours" and which was jointly defined and shared by both Human Resources and Finance teams.

In 2018, the indicators below were based on the following:

- The number of employees or workforce refers to the number of employees excluding contractors;
- Data related to new joiners and departure is also determined using this rule; the data is extracted from HR and financial management software applications, both of which are deployed in all Group entities, with the exception of Centric Software on new joiners;
- Data relating to managers include all managers when referring to employees with management responsibilities and refer to 73.2% of managers when referring to *People Managers*;
- Data relating to paragraph 2.1.2 "Attracting talented individuals" covers all Group entities except Centric Software, Outscale and COSMOlogic. The scope thus covers 97.3% of the workforce. These new indicators are published as part of the implementation of our non-financial performance statement. As there were not reported in 2017, their evolution compared to the previous year is not available in 2018;
- Data relating to certification and training on personal data protection covers the Group's workforce, excluding Centric Software, Outscale and COSMOlogic. The scope thus covers 97.3% of the workforce. These new indicators are published as part of the implementation of our non-financial performance statement. As there were not reported in 2017, their evolution compared to the previous year is not available in 2018;
- Figures presented in section 2.1.4 "Developing employee engagement" are based on the survey conducted by Great Place To Work. The scope includes the Group's employees on permanent contracts as of August 25, 2018, excluding Centric Software, Outscale, COSMOlogic. In 2018, this survey covers 179 physical sites, 131 of which obtained a satisfaction rate concerning the working environment. This new indicator is published as part of the implementation

of our non-financial performance statement. As it was not reported in 2017, its evolution compared to the previous year is not available in 2018;

- Absenteeism data include absences due to illness as well as those resulting from an accident at work, and exclude absences related to maternity and paternity. Data relating to absenteeism and number of work-related accident are calculated on the number of employees in countries with more than 150 employees (excluding companies acquired during the year), namely France, Germany, the United Kingdom, the Netherlands, the United States, Canada, Japan, Malaysia, China, South Korea, India, Australia and Poland. This scope represents 93% of the Group's workforce in 2018 versus 94% in 2017. As part of the implementation of our non-financial performance statement, the method of calculating absenteeism changed in 2018 and its evolution compared to the previous year is not available;
- Our compensation policy applies to all employees with the exception of certain newly acquired companies, covering 94.4% of the total workforce;
- Attrition rate is calculated by taking into account only employee-initiated leaves for employees under permanent contracts, compared to the monthly average for employees under permanent contracts. As part of the implementation of the non-financial performance statement, the method of calculating attrition rate changed in 2018 and its evolution compared to the previous year is not available;
- Data related to length of services are calculated on the basis of the total number of months of length of services divided by the total number of employees regardless of the time

worked. These data cover all the Group's employees. As part of the implementation of the non-financial performance statement, the method of calculating length of services changed in 2018 and its evolution compared to the previous year is not available;

- Data relating to the paragraph 2.2.1 "Digital Responsibility", in section related to "Preparing the Workforce of the Future", are estimated by taking into account the number of our main academic licenses to which we apply a coefficient of number of users. These data represent the cumulative number of learners year after year and are derived from our financial management software;
- Data relating to paragraphs 2.1.5 "Preserving Health and safety" and 2.2 "Societal Responsibility" comes from additional interviews conducted within the Group;
- Data pertaining to policies on business ethics, fighting corruption, the Company's Social Responsibility principles and commitments ensuring basic rights whereas data pertaining to the Vigilance Plan are both provided by the Compliance department. The workforce takes into account the total number of regular employees, regardless of the time worked, and excluding Centric Software, Outscale and COSMOlogic employees. The scope thus covers 94.4% of workforce.

To make the reporting process more reliable, an internal methodological guide including definitions and rules for calculating each indicator is updated each year. Data reliability checks are carried out at the time of accounting consolidation as well as throughout the year in connection with analyzing changes from the preceding periods.

2.5.2 Methodology for Environmental Reporting

Methodology and scope of environmental reporting

The methodology of our environmental reporting is summarized in the "Environmental Reporting Protocol", which defines the methodology for collecting and calculating information and the scope for collecting environmental data. The indicators were selected from the mapping of environmental risks.

The environmental reporting target scope includes Dassault Systèmes SE and all the companies in respect of which it has a shareholding exceeding 50%. It should be noted that companies acquired during the period are excluded from the 2018 environmental reporting scope.

For the scope of environmental reporting as well as for calculating carbon intensities, data related to employees is calculated on the basis of "full-time equivalents", which corresponds to the proportion of "hours worked per

standard full-time work hours" and which was jointly defined and shared by both Human Resources and Finance teams.

The environmental reporting scope fits to the published indicators. Most of our environmental indicators are calculated on the basis of the physical sites' operating data: buildings' energy consumption, quantities of waste produced, etc. Conversely, greenhouse gas emissions from business travel are measured through the tracking of purchases of transport services (train and airline tickets, car rentals, etc.) by each of the Group's legal entities.

These characteristics explain the co-existence of two reporting scopes for environmental data:

- For indicators relating to energy consumption, total greenhouse gas emissions scope 1 and 2, general waste treatment, specific waste and greenhouse gas emissions from the recycling of computer equipment, the data

presented in the environmental report concerns the impacts measured at the Group's main sites. For these indicators, the environmental reporting scope covers the sites which have at least 50 employees, excepted for the site located in Burlington (United States). Indeed, this new site, with more than 50 employees, linked to the integration of EXA, should have been included in the environmental reporting in 2018. However, we have decided to exclude it, on an exceptional basis, given its closure in December 2018 and the installation of the associate employees on the 3DS Boston Campus site (United States). In 2018, the reporting scope thus covered 80.3% of Group employees versus 83% in 2017;

- For greenhouse gas emissions included in Dassault Systèmes scope 3, the data presented in the environmental reporting covers greenhouse gas emissions as follows:
 - For indicators relating to the use of sold solutions, the data presented cover emissions relating to all active licenses as of January 1st, 2019, covering all available solutions and resulting from financial reporting tools;
 - For indicators relating to the purchase of goods and services and capital goods, the data presented cover emissions relating to all annual expenditure in euros invoiced by suppliers between January 1st and December 31, 2018. In 2018, these estimates have been extended to a worldwide scope. The scope thus covers 93.6% of workforce;
 - For indicators concerning business travel, the data presented cover emissions produced by employees at the Group's main legal entities. For these indicators, the data presented in the environmental report covers the emissions produced by the employees of legal entities comprising a site with at least 50 employees. In 2018, the reporting scope thus covered 95.6% of Group employees versus 96% in 2017;
 - For indicators relating to employee commuting, the data presented cover the emissions relating to daily commuting by employees of all legal entities by estimating the distances travelled between the declared personal address and their place of work, excluding invalid or partial personal addresses and non geolocalized personal addresses. In 2018, these estimates have been extended to a worldwide scope, excluding Outscale, Centric Software and COSMologic. The scope thus covers 67.5% of workforce.

Given the change in the scope of some environmental indicators, the evolution compared to the previous year is not available in 2018. Our environmental reporting may evolve as

part of our ongoing improvement process, or to take account of changes in applicable regulations.

Collecting and consolidating environmental data

The environmental data was collected by the Sustainability Leaders and consolidated by our Real Estate and General Resources Management department, based on the environmental reporting protocol. For selected questions, such as business travel and data concerning electronic waste, external service providers were also consulted.

To simplify the consolidation of environmental data, a dedicated software application was rolled out. This new solution facilitates the structuring and standardization of environmental data (regarding all parameters but scope 3 data related to greenhouse gas emissions), like-for-like comparisons and an increase in the frequency of information collection from annual to quarterly.

The indicators relating to energy consumption and greenhouse gas emissions as well as waste electrical and electronic equipment are collected quarterly by the Sustainability Leaders and are reviewed and reported quarterly by our Real Estate Management and General Resources department.

Indicators for the treatment of common waste and other greenhouse gas emissions are collected annually by Sustainability Leaders.

Limitations on environmental reporting

In certain cases, the information produced cannot be based on actual consumption. For example, for certain foreign subsidiaries whose contribution is low, the data relating to travel is not available in the same format as for the rest of the scope. The same applies to sites whose air-conditioning refrigerant recharge expenses are included in the rent. In these cases, the Environmental Reporting Protocol specifies the procedure to follow in order to make the estimations required. As a result, actual consumption may be different from estimates.

Regarding waste treatment, waste treatment and collection are handled for most subsidiaries by local government, which does not furnish any information on collected waste. It is therefore not possible to provide any information on the amount of waste generated. We have nevertheless queried all of our subsidiaries included in the 2018 reporting scope, as to whether they sorted their waste. Consequently, our Group produces information on the percentage of sites which sort their waste rather than on the quantity of waste treated (see paragraph 2.3.2 "Responsible company and partner").

2.6 Independent Verifier's Report on Consolidated Non-financial Statement Presented in the Management Report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the General Assembly,

In our quality as an independent verifier, accredited by the COFRAC under the number n° 3-1050 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your entity Dassault Systèmes (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended on the December 31, 2018 (hereafter referred to as the "Statement"), presented in the management report pursuant to the provisions of the article L. 225 102-1, R. 225-105 et R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

It is the responsibility of the Board of Directors to establish the statement in compliance with the legal and regulatory provisions including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied regarding these risks as well as the results of these policies, including key performance indicators.

The Statement has been established by applying the procedures of the entity (hereinafter referred to as the "Criteria"), the significant elements of which are presented in the Statement and available on request at the Entity's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements pursuant to the provisions of the article L. 822-11-3 of the French Commercial Code (*Code de commerce*) and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work, to express a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 of I and II of Article R. 225 105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions related to the main risks, hereinafter the "Information".

Nonetheless, it is not our responsibility to express any form of conclusion on:

- compliance by the entity with other applicable legal and regulatory provisions, particularly regarding the vigilance plan and the fight against corruption and tax evasion;
- compliance of products and services with applicable regulations.

Nature and scope of the work

Our work described below has been carried out in accordance with the provisions of articles A. 225 1 et seq. of the French Commercial Code determining the procedures in which the independent third party conducts its mission and according to professional standards as well as to the international ISAE standard 3000 - *Assurance engagements other than audits or reviews of historical financial information*.

The work that we conducted enables us to assess the compliance of the Statement with the regulatory provisions and the fairness of the Information:

- We took note of the activity of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, and, if applicable, its effects regarding compliance with human rights, the fight against corruption, tax evasion as well as the resulting policies and their results;

- We assessed the suitability of the Criteria in terms of its relevance, comprehensiveness, reliability, neutrality and understandability by taking into consideration, if relevant, the best practices of the industry;
- We verified that the Statement covers each category of information provided in III of article L. 225-102-1 of the French Commercial Code regarding social and environmental matters, as well as respect of human rights and the fight against corruption and tax evasion;
- We verified that the Statement includes an explanation justifying the absence of the information required by the 2nd paragraph of III of Article L. 225-102-1 of the French Commercial Code;
- We verified that the Statement presents the business model and the main risks related to the activity of all the entities included in the scope of consolidation; including if relevant and proportionate, the risks created through its business relationships, products or services, policies, actions and results, including key performance indicators;
- We verified, when relevant to the main risks or the policies presented, that the Statement presents the information provided for II in Article R. 225-105 II of the French Commercial Code;
- We assessed the process of selecting and validating the main risks;
- We inquired about the existence of internal control and risk management procedures put in place by the entity;
- We assessed the consistency of the results and the key performance indicators selected regarding the main risks and policies presented;
- We verified that the Statement covers the consolidated scope, i.e. all the companies included in the scope of consolidation in accordance with Article L. 233-16 of the French Commercial Code, with the limits specified in the methodological notes presented in the sections 2.5.1 and 2.5.3 of the management report;
- We assessed the collection process put in place by the entity for the completeness and fairness of the Information;
- We implemented the key performance indicators and other quantitative results that we considered the most important presented in Appendix 1:
 - analytical procedures to verify the correct consolidation of the collected data as well as the consistency of their evolutions;
 - detailed tests based on samples, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out with a selection of contributing entities listed below: Dassault Systèmes SE and DS Americas Corp. which cover 33% of consolidated data selected of headcount, the most representative indicator for these tests.
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered the most important presented in Appendix 1;
- We assessed the overall consistency of the Statement with our knowledge of the entity.

We consider that the work we have done by exercising our professional judgment allows us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our verification work mobilized the skills of four people and took place between September 2018 and March 2019 on a total duration of intervention of about nine weeks.

We conducted around 15 interviews with the persons responsible for the preparation of the Statement including in particular the Human Resources and Information Systems, Real Estate Management and General Resources, Compliance, Data Protection, Learning Experience and Purchasing departments.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us not to believe that the non-financial statement complies with the applicable regulatory provisions and that the Information, taken together, is fairly presented, in compliance with the Criteria.

Paris-La Défense, the 20th of March 2019

French original signed by:

Independent Verifier

ERNST & YOUNG et Associés

Eric Mugnier

Sustainable Development Partner

Jean-François Bélorgey

Partner

Appendix 1: The most important information

Social Information

<i>Quantitative Information (including key performance indicators)</i>	<i>Qualitative Information (actions or results)</i>
Filled job offers (nb) of which under permanent contracts (%)	Talent acquisition
Share of candidates recruited by referral (%)	Talent retention
Trainees or apprentices hired within 12 months of their graduation (nb) and share in the job offers requiring less than 3 years of professional experience (%)	Certification actions
Average seniority (nb)	
Average rate of employee leaving at their own initiative (%)	

Environmental Information

<i>Quantitative Information (including key performance indicators)</i>	<i>Qualitative Information (actions or results)</i>
-	The results of the GHG emissions reduction policy (scope 1, 2 and 3).

Societal Information

<i>Quantitative Information (including key performance indicators)</i>	<i>Qualitative Information (actions or results)</i>
Total number of employees trained on personal data protection	Personal data protection The results of the Workforce of the Future policy The results of the responsible purchasing policy

2.7 Statutory Auditors' Attestation on the information relating to the Dassault Systèmes SE's total amount paid for sponsorship

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This attestation should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Statutory auditors' attestation on the information communicated in accordance with the requirements of Article L. 225-115 5° of the French Commercial Code (*Code de commerce*) relating to the total amount of payments made in compliance with paragraphs 1 and 4 of Article 238 bis of the French Tax Code (*Code général des impôts*) for the year ended December 31, 2018.

To the Annual General Meeting of Dassault Systèmes,

In our capacity as statutory auditors of your Company and in accordance with the requirements Article L. 225-115 5° of the French Commercial Code (*Code de commerce*), we have prepared this attestation on the information relating to the total amount of payments made in compliance with paragraphs 1 and 4 of Article 238 bis of the French Tax Code (*Code général des impôts*) for the year ended December 31, 2018, contained in the attached document.

This information was prepared under your Board of Directors' responsibility. Our role is to attest this information.

In the context of our role as statutory auditors (*Commissaires aux comptes*), we have audited your Company's annual financial statements for the year ended December 31, 2018. Our audit was conducted in accordance with professional standards applicable in France, and was planned and performed for the purpose of forming an opinion on the annual financial statements taken as a whole and not on any individual component of the accounts used to determine the total amount of payments made in compliance with paragraphs 1 and 4 of Article 238 bis of the French Tax Code (*Code général des impôts*). Accordingly, our audit tests and samples were not carried out with this objective and we do not express any opinion on any components of the accounts taken individually.

We performed those procedures which we considered necessary to comply with professional guidance issued by the by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*). These procedures, which constitute neither an audit nor a review, consisted in performing the necessary reconciliations between the total amount of payments made in compliance with paragraphs 1 and 4 of Article 238 bis of the French Tax Code (*Code général des impôts*) and the accounting records from which it derived, and verifying that it is consistent with the data used to prepare the annual financial statements for the year ended December 31, 2018.

On the basis of our works, we have no matters to report on the reconciliation of the total amount of payments made in compliance with paragraphs 1 and 4 of Article 238 bis of the French Tax Code (*Code général des impôts*), contained in the attached document and amounting to € 1,636,297 with the accounting records used to prepare the annual financial statements for the year ended December 31, 2018

This attestation shall constitute certification as accurate of the total amount of payments made in compliance with paragraphs 1 and 4 of Article 238 bis of the French Tax Code (*Code général des impôts*), within the meaning of Article L. 225-115 5° of the French Commercial Code (*Code de commerce*).

This attestation has been prepared solely for your attention within the context described above and may not be used, distributed or referred to for any other purpose. If you would like this attestation to be distributed to a third party for a purpose other than that for which it is intended, you will need to request our prior approval in writing. We will then determine the terms and conditions for its distribution. We assume or take no responsibility towards the third party to whom the attestation has been distributed or made available.

Neuilly-sur-Seine and Paris-La Défense, March 21, 2019

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit
Thierry Leroux

ERNST & YOUNG et Autres
Nour-Eddine Zanouda

**Certification relating to the global amount
of sums paid for sponsorship on 2018**

The global amount of sums paid for sponsorship, which are referred to at Article 238 bis of the General Tax Code is 1,636,297 euros for 2018.

The global amount giving rise to fiscal deductions in 2018, is 1,636,297 euros.

Pascal DALOZ

Executive Vice-President, Chief Financial Officer and Corporate Strategy Officer

3

FINANCIAL REVIEW AND PROSPECTS

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3.1 Operating and Financial Review

The executive overview in paragraph 3.1.1. "Executive Overview for 2018" highlights selected aspects of our business during 2018. The Executive Overview of 2018, including the Summary Overview, Performance Against our non-IFRS Financial Objectives, Definitions of Key Metrics We Use, Supplemental non-IFRS Financial Information and IFRS 15 implementation, and the more detailed discussion that follows in 3.1.2 "Consolidated Information: Financial Review of 2018 compared to 2017" should be read together with our consolidated financial statements and the related notes included in paragraph 4.1.1 "Consolidated Financial Statements".

We implemented IFRS 15 effective as of January 1, 2018 on a modified retrospective basis and therefore did not restate prior years. While the implementation resulted in some quarterly variation compared to under IAS 18, the prior standard, it did

not have a material impact on overall 2018 financial results. Specifically, for the full year 2018 total revenue and software revenue were both €3.1 million (IFRS and non-IFRS) higher under IFRS 15 with no difference in earnings per share compared to IAS 18 on an IFRS basis and a 1 cent difference on a non-IFRS basis.

As of January 1st 2019, Dassault Systèmes adopted the new accounting standard IFRS 16 Leases, under the modified retrospective method. Under this method, the transition effect is accounted for within the consolidated equity at the date of initial application, therefore, the prior year's comparative information is not adjusted. See Note 2 to the consolidated financial statements for a description of accounting policies.

3.1.1 Executive Overview for 2018

3.1.1.1 Summary Overview

(in millions of euros, except per share data)	IFRS under IFRS 15	IFRS under IAS 18			Non-IFRS under IFRS 15	Non-IFRS under IAS 18		
		YTD 2018	Change	Change in cc*		YTD 2018	Change	Change in cc*
YTD 2018 Total Revenue	3,477.4	3,474.3	8%	10%	3,491.1	3,488.0	8%	10%
YTD 2018 Software Revenue	3,081.8	3,078.7	7%	10%	3,093.9	3,090.8	7%	10%
YTD 2018 Services Revenue	395.6	395.6	10%	13%	397.2	397.2	11%	14%
YTD 2018 Operating Margin	22.1%	22.0%	(0.6)pts		31.9%	31.8%	(0.2)pts	
YTD 2018 EPS	2.18	2.18	8%		3.12	3.11	16%	20%

Total Software Revenue (in millions of euros)	IFRS under IFRS 15	IFRS under IAS 18			Non-IFRS under IFRS 15	Non-IFRS under IAS 18		
		YTD 2018	YTD 2017	Change in cc*		YTD 2018	YTD 2017	Change in cc*
Americas	864.7	874.0	855.4	7%	872.4	881.7	860.1	7%
Europe	1,340.3	1,329.5	1,233.5	9%	1,342.8	1,332.0	1,241.5	8%
Asia	876.8	875.2	780.4	16%	878.6	877.1	781.6	16%

* in constant currencies.

Dassault Systèmes has the mission to provide business and people with **3DEXPERIENCE** universes to imagine sustainable innovations capable of harmonizing product, nature and life. Empowering industry and people to create **3DEXPERIENCE** universes to imagine, invent, and deliver disruptive solutions

that advance sustainability in domains as large as energy, mobility of the future, cities, life sciences and high-tech is at the core of our purpose and DNA.

2018 was a remarkable year, with a record level of large **3DEXPERIENCE** transactions including important decisions

within our Core industries of aerospace, automotive and industrial equipment. We also significantly strengthened our market offer with several acquisitions, most notably for the Fashion Industry with Centric Software, for cyber systems with No Magic and for Manufacturing ERP for the mainstream market with IQMS. We finished the year reaching a new milestone, with the 4th quarter being our first 1 billion-euro revenue quarter, driving revenue and earnings up double-digits for 2018 in constant currencies.

We believe that our achievements during 2018 help confirm our position as an important partner to our clients as a catalyst and enabler of their transformations as part of today's global Industry Renaissance, bringing new ways, both real and virtual, of imagining, inventing, learning, producing and selling. With the help of the **3DEXPERIENCE** platform, new categories of companies can emerge and create new categories of sustainable solutions involving new categories of consumers.

Looking at our business advances, strategic initiatives and financial performance during 2018:

- We are seeing strong traction for our **3DEXPERIENCE** platform thanks to the digital continuity it enables connecting our clients' value streams. **3DEXPERIENCE** non-IFRS IAS 18 software revenue increased 24% at constant currency in 2018 and represented approximately 25% of related software revenue, (excluding principally SOLIDWORKS), up 4 percentage points from 21% in 2017, with strong **3DEXPERIENCE** growth for major brands including CATIA, ENOVIA and DELMIA apps as well as our Netvibes and Exalead apps;
- From an industry perspective, we are continuing to progress in extending our market position in our Core Industries. At the same time, we are expanding our footprint in our Diversification Industries. Total software revenue increased 10% (IFRS and non-IFRS IAS 18) in constant currencies, with double-digit software growth in constant currencies in Transportation & Mobility, Aerospace & Defense, Industrial Equipment, Marine & Offshore, Consumer Goods-Retail, Architecture, Engineering & Construction, Natural Resources and Financial Business Services. Core Industries and Diversification Industries represented about 68% and 32% of our software revenue in 2018, similar to 2017;
- On a regional, IAS 18 and constant currency basis: Asia software revenue increased 16% (IFRS and Non-IFRS) on double-digit growth across all five of our geographies, including China, Japan, India, South Korea and Asia Pacific. In Europe software revenue increased 9% (IFRS) and 8% (non-IFRS), led by sharply higher license growth in Western Europe and strong recurring software revenue results generally. In the Americas, software revenue increased 7% (IFRS and Non-IFRS) reflecting the contribution from new acquisitions, strong growth in subscription revenue and continued strengthening in Latin America. High Growth Countries non-IFRS software revenue increased 18% and represented about 18% of our total software revenue;
- We continued to expand our Addressable Market which we now size at approximately \$33 billion compared to \$26 billion for the prior year, with the increase principally reflecting the long term market opportunity addressing business operations for the mainstream market customers as well as further investments in simulation. The acquisitions we undertook during 2018 (including those completed in January 2019) strengthened our offer by market segment, industry and domain perspectives:

 - By market segment, with the acquisition of IQMS for Manufacturing ERP for the Mainstream market. In connection with our strategy, we unveiled in February 2019 **3DEXPERIENCE.WORKS**, a new business applications family on our **3DEXPERIENCE** platform to bring the power of the platform and portfolio to the Mainstream market where SOLIDWORKS is a market leader,
 - By industry, with the majority ownership of Centric Software, addressing the fashion, apparel, luxury and retail sectors with its well-tailored, configurable PLM solution,
 - By domain, with the acquisition of No Magic, bringing technology to model system of systems, companies' processes and enable connected experiences. This acquisition represents an important addition to our CATIA cyber systems offer. For simulation, we also acquired Opera FEA bringing low frequency electromagnetic analysis, complementing the acquisition of CST in 2016 and bringing additional capabilities to our offer for electric vehicles globally;
- During 2018 we extended the power of the **3DEXPERIENCE** platform demonstrating its value both as an operating system powering our clients' industry solutions experiences with our brand applications and as a business model

powering our Marketplace services. Two important developments included:

- The introduction of POWER'BY which enables all customers to benefit from the 3DEXPERIENCE platform's value immediately without any need for migration of legacy data. There are three levels: to enable social collaboration; to leverage hybrid data for product configuration and bill of materials; or to use the full capabilities of the 3DEXPERIENCE platform,
- The introduction of "3DEXPERIENCE Marketplace" – where we are connecting buyers and sellers of design and manufacturing content as well as services. Our first two areas are: what we call "Make" where buyers can find 3D printing or machining suppliers who are connected to the Marketplace and "Part Supply" where users can find the most comprehensive and intelligent catalog of sourceable 3D components;

IAS 18 net operating cash flow for 2018 increased 21% to €898.6 million, compared to €745.0 million in 2017 principally reflecting growth in net income and non-cash operating adjustments. During 2018 uses of cash were principally for payment for acquisitions, net of cash acquired and non-controlling interests totaling €353.1 million; share repurchases of €206.3 million cash dividends of €38.0 million (based on the shareholders electing payment of the dividend in cash); and capital expenditures, net of €72.4 million. We received cash for stock options exercised of €69.9 million;

On an IAS 18 basis, at December 31, 2018, our unearned revenue totaled €1.01 billion and increased 10% compared to December 31, 2017 in constant currencies and on an organic basis. With recurring software revenue in excess of €2 billion in 2018, and representing about 70% of our total software revenue, we have a significant level of visibility with respect to our software revenue growth. At December 31, 2018 unearned revenue on the Balance Sheet under IFRS 15 is not directly comparable to the December 31, 2017 balance sheet under the prior standard IAS 18. This is due to the fact that the December 31, 2018 balance sheet line item unearned revenue has been reduced by €106 million, reflecting mainly (i) the one-time permanent difference of €94 million due to the portion of our rental licenses charge that should be recognized upfront at the delivery date under IFRS 15; (ii) change in upfront licenses of €6 million and (iii) higher amount of revenue under IFRS 15 than IAS 18 recognized in the amount of €3 million;

Our net financial position totaled €1.81 billion at December 31, 2018, compared to €1.46 billion at December 31, 2017, reflecting an increase in cash, cash equivalents and short-term investments to €2.81 billion from €2.46 billion at December

31, 2017, with debt related to credit lines of €1.00 billion unchanged.

For a discussion of our 2019 business outlook, see paragraph 3.2 "Financial Objectives". For further information regarding risks facing the Company, see paragraph 1.7.1 "Risks Related to the Company's Business".

Performance against Our 2018 Non-IFRS Financial Objectives

In discussing and analyzing our results of operations, our Management considers supplemental non-IFRS financial information: (i) non-IFRS revenue data excludes the effect of adjusting the carrying value of acquired companies' contract liabilities (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, including impairment of goodwill and acquired intangible assets (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 our consolidated financial statements and the notes thereto is presented below under paragraph 3.1.1.2 "Supplemental non-IFRS Financial Information".

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

Summary

Our 2018 financial results illustrate that we are well delivering on the commitments we have given:

- **Non-IFRS Total Revenue:** We were well aligned with our revenue objective, with IAS 18 non-IFRS total revenue growing 10% in constant currencies compared to our 9% to 10% growth objective on a strong performance for both software and services.

- o **Non-IFRS Licenses and Other Revenue:** We set a 2018 growth target of 9% to 11% at constant currency. We reported 11% growth, including 9% growth on an organic basis at constant currency. IAS 18 non-IFRS licenses and other revenue totaled €923.5 million for 2018.
- o **Non-IFRS Recurring Software Revenue:** IAS 18 non-IFRS recurring software revenue increased 9% in constant currencies, consistent with our 9% growth goal, with organic growth of 6%. IAS 18 non-IFRS recurring revenue totaled €2.17 billion and represented 70% of our non-IFRS IAS 18 total software revenue for 2018. Our recurring software revenue is comprised of our subscription and support revenue.
- o **Non-IFRS Operating Margin:** On an IAS 18 non-IFRS basis, our operating margin was 31.8% for 2018, compared to 32.0% in 2017. We improved the underlying organic operating margin by about 70 basis points (compared to 40 basis points organic improvement expected), largely absorbing acquisition dilution of about 80 basis points. Currency had a negative impact of about 10 basis points.
- o **Non-IFRS Net income per diluted share:** We outlined an objective of 11% to 13% growth (€2.98 to €3.02) as reported or about 16% to 17% growth at constant currencies. We reported IAS 18 non-IFRS net income per diluted share of €3.11 for 2018, up 16% as reported or 20% at constant currency, driven largely by our operating and financial performance, and to a lesser extent a 5-point tax rate benefit.

Definitions of Key Metrics We Use

Information in Constant Currencies

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

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

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

Information on Growth excluding acquisitions ("organic growth")

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

Information on Industrial Sectors

In 2018, our global customer base includes companies in the following 12 industrial sectors: Transportation & Mobility; Industrial Equipment; Aerospace & Defense; Financial & Business Services; High-Tech; Life Sciences; Energy, Process & Utilities; Consumer Goods & Retail; Natural Resources; Architecture, Engineering & Construction; Consumer Packaged Goods & Retail and Marine & Offshore. Commencing in 2012 the Company implemented an industry go-to-market strategy with the dual objectives of broadening and deepening its presence in its largest industries as well as increasing the contribution from a diversified set of industrial sectors. "Diversification Industries" include: Architecture, Engineering & Construction; Consumer Goods & Retail; Consumer Packaged Goods & Retail; Energy, Process & Utilities; Finance Business Services; High-Tech; Life Sciences; Marine & Offshore; and Natural Resources. "Core Industries" include: Transportation & Mobility, Industrial Equipment, Aerospace & Defense and a portion of Business Services.

For 2019 the Company has regrouped several of its Diversification industries reflecting natural synergies. See paragraph 1.5.2.1 "Industries and Customers" for further information.

3DEXPERIENCE Licenses Revenue and Software Revenue Contribution

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

3.1.1.2 Supplemental Non-IFRS Financial Information

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

In evaluating and communicating our results of operations, we supplement our financial results reported on an IFRS basis with non-IFRS financial data. As further explained below, the supplemental non-IFRS financial information excludes the effects of: contract liabilities (deferred revenue) adjustments for acquired companies, amortization of acquired intangibles, share-based compensation expense and related social charges, other operating income and expense, net including the impairment of goodwill and other intangible assets, certain one-time items included in financial revenue 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 above and below, we believe that the supplemental non-IFRS financial information provides a consistent basis for period-to-period comparisons which can improve investors' understanding of our financial performance.

Our management uses the supplemental non-IFRS financial information, together with our IFRS financial information, for financial planning and analysis, evaluation of our operating performance, mergers and acquisition analysis and valuation, operational decision-making and for setting financial objectives for future periods. Compensation of our senior management is

based in part on the performance of our business measured with the supplemental non-IFRS information. We believe that the supplemental non-IFRS data also provides meaningful information to investors and financial analysts who use the information for comparing the Company's operating performance to its historical trends and to other companies in its industry, as well as for valuation purposes.

The supplemental non-IFRS financial information adjusts the Company's IFRS financial information to exclude:

- contract liabilities writedowns:** under IFRS, deferred revenue of an acquired company must be adjusted by writing it down to account for the fair value of obligations assumed under contracts acquired through the acquisition of the company. As a result, in the case of a typical one-year contract, the Company's IFRS revenues for the one-year period subsequent to an acquisition do not reflect the full amount of revenue on assumed contracts that would have otherwise been recorded by the acquired entity in the absence of the acquisition.

In our supplemental non-IFRS financial information, we have excluded this write-down to the carrying value of the contract liabilities, and reflect instead the full amount of such revenue. We believe that this non-IFRS measure of revenue is useful to investors and management because it reflects a level of revenue and operational results which corresponds to the combined business activities of Dassault Systèmes and the acquired company. In addition, the non-IFRS financial information provides a consistent basis for comparing its future operating performance, when no further adjustments to deferred revenue are required, against recent results.

However, by excluding the deferred revenue adjustment, the supplemental non-IFRS financial information reflects the total revenue that would have been recorded by the acquired entity but may not reflect the total cost associated with generating the non-IFRS revenue;

- amortization of acquired intangibles, including amortization of acquired technology:** under IFRS, the cost of acquired intangible assets, whether acquired through acquisitions of companies or of technology or certain other intangible assets, must be recognized according to the assets' fair value and amortized over their useful life.

In its supplemental non-IFRS financial information, the Company has excluded the amortization related to acquired intangibles in order to provide a consistent basis for comparing its historical results. Costs related to internally developed technology are typically expensed as incurred. For example, because it typically incurs most of its R&D costs prior to reaching technical feasibility, its R&D costs are expensed in the period in which they are incurred. By excluding the

amortization expenses related to acquired intangibles, the supplemental non-IFRS financial information provides a uniform approach for evaluating the development cost of all the Company's technology, whether developed internally or acquired externally. As a result, the Company believes that the supplemental non-IFRS financial information offers investors a useful basis for comparing its historical results.

However, the acquired intangible assets whose amortization costs are excluded contributed to revenue earned during the period, and it may not have been possible to earn such revenue without such assets. In addition, the annual amortization of acquired intangibles is a recurring expense until they are fully amortized;

○ **share-based compensation expense and related social charges:** under IFRS, the Company is required to recognize in its income statement all share-based payments to employees, including grants of employee stock options and performance shares, based on their fair values over the period that an employee provides service in exchange for the award.

The Company excludes this expense in its supplemental non-IFRS financial information as financial analysts and investors use a valuation model which may not take into account its share-based compensation expense. The exclusion of share-based compensation expense in the Company's supplemental non-IFRS financial information therefore helps them ensure the consistency of their valuation metrics. The Company's management considers the supplemental non-IFRS information which excludes share-based compensation expense when reviewing the Company's operating performance, since share-based compensation expenses can fluctuate due to factors other than the level of its business activity or operating performance.

However, share-based compensation is one component of employee compensation. By excluding share-based compensation expense, the supplemental non-IFRS financial information does not reflect the Company's full cost of attracting, motivating and retaining its personnel. Share-based compensation expense is a recurring expense;

○ **other operating income and expense, net:** under IFRS, the Company has recognized certain other operating income and expense comprised of the impact of costs incurred in connection with the voluntary early retirement plan, restructuring activities, gains or losses on sale of subsidiaries, impairment of goodwill or acquired intangible assets, costs directly related to acquisitions and costs related to site closings and reorganization of the Group's premises.

In its supplemental non-IFRS financial information, the Company excludes other operating income and expense effects because of their unusual, infrequent or generally non-recurring nature. As a result, the Company believes that its supplemental non-IFRS financial information helps investors better understand the current trends in its operating performance.

However, other operating income and expense are components of the Company's income and expense and by excluding them the supplemental non-IFRS financial information excludes their impact to its net income;

○ **certain one-time items included in financial revenue and other, net:** under IFRS, the Company has recognized certain one-time items in financial revenue and other, net comprised of the impact of discontinued hedge accounting for interest rate swaps, gains and losses on disposals of non-consolidated equity investments and the expense recognized following the impairment of non-consolidated equity investments.

In its supplemental non-IFRS financial information, the Company excludes certain one-time items included in financial revenue and other, net because of their unusual, infrequent or generally non-recurring nature. As a result, the Company believes that its supplemental non-IFRS financial information helps investors better understand the current trends in its operating performance.

However, these one-time items included in financial revenue and other, net are components of the Company's income and expense and by excluding them the supplemental non-IFRS financial information excludes their impact to its net income;

○ **certain one-time tax effects:** The Company's IFRS financial statements reflect the impact of one-time tax effects, such as restructurings of activities or tax remeasurement effects, which may result in immediate adjustment of the income tax provision.

In its supplemental non-IFRS financial information, the Company has excluded these one-time tax effects because of their unusual nature in qualitative terms. The Company does not expect such tax effects to occur as part of its normal business on a regular basis. As a result, the Company believes that by excluding these one-time tax impacts, its supplemental non-IFRS financial information helps investors understand the current trends in its operating performance. The Company also believes that the exclusion of certain one-time tax effects facilitates a comparison of its effective tax rate between different periods.

However, these one-time tax effects are a component of the Company's income tax expense. By excluding these effects, the supplemental non-IFRS financial information understates or overstates the Company's income tax expense. These one-time tax effects are not a recurring expense.

The following table sets forth the Company's supplemental non-IFRS financial information under IFRS 15 together with the comparable IFRS financial measure and a reconciliation of the IFRS and non-IFRS information.

IFRS 15 IFRS – NON-IFRS RECONCILIATION

(in millions of euros, except percentages and per share data)

	2018 IFRS	Adjustment ⁽¹⁾	2018 non-IFRS
Total Revenue	€3,477.4	€13.7	€3,491.1
Total revenue by activity			
Software revenue	3,081.8	12.0	3,093.9
Services revenue	395.6	1.6	397.2
Total revenue by geography			
Americas	1,001.3	8.7	1,010.0
Europe	1,524.3	3.2	1,527.5
Asia	951.8	1.8	953.6
Total software revenue by product line			
CATIA software revenue	1,028.6	2.5	1,031.0
ENOVIA software revenue	358.5	–	358.5
SOLIDWORKS software revenue	742.5	–	742.5
Other software revenue	952.3	9.6	961.9
Total Operating Expenses	2,709.2	(330.5)	2,378.6
Share-based compensation expense	(120.6)	120.6	–
Amortization of acquired intangibles	(171.6)	171.6	–
Other operating income and expense, net	(38.4)	38.4	–
Operating Income	768.2	344.3	1,112.5
Operating Margin	22.1%		31.9%
Financial revenue and other, net	15.5	0.8	16.3
Income before Income Taxes	783.8	345.0	1,128.8
Income tax expense	(220.4)	(98.6)	(319.0)
<i>(of which certain one-time tax effects)</i>	<i>(3.5)</i>	<i>3.5</i>	<i>–</i>
Non-controlling interest	6.0	(3.3)	2.7
Net Income attributable to shareholders	€569.4	€243.0	€812.5
Diluted Net Income per Share⁽²⁾	€2.18	€0.94	€3.12

(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, net including impairment of goodwill and acquired intangible assets of €22 million in 2018 (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.

(2) Based on a weighted average of 260.8 million diluted shares for 2018.

(in millions of euros)

	2018 IFRS	Adjustment	2018 non-IFRS
Cost of revenue	€ 510.9	€(4.8)	€506.1
Research and development	631.1	(47.1)	584.1
Marketing and sales	1,069.8	(31.0)	1,038.8
General and administrative	287.4	(37.7)	249.7
Total share-based compensation expense		(120.6)	

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

IAS 18
IFRS – NON-IFRS RECONCILIATION

<i>(in millions of euros, except percentages and per share data)</i>	Year ended December 31,						% Change	
	2018 IFRS	Adjustment ⁽¹⁾	2018 non-IFRS	2017 IFRS	Adjustment ⁽¹⁾	2017 non-IFRS	IFRS	non-IFRS ⁽²⁾
Total Revenue	€3,474.3	€13.7	€3,488.0	€3,228.0	€14.0	€3,242.0	8%	8%
Total revenue by activity								
Software revenue	3,078.7	12.0	3,090.8	2,869.3	13.9	2,883.2	7%	7%
Services revenue	395.6	1.6	397.2	358.7	0.1	358.8	10%	11%
Total revenue by geography								
Americas	1,010.6	8.7	1,019.3	977.3	4.8	982.1	3%	4%
Europe	1,513.4	3.2	1,516.6	1,398.5	8.0	1,406.5	8%	8%
Asia	950.2	1.8	952.1	852.2	1.2	853.4	12%	12%
Total software revenue by product line								
CATIA software revenue	1,028.3	2.5	1,030.8	1,004.9	–	1,004.9	2%	3%
ENOVIA software revenue	358.7	–	358.7	321.9	–	321.9	11%	11%
SOLIDWORKS software revenue	746.1	–	746.1	695.8	–	695.8	7%	7%
Other software revenue	945.6	9.6	955.2	846.7	13.9	860.6	12%	11%
Total Operating Expenses	2,709.2	(330.6)	2,378.6	2,499.0	(294.1)	2,204.9	8%	8%
Share-based compensation expense	(120.6)	120.6	–	(103.9)	103.9	–		
Amortization of acquired intangibles	(171.6)	171.6	–	(160.3)	160.3	–		
Other operating income and expense, net	(38.4)	38.4	–	(29.9)	29.9	–		
Operating Income	765.1	344.3	1,109.4	729.0	308.1	1,037.1	5%	7%
Operating Margin	22.0%		31.8%	22.6%		32.0%		
Financial revenue and other, net	15.5	0.8	16.3	22.4	(20.7)	1.7		
Income before Income Taxes	780.7	345.0	1,125.7	751.4	287.4	1,038.8	4%	8%
Income tax expense	(218.7)	(98.6)	(317.3)	(231.3)	(113.9)	(345.2)	(5%)	(8%)
<i>(of which certain one-time tax effects)</i>	(3.5)	3.5	–	(22.8)	22.8	–		
Non-controlling interest	6.0	(3.3)	2.7	(0.7)	–	(0.7)		
Net Income attributable to shareholders	€568.0	€243.1	€811.1	€519.4	€173.5	€692.9	9%	17%
Diluted Net Income per Share⁽³⁾	€2.18	€0.93	€3.11	€2.01	€0.67	€2.68	8%	16%

(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, net including impairment of goodwill and acquired intangible assets of €22 million in 2018 (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 of euros)</i>	Year ended December 31,					
	2018 IFRS	Adjustment	2018 non-IFRS	2017 IFRS	Adjustment	2017 non-IFRS
Cost of revenue	€ 510.9	€(4.8)	€506.1	€ 473.9	€(4.1)	€469.8
Research and development	631.1	(47.1)	584.1	576.6	(41.6)	535.0
Marketing and sales	1,069.8	(31.0)	1,038.8	1,015.0	(36.6)	978.4
General and administrative	287.4	(37.7)	249.7	243.3	(21.6)	221.7
Total share-based compensation expense		(120.6)			(103.9)	

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

(3) Based on a weighted average of 260.8 million diluted shares for 2018 and 258.3 million diluted shares for 2017

3.1.1.3 Critical Accounting Principles

Our consolidated financial statements have been prepared in accordance with IFRS. The preparation of these financial statements requires us to make certain assumptions and estimates. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies, among others, involve the more significant assumptions and estimates used in the

preparation of its consolidated financial statements: revenue recognition, share-based payments, purchase price allocation for business combinations, goodwill and other intangible assets, income taxes and reasonable estimates about the ultimate resolution of the Company's tax uncertainties. See Note 2 to the consolidated financial statements for a description of these accounting policies.

3.1.2 Consolidated Information: Financial Review of 2018 Compared to 2017

Revenue

Our total revenue is comprised of (i) software revenue, which is our primary source of revenue, and (ii) services revenue. For the year ended December 31, 2018 software revenue represented 88.6% (88.9% in FY17) and services revenue represented 11.4% (11.1% in FY17) of our IAS 18 IFRS total revenue.

We implemented IFRS 15 effective as of January 1, 2018. While the implementation resulted in some quarterly variation compared to under IAS 18, the prior standard, it did not have a material impact on overall 2018 financial results. Specifically, for the full year 2018 total revenue and software revenue were both €3.1 million (IFRS and non-IFRS) higher under IFRS 15.

(in millions of euros)	For the Year Ended December 31,					
	IFRS 15 Basis 2018	Difference	IAS 18 Basis 2018	IAS 18 Basis 2017	IAS 18 Change	IAS 18 Change in cc ¹
Total Revenue*	€3,477.4	€(3.1)	€3,474.3	€3,228.0	7.6%	10%
Total Software Revenue	3,081.8	(3.1)	3,078.7	2,869.3	7.3%	10%
• Licenses and Other software	918.5	5.0	923.5	855.8	7.9%	11%
• Subscription and Support revenue	2,163.3	(8.0)	2,155.3	2,013.5	7.0%	10%
Americas total Revenue	1,001.3	9.3	1,010.6	977.3	3.4%	8%
Europe total Revenue	1,524.3	(10.9)	1,513.4	1,398.5	8.2%	9%
Asia total Revenue	951.8	(1.6)	950.2	852.2	11.5%	15%
Services Revenue	€395.6	-	€395.6	€358.7	10.3%	13%

* Our largest national markets as measured by total revenue were the United States, Germany, Japan, France and the United Kingdom for the years ended December 31, 2018 and 2017.

On an IAS 18 basis and in constant currencies, total revenue increased 10% (IFRS and non-IFRS) on strong growth in software revenue and services revenue on an organic basis. Acquisitions contributed three points to the total revenue growth.

Software Revenue

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

Our software applications are principally licensed pursuant to one of two payment structures: (i) licenses, for which

the customer pays an initial or one-time fee for a perpetual license or (ii) subscription revenue for which the customer pays periodic fees to keep the license active. Support revenue represents periodic fees associated with the sale of unspecified product updates on a when-and-if-available basis and technical support. Subscription licenses entitle the customer to product updates without additional charge and to technical support. Product updates include improvements to existing products but do not cover new products. Other software revenue is comprised of the Company's product development revenue relating to the development of additional functionalities of standard products requested by customers and reinstated maintenance.

(in millions of euros, except percentages)	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Software revenue by type:			
Licenses and Other software revenue	€918.5	€923.5	€855.8
Subscription and Support revenue	2,163.3	2,155.3	2,013.5
Total software revenue	€3,081.8	€3,078.7	€2,869.3
(as % of total revenue)	88.6%	88.6%	88.9%

On an IAS 18 basis and in constant currencies: Total software revenue increased 10% (IFRS and non-IFRS) with double-digit growth for SOLIDWORKS, ENOVIA, SIMULIA and DELMIA and 4% growth for CATIA. Licenses and other software revenue increased 11% (IFRS and non-IFRS). Non-IFRS recurring software revenue (subscription and support revenue) increased 9% in total, with double-digit subscription revenue growth including acquisitions, and continued high support renewal rates on a global basis. On an organic basis and constant currencies, total non-IFRS software revenue increased 7% with licenses and other software revenue higher by 9% and recurring software revenue up 6%.

Non-IFRS recurring software revenue represented 70% of total software revenue in 2018, stable compared to 2017.

Services Revenue

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

<i>(in millions of euros, except percentages)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Services revenue	€395.6	€395.6	€358.7
(as % of total revenue)	11.4%	11.4%	11.1%

IAS 18 IFRS services revenue increased 10.3% as reported on strong organic growth as well as acquisition contributions, partially offset by unfavorable currency impacts of approximately 3 percentage points.

On a IAS 18 non-IFRS basis, services revenue increased 10.7% as reported and 14% in constant currencies, reflecting strong growth in 3DEXPERIENCE related services activity as well as a 6 percentage point contribution from acquisitions, offset principally by lower marketing related services engagement revenue. The non-IFRS services revenue gross margin slightly improved to 12.9% for 2018 compared to 12.7% for 2017.

Operating Expenses Summary

Our operating expenses for the year ended December 31, 2018 are identical under IFRS 15 and under former IAS 18 standard because the Company has elected to continue to expense sales commissions. We therefore do not defer any sales commission accounting.

<i>(in millions of euros)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
IFRS Operating expenses	€2,709.2	€2,709.2	€2,499.0
Non-IFRS adjustments:			
Amortization of acquired intangibles	(330.6)	(330.6)	(294.1)
Share-based compensation expenses and related social charges	171.6	171.6	160.3
Other operating income and expense, net	120.6	120.6	103.9
	38.4	38.4	29.9
Non-IFRS operating expenses	€2,378.6	€2,378.6	€2,204.9

IFRS operating expenses increased 8.4% or €210.2 million to €2,709.2 million. Non-IFRS operating expenses increased 7.9% or €173.8 million to €2,378.6 million, and were mainly driven by higher expenses for sales increasing 9.5%, for R&D up 9.2%, for cost of services up 10.4% and for G&A increasing 12.6%, offset in part by lower marketing expenses.

Non-IFRS operating expenses increased approximately 10% at constant currency, with organic growth accounting for 6 percentage points and acquisitions representing 4 percentage points.

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 and depreciation of acquired intangibles, (ii) share-based compensation expense and related social charges, and (iii) other operating income and (expense), net including impairment of goodwill and acquired intangible assets. With respect to share-based compensation expenses and related social charges the increase of €16.7 million in 2018 compared to 2017 principally reflects the increase in the average Dassault Systèmes share price.

For the reconciliation of this non-IFRS financial information with information set forth in our financial statements and the notes thereto, see paragraph 3.1.1.2 "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 (excluding amortization of acquired intangibles)

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.

(in millions of euros, except percentages)	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Cost of software revenue (excluding amortization of acquired intangibles)	€162.0	€162.0	€158.2
(as % of total revenue)	4.7%	4.7%	4.9%

IFRS cost of software revenue (excluding amortization of acquired intangibles) increased 2.4%.

Non-IFRS cost of software revenue totaled €160.0 million, representing an increase of 2.3%. The increase in non-IFRS cost of software principally reflected higher cloud hosting costs including from acquisitions, offset in part by lower third-party software components royalties. Currency effect had a favorable impact on the growth of cost of software of approximately 2.5 percentage points.

Cost of Services Revenue

The cost of services revenue includes principally personnel and other costs related to organizing and providing consulting.

(in millions of euros, except percentages)	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Cost of services revenue	€348.8	€348.8	€315.7
(as % of total revenue)	10.0%	10.0%	9.8%

IFRS cost of services and other revenue increased 10.5%, principally driven by higher headcount on increased activity and to a lesser extent by external growth. Non-IFRS costs of services and other revenue totaled €346.1 million, representing an increase of 10.4% driven by the same factors. Currency had a beneficial impact of approximately 2.5 percentage points.

Research and development expenses

We conduct our research and development activities 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 computer hardware used in R&D including cloud infrastructure, development tools, computer networking and communication expenses.

Costs for R&D of software are expensed in the period in which they are incurred. We do 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 received from various governmental authorities to fund certain R&D projects as well as R&D tax credits received in France.

(in millions of euros, except percentages)	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Research and development expenses	€631.1	€631.1	€576.6
(as % of total revenue)	18.1%	18.2%	17.9%

IFRS research and development expenses increased 9.5%, reflecting change in perimeter from acquisitions as well as higher personnel organic growth.

Non-IFRS research and development expenses totaled €584.1 million and increased 9.2%, reflecting higher personnel costs including headcount growth and slightly higher cloud costs, as well as lower government grants in the amount of €30.8 million in 2018 compared to €36.1 million in 2017. On an organic basis and at constant currency, non-IFRS research and development expenses increased 5%. Currency had a favorable impact of approximately 2 percentage points on the growth of R&D expenses.

Marketing and Sales Expenses

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

(in millions of euros, except percentages)	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Marketing and sales expenses	€1,069.8	€1,069.8	€1,015.0
(as % of total revenue)	30.8%	30.8%	31.4%

Marketing and sales expenses increased 5.4%, driven by growth in sales related expenses, including from acquisitions and unfavorable currency effects.

Non-IFRS marketing and sales expenses were €1.04 billion in 2018, compared to €978.4 million in 2017, increasing 6.2% in total, largely driven by growth in sales related expenses. Specifically, non-IFRS sales expenses increased 9.5% on higher personnel costs including commissions and head count growth, and from acquisitions. Non-IFRS marketing expenses decreased 4.4%, principally reflecting lower third-party costs.

On an organic basis and at constant currency, non-IFRS sales expenses increased 9% while marketing expenses decreased 5%. Currency had a benefit of approximately 3.5 percentage points on sales expense growth and represented a negative impact of approximately 2 percentage points to marketing expenses.

General and Administrative Expenses

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

<i>(in millions of euros, except percentages)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
General and administrative expenses	€287.4	€287.4	€243.3
<i>(as % of total revenue)</i>	8.3%	8.3%	7.5%

General and administrative expenses increased 18.1% or €44.1 million to €287.4 million for 2018, principally reflecting changes in scope from acquisitions as well as higher professional fees and the increase in costs related to the performance share plans whose growth is principally due to share price growth.

Non-IFRS general and administrative expenses were €249.7 million in 2018 compared to €221.7 million in 2017, increasing 12.6%, with higher finance and human resources personnel costs, including headcount growth from acquisitions as well as higher professional fees.

Currency benefited IFRS and non-IFRS general and administrative expense growth by about 1.4 percentage point.

Amortization of Acquired Intangibles

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

<i>(in millions of euros)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Amortization of acquired intangibles	€171.6	€171.6	€160.3

Amortization of acquired intangibles increased €11.3 million reflecting the full-year impact of the acquisition of Exa Corp., a simulation provider, in November 2017, and to a lesser extent, acquisitions completed during 2018. See Notes 17 and 18 to the consolidated financial statements.

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 of euros)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Other operating income (expense), net	€(38.4)	€(38.4)	€(29.9)

Other operating income (expense), net totaled €38.4 million in 2018. The increase of €8.5 million reflected impairment of goodwill and acquired intangible assets for €22.0 million (nil in 2017), offset in part by a €13.5 million reduction in acquisition, relocation, restructuring and voluntary early retirement plan costs. See Note 8 to the consolidated financial statements.

Operating Income

<i>(in millions of euros)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Operating income	€768.2	€765.1	€729.0

IAS 18 IFRS operating income increased 5.0% driven by revenue growth, offset in part by a negative currency impact of approximately 3.9 percentage points. The IAS 18 IFRS operating margin was 22.0% for 2018 compared to 22.6% for 2017.

IAS 18 non-IFRS operating income increased 7.0% as reported and 10% at constant currency and totaled €1.11 billion compared to €1.04 billion in 2017. On an IAS 18 non-IFRS basis, the operating margin was 31.8%, compared to 32.0% in 2017. We improved the underlying organic operating margin by about 70 basis points, largely absorbing acquisition dilution of about 80 basis points. Currency had a negative impact of about 10 basis points on the IAS 18 non-IFRS operating margin.

Financial revenue and other, net

Financial revenue and other include (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.

<i>(in millions of euros)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Financial revenue and other, net	€15.5	€15.5	€22.4

On an IAS 18 basis, Financial revenue and other, net totaled €15.5 million in 2018 compared to €22.4 million for 2017. The decrease reflected lower one-time other income of €18.5 million (principally composed of net gains or losses on sales of investments) largely offsetting an improvement in financial net income of €8.9 million and lower exchange losses of €2.7 million. See Note 9 to the consolidated financial statements.

IAS 18 non-IFRS financial revenue, net totaled €16.3 million, compared to €1.7 million in 2017 principally reflecting an increase in financial net income of €11.2 million and a €2.7 million lower impact from foreign currency exchange losses.

The main difference between IAS 18 IFRS and non-IFRS in 2018 was the exclusion on a non-IFRS basis of €0.8 million related to interest expense; in 2017 we excluded an accounting gain of €20.7 million related to the re-measurement of our equity investment in Outscale, a provider of enterprise-class cloud services, following the gain of majority ownership.

Income tax expense

<i>(in millions of euros, except percentages)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Income tax expense	€220.4	€218.7	€231.3
Effective consolidated tax rate	28.1%	28.0%	30.8%

IAS 18 IFRS income tax expense decreased 5.4%, principally reflecting a 2.8 percentage point decrease in the effective tax rate to 28.0% from 30.8% for 2017 mainly due to US tax law changes enacted in 2017, offset in part by the 3.9% increase of the pre-tax income.

On a non-IFRS IAS 18 basis, income tax expense decreased 8.1% to €317.3 million for 2018, compared to €345.2 million for 2017, reflecting a decrease in the non-IFRS effective tax rate to 28.2% mainly related to the same effect as 2018 IAS 18 IFRS effective tax rate, compared to 33.2% for 2017, offset in part by the growth of 8.4% in pre-tax income.

In 2017 our IAS 18 IFRS effective tax rate benefited from one-time deferred tax re-measurements related to the U.S. tax reform legislation. On an IAS 18 non-IFRS basis, we excluded the one-time deferred tax re-measurements benefit from the calculation of the non-IFRS effective tax rate.

See Note 10 to the consolidated financial statements for an explanation of the differences between the effective tax rates and the taxes computed at the statutory French tax rate of 34.43% for 2018 and 2017.

Net income attributable to shareholders and net income per diluted share

<i>(in millions of euros, except percentages)</i>	For the Year Ended December 31,		
	IFRS 15 2018	IAS 18 2018	IAS 18 2017
Net income attributable to shareholders	€569.4	€568.0	€519.4
Net income per diluted share	€2.18	€2.18	€2.01
Weighted average diluted shares outstanding	260.8	260.8	258.3

IAS 18 IFRS net income per diluted share increased 8.5% to €2.18, principally driven by an increase in operating income of 5.0% and the benefit of a lower effective tax rate, offset in part by negative currency impacts representing an estimated four points of growth.

IAS 18 non-IFRS diluted net income per share totaled €3.11, up 16.0% as reported and 20% at constant currency.

3.1.3 Variability in Quarterly Financial Results

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

Our total software revenue growth, however, is less sensitive to quarterly variation due to the significant level of recurring software revenue, which is comprised of subscription revenue and support revenue. In combination, recurring revenue represented 70% of IAS 18 IFRS total software revenue in 2018 and 2017.

We implemented IFRS 15 effective as of January 1, 2018. While the implementation was not expected to and did not have a material impact on overall growth rates for the full fiscal year, it had the expected variation in quarterly revenue recognition, more specifically for subscription revenue within recurring software revenue. Since a higher proportion of our subscription contracts renew as of January 1st and are for an annual period, we recorded a higher percentage in the first quarter, leading to a slightly different quarterly seasonality pattern for recurring software revenue under IFRS 15 compared to under IAS 18 as presented in the following table:

	For the Year Ended December 31,				
	1Q 2018	2Q 2018	3Q 2018	4Q 2018	FY 2018
Software Recurring revenue <i>(in millions of euros)</i>					
IAS 18 (Non-IFRS)	507.2	533.7	549.5	576.9	2,167.3
Seasonality %	23%	25%	25%	27%	100%
IFRS 15 (Non-IFRS)	557.9	525.5	527.5	564.4	2,175.3
Seasonality %	26%	24%	24%	26%	100%
IFRS 15 / IAS 18 difference	+50.8	(8.3)	(22.1)	(12.4)	+8.0

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

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

In 2018, IFRS 15 total revenue for the fourth, third, second and first quarters represented, respectively, 29.5% (28.2% in 2017 under IAS 18), 23.1% (23.3% in 2017 under IAS 18), 23.8% (25.0% in 2017 under IAS 18) and 23.5% (23.5% in 2017 under IAS 18) of the Company's total revenue for the year.

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

3.1.4 Capital Resources

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

Our net financial position totaled €1.81 billion at December 31, 2018, compared to €1.46 billion at December 31, 2017, with an increase in cash, cash equivalents and short-term investments increasing from €2.46 billion to €2.81 billion, less debt related to credit lines of €1.0 billion.

In 2018 our principal sources of liquidity were cash from operations of €898.6 million, and proceeds from the exercise of stock options amounting to €69.9 million. During 2018 cash obtained from operations was used principally to fund acquisitions, net of cash acquired of €251.6 million, and non-controlling interests of €101.5 million; to repurchase shares in the amount of €206.3 million; to distribute cash dividends aggregating €38.0 million (based upon the shareholders electing to receive cash); and capital expenditures, net of €72.4 million.

In 2017 our principal sources of liquidity were cash from operations of €745.0 million, and proceeds from the exercise of stock options amounting to €62.4 million. During 2017 our uses of cash were principally for payment for acquisitions, net of cash acquired of €338.2 million and for acquisition of

non-controlling interests of €37.5 million; shares repurchases of €133.0 million, cash dividends of €51.3 million (based upon the shareholders electing payment of the dividend in cash), and capital expenditures, net of €84.5 million.

Exchange rate fluctuations had a positive translation effect, on cash and cash equivalent balances, of €65.3 million as of December 31, 2018, and had a negative translation effect on cash and cash equivalent balances of €195.4 million as of December 31, 2017.

The Company follows a conservative policy for investing its cash resources, mostly relying on short-term maturity investments. Investment rules are defined by our financial management team and controlled centrally.

See also the Consolidated Statements of Cash Flows in paragraph 4.1.1 "Consolidated Financial Statements".

3.2 Financial Objectives

We outlined our initial 2019 non-IFRS financial objectives on February 6, 2019 at the time of the release of our unaudited annual financial results for 2018 and are confirming them as of the date of this report.

Our objectives are subject to the assumptions and cautionary statements set forth below and are subject to revision, as market and business conditions as well as currency exchange rates evolve during 2019.

Our initial 2019 financial objectives are prepared and communicated only on a non-IFRS basis, are presented in accordance with IFRS 15, which we implemented commencing January 1st, 2018 and IFRS 16 which we implemented commencing January 1st, 2019 and are as follows:

- 2019 non-IFRS revenue growth objective range of about 10% to 11% in constant currencies at €3.81 billion to €3.84 billion reflecting the principal 2019 currency exchange rate assumptions below for the U.S. dollar and Japanese yen as well as the potential impact from additional fluctuations of currencies representing about 18% of our total revenue in 2018;
- 2019 non-IFRS operating margin of about 32.0% to 32.5% compared to 31.9% in 2018 reflecting an increase in the organic operating margin at constant currency as well as an estimated 30 basis points benefit from IFRS 16, which are expected to more than offset the estimated dilutive

impact of the acquisitions completed and included in our financial objectives;

- 2019 non-IFRS earnings per share of about €3.35 to €3.40, representing a growth objective of about 7% to 9% or about 9 to 11% at constant currency based upon the exchange rate assumptions below;
- These financial objectives are based upon an average exchange rate assumption of U.S. dollar 1.19 per euro for 2019 and Japanese yen of 130.0 per euro for 2019.

The 2019 annual non-IFRS objectives set forth above do not take into account the following accounting elements and are based upon the 2019 currency exchange rate assumptions above: contract liabilities write-downs currently estimated at approximately €6 million; share-based compensation expense, including related social charges, currently estimated at approximately €105 million and amortization expense for acquired intangibles currently estimated at approximately €177 million. These objectives do not include any impact from other operating income and expense, net principally comprised of acquisition, integration and restructuring expenses and impairment of goodwill and acquired intangible assets; from one-time items included in financial revenue; from one-time tax effects; and from the income tax effects of these non-IFRS adjustments. These estimates do not include any new stock option or share grants, or any new acquisitions or restructurings completed after February 6, 2019.

As noted above as of January 1st, 2019, we adopted the new accounting standard IFRS 16 Leases, under the modified retrospective method. Under this method, the transition effect is accounted for within the consolidated equity at the date of initial application, therefore the prior year comparative information is not adjusted. The estimated impacts based on the leases contracts at the date of initial application are the following:

- At January 1st, 2019, Recognition in the balance sheet of Right of Use Assets of about €390 million and of Lease Liabilities for around €470 million;
- For the Full Year 2019, with a pattern almost linear throughout the quarters:
 - Improvement in the operating margin estimated at €11 million;
 - Decrease in financial income net estimated at €13 million;
 - Effect on pre-tax net result estimated at €(2) million.

These estimated impacts on our future performances are factored in the 2019 financial objectives.

We set on June 13, 2014 a mid-term objective to double our addressable market and grow our non-IFRS EPS to about €3.50 for 2019. Since 2014, our addressable market has more than doubled and our addressable software market has increased almost three-fold. At our Capital Markets Day in June 2018 we provided our expectation that our organic growth could drive non-IFRS EPS to about €3.30 per share with the pipeline of acquisitions contributing a potential €0.20. Based upon our initial non-IFRS earnings per share objective for 2019 of €3.35

to €3.40, we remain confident in our expectations to reach a 2019 non-IFRS earnings per share significantly in line with our 2014-2019 non-IFRS earnings per share growth target.

In conjunction with our 2018 Capital Markets Day, we introduced a 2018-2023 plan targeting to double our non-IFRS EPS, to a goal of about €6.00, comprised of about €5.00 on an organic basis and an estimated €1.00 from potential new acquisitions and our Marketplace initiatives. From a revenue perspective, principal growth drivers already in action include the **3DEXPERIENCE** software cycle, our expanding global footprint bringing diversification and balance by industry and geography, and new usage opportunities with the Cloud. Complementing our principal growth drivers are new initiatives, including our Marketplace activities and potential acquisitions in close connection with our purpose.

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

The information above includes statements that express objectives for our future financial performance. Such forward-looking statements are based on our management's views and assumptions as of the date of this Annual Report and involve known and unknown risks and uncertainties. Our actual results or performance may be materially negatively affected and differ materially from those in such statements due to a range of factors as described in this Annual Report. For more information regarding the risks we face, see paragraph 1.7 "Risk factors".

3.3 Interim and Other Financial Information

Dassault Systèmes has not published any quarterly or half-year financial information since the date of its last audited financial statements.

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FINANCIAL STATEMENTS

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The consolidated and parent company financial statements below will be submitted for approval at the General Meeting of Shareholders of Dassault Systèmes scheduled for March 20, 2019.

4.1 Consolidated Financial Statements

In compliance with article 28 of the European Regulation no. 809/2004 of the European Commission, the consolidated financial statements for 2017 and 2016 are incorporated by reference in this Annual Report as stated on page 2 hereof.

4.1.1 Consolidated Financial Statements

Consolidated Statements of Income

<i>(in millions of euros, except per share data)</i>	Notes	Year ended December 31,	
		2018	2017*
Licenses revenue and other software revenue		€918.5	€855.8
Subscription and support revenue		2,163.3	2,013.5
Software revenue	4	3,081.8	2,869.3
Services revenue		395.6	358.7
TOTAL REVENUE		3,477.4	3,228.0
Cost of software revenue		(162.0)	(158.2)
Cost of services revenue		(348.8)	(315.7)
Research and development		(631.1)	(576.6)
Marketing and sales		(1,069.8)	(1,015.0)
General and administrative		(287.4)	(243.3)
Amortization of acquired intangibles		(171.6)	(160.3)
Other operating income and expense, net	8	(38.4)	(29.9)
OPERATING INCOME		768.2	729.0
Interest income and expense, net	9	21.9	13.0
Other financial income and expense, net	9	(6.4)	9.4
INCOME BEFORE INCOME TAXES		783.8	751.4
Income tax expense	10	(220.4)	(231.3)
NET INCOME		€563.4	€520.1
Attributable to:			
Equity holders of the Company		€569.4	€519.4
Non-controlling interest		€(6.0)	€0.7
Earnings per share			
Basic net income per share	11	€2.20	€2.04
Diluted net income per share	11	€2.18	€2.01

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

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

Consolidated Statements of Comprehensive Income

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017*
NET INCOME		€563.4	€520.1
Gains on available for sale securities		–	4.1
Gains on cash flow hedges	23	(11.8)	6.6
Foreign currency translation adjustment		127.6	(337.8)
Income tax on items to be reclassified		4.1	(2.5)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		119.8	(329.7)
Remeasurements of defined benefit pension plans	22	(5.5)	6.1
Income tax on items not being reclassified		1.0	(2.1)
Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax		(4.5)	4.1
OTHER COMPREHENSIVE INCOME, NET OF TAX		115.3	(325.6)
TOTAL COMPREHENSIVE INCOME, NET OF TAX		€678.7	€194.5
Attributable to:			
Equity holders of the Company		€682.4	€194.3
Non-controlling interest		€(3.7)	€0.2

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

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

Consolidated Balance Sheets

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017*
Assets			
Cash and cash equivalents	12	€2,809.3	€2,459.4
Short-term investments	12	0.6	1.3
Trade accounts receivable, net	13	1,044.1	895.9
Contract assets	13	26.5	-
Income tax receivable		136.3	74.5
Other current assets	13	185.0	168.3
TOTAL CURRENT ASSETS		4,201.8	3,599.5
Property and equipment, net	14	178.2	169.0
Non-current financial assets	15	167.5	162.3
Deferred tax assets	10	164.2	108.9
Intangible assets, net	17	1,137.8	1,066.4
Goodwill	18	2,124.5	1,923.7
TOTAL NON-CURRENT ASSETS		3,772.2	3,430.3
TOTAL ASSETS		€7,974.0	€7,029.8
Liabilities and equity			
Trade accounts payable		€161.7	€149.3
Accrued compensation and other personnel costs		399.9	325.7
Contract liabilities - Unearned revenue	13	907.5	876.4
Borrowings, current	20	350.0	-
Income tax payable		37.3	18.4
Other current liabilities	19	166.4	157.6
TOTAL CURRENT LIABILITIES		2,022.8	1,527.4
Deferred tax liabilities	10	262.8	186.6
Borrowings, non-current	20	650.0	1,000.0
Other non-current liabilities	19	412.6	319.7
TOTAL NON-CURRENT LIABILITIES		1,325.4	1,506.3
Common stock		131.4	130.5
Share premium		766.3	645.8
Treasury stock		(353.8)	(312.3)
Retained earnings and other reserves		3,949.3	3,579.0
Other items		68.8	(48.7)
Parent shareholders' equity		4,561.9	3,994.2
Non-controlling interest		63.9	1.9
TOTAL EQUITY	23	4,625.9	3,996.0
TOTAL LIABILITIES AND EQUITY		€7,974.0	€7,029.8

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

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

Consolidated Statements of Cash Flows

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017*
Net income		€563.4	€520.1
Adjustments for non-cash items	24	390.5	214.4
Changes in operating assets and liabilities	24	(55.3)	10.5
Net cash provided by operating activities		898.6	745.0
Additions to property, equipment and intangibles	14, 17	(72.4)	(84.5)
Purchases of short-term investments		(42.8)	(57.9)
Proceeds from sales and maturities of short-term investments		43.4	109.0
Payment for acquisition of businesses, net of cash acquired	16	(251.6)	(338.2)
Other		0.2	4.2
Net cash used in investing activities		(323.2)	(367.4)
Proceeds from exercise of stock options		69.9	62.4
Cash dividends paid	23	(38.0)	(51.3)
Repurchase of treasury stock	23	(206.3)	(133.0)
Acquisition of non-controlling interests	24	(101.5)	(37.5)
Repayment of borrowings		(14.9)	-
Net cash used in financing activities		(290.8)	(159.4)
Effect of exchange rate changes on cash and cash equivalents		65.3	(195.4)
INCREASE IN CASH AND CASH EQUIVALENTS		349.9	22.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,459.4	2,436.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD		€2,809.3	€2,459.4
Supplemental disclosure			
Income taxes paid		€170.6	€210.1
Cash paid for interest		€13.0	€12.0

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

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

Consolidated Statements of Shareholders' Equity

<i>(in millions of euros)</i>	Note	Common stock	Share premium	Treasurystock	Retained earnings and other reserves	Other items	Parent shareholders' equity	Non-controlling interest	Total Equity
JANUARY 1, 2017*		€129.0	€500.1	€(222.9)	€3,227.3	€226.7	€3,860.2	€22.6	€3,882.8
Net income		-	-	-	519.4	-	519.4	0.7	520.1
Other comprehensive income, net of tax		-	-	-	-	(325.1)	(325.1)	(0.5)	(325.6)
COMPREHENSIVE INCOME, NET OF TAX		-	-	-	519.4	(325.1)	194.3	0.2	194.5
Dividends	23	0.5	82.7	-	(134.5)	-	(51.3)	-	(51.3)
Exercise of stock options		1.0	63.0	-	-	-	64.0	-	64.0
Treasury stock transactions		-	-	(89.4)	(43.6)	-	(133.0)	-	(133.0)
Share-based payments	6	-	-	-	92.5	-	92.5	-	92.5
Transactions with non-controlling interests		-	-	-	(47.9)	-	(47.9)	(20.9)	(68.8)
Other changes		-	-	-	15.3	-	15.3	-	15.3
DECEMBER 31, 2017*		€130.5	€645.8	€(312.3)	€3,628.6	€(98.4)	€3,994.2	€1.9	€3,996.0
Adjustment on initial application of IFRS 15 (net of tax)	2	-	-	-	80.4	-	80.4	-	80.4
JANUARY 1, 2018 ADJUSTED BALANCE		130.5	645.8	(312.3)	3,709.1	(98.4)	4,074.6	1.9	4,076.4
Net income		-	-	-	569.4	-	569.4	(6.0)	563.4
Other comprehensive income, net of tax		-	-	-	-	113.0	113.0	2.4	115.3
COMPREHENSIVE INCOME, NET OF TAX		-	-	-	569.4	113.0	682.4	(3.7)	678.7
Dividends	23	0.5	111.8	-	(150.4)	-	(38.0)	-	(38.0)
Exercise of stock options		0.7	67.9	-	-	-	68.6	-	68.6
Treasury stock transactions		(0.4)	(59.3)	(41.4)	(105.3)	-	(206.3)	-	(206.3)
Share-based payments	6	-	-	-	83.4	-	83.4	-	83.4
Transactions with non-controlling interests	16	-	-	-	(133.5)	-	(133.5)	65.7	(67.8)
Other changes		-	-	-	30.7	-	30.7	-	30.7
DECEMBER 31, 2018		€131.4	€766.3	€(353.8)	€4,003.5	€14.6	€4,561.9	€63.9	€4,625.9

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

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

Analysis of changes in shareholders' equity related to components of the other comprehensive income

<i>(in millions of euros)</i>	Available-for-sale securities	Cash flow hedges	Foreign currency translation adjustment	Actuarial gains and losses	Parent shareholders' equity	Non-controlling interest	Total other comprehensive income
JANUARY 1, 2017	-	€0.5	€279.9	€(53.7)	€226.7	€(0.9)	€225.8
Variations	3.4	4.8	(337.3)	4.1	(325.1)	(0.5)	(325.6)
DECEMBER 31, 2017	€3.4	€5.2	€(57.3)	€(49.7)	€(98.4)	€(1.5)	€(99.8)
Variations	-	(7.7)	125.2	(4.5)	113.0	2.4	115.3
DECEMBER 31, 2018	€3.4	€(2.5)	€67.9	€(54.2)	€14.6	€0.9	€15.5

Notes to the Consolidated Financial Statements for Years Ended December 31, 2018 and 2017

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Note 1 Description of Business

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

In 2018, the Company’s global customer base includes companies 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. 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 consolidated financial statements were established by The Board of Directors on March 20, 2019.

Note 2 Summary of Significant Accounting Policies

Basis of preparation and consolidation

The accompanying consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union as of December 31, 2018.

The consolidated financial statements are presented in millions of euros except where otherwise indicated. Some total rounding difference may occur.

The consolidated financial statements include the accounts of Dassault Systèmes SE and its subsidiaries. Companies over which the Company has control are fully consolidated. The Group controls an entity when (i) it has power over this entity, (ii) is exposed to or has rights to variable returns from its involvement with that entity, and (iii) has the ability to use its power over that entity to affect the amount of those returns. Companies over which the Company exercises significant influence are accounted for under the equity method. Intercompany transactions and balances are eliminated.

Impact of recently issued accounting standards

Changes in accounting policies mainly relate to the adoption of IFRS 15 and IFRS 9 standards. These changes are described hereafter.

Other new standards, interpretations or amendments effective beginning on January 1, 2018 had no impact on the Company’s consolidated financial statements.

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 December 31, 2018:

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”. The standard provides a single, principle-based, five-step model to be applied in order to define the timing and the amount of revenue arising from a contract. It includes a guide to applying the standard, notably regarding the licenses and specific provisions for how to recognize incremental costs of obtaining or fulfilling a contract, that are not addressed by other standards. The standard requires the disclosure of new qualitative and quantitative information in the notes to the consolidated accounts.

The Company is adopting IFRS 15 for the fiscal year beginning January 1, 2018. The main change impact relates to subscription offers that bundle license and support for a term generally of one year (Yearly License Charge), which revenue was recognized, until the fiscal year ended December 31, 2017, ratably over the contract period. Based on the new criteria established by IFRS 15, a bundled Periodic License is split into two performance obligations: software license and support. While revenue from software license is recognized when the control of the license is transferred to the customer, the revenue from support is recognized ratably over the term of the license. Therefore, a significant proportion of revenue from periodic licenses is recognized when the license is transferred to the customer for new contracts or contract renewals. In effect, the total amount of revenue recognized from bundled Periodic Licenses remains unchanged, but only the pattern of recognition over the contract period (generally one year) is modified.

The Company implements IFRS 15 using the modified-retrospective transition method (also called cumulative effect method) and uses the practical expedient to apply the new requirements only to the contracts that are open at the date of initial application. The Company also elects the practical expedient relating to contract modifications to reflect the

aggregate effect of all modifications occurred before the date of initial application when identifying the satisfied performance obligations, determining the transaction price and allocating the transaction price at transition.

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

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

The following tables summarize the impacts of adopting IFRS 15 on the Group's Consolidated Statements of Income, of Comprehensive Income and on its Consolidated Statements of Cash Flows on Year ended December 31, 2018 and on its

Balance Sheet as at December 31, 2018 for each of the line items affected. Aggregates and items that remain unchanged by the new standard have not been included.

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

<i>(in millions of euros)</i>	Year ended December 31, 2018		
	As reported	Adjustments	without adoption of IFRS 15
Licenses and other software revenue	€918.5	€4.9	€923.5
Subscription and support revenue	2,163.3	(8.0)	2,155.3
Software revenue	3,081.8	(3.1)	3,078.7
TOTAL REVENUE	3,477.4	(3.1)	3,474.3
OPERATING INCOME	768.2	(3.1)	765.1
INCOME BEFORE INCOME TAXES	783.8	(3.1)	780.7
Income tax expense	(220.4)	1.7	(218.7)
NET INCOME	€563.4	€(1.4)	€562.0
Net income attributable to equity holders of the Company	569.4	(1.4)	568.0
Foreign currency translation adjustment	127.6	(2.4)	125.1
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	119.8	(2.4)	117.4
OTHER COMPREHENSIVE INCOME, NET OF TAX	115.3	(2.4)	112.9
TOTAL COMPREHENSIVE INCOME, NET OF TAX	€678.7	€(3.8)	€674.9
Total comprehensive income, net of tax attributable to equity holders of the Company	€682.4	€(3.8)	€678.6

Impact on the consolidated balance sheet:

<i>(in millions of euros)</i>	December 31, 2018		
	As reported	Adjustments	without adoption of IFRS 15
ASSETS			
Trade accounts receivable, net	€1,044.1	€16.3	€1,060.4
Contract assets, net	26.5	(26.5)	–
TOTAL CURRENT ASSETS	4,201.8	(10.2)	4,191.6
Deferred tax assets	164.2	8.6	172.8
TOTAL NON-CURRENT ASSETS	3,772.2	8.6	3,780.8
TOTAL ASSETS	€7,974.0	€(1.6)	€7,972.4
LIABILITIES AND EQUITY			
Contract liabilities - Unearned revenue	€907.5	€106.1	€1,013.6
TOTAL CURRENT LIABILITIES	2,022.8	106.1	2,128.9
Deferred tax liabilities	262.8	(23.3)	239.6
TOTAL NON-CURRENT LIABILITIES	1,325.4	(23.3)	1,302.1
Retained earnings and other reserves	3,949.3	(82.2)	3,867.1
Other items	68.8	(2.2)	66.5
Parent Shareholders' equity	4,561.9	(84,4)	4,477.5
TOTAL EQUITY	4,625.9	(84,4)	4,541.4
TOTAL EQUITY AND LIABILITIES	€7,974.0	€(1,6)	€7,972.4

Impact on the Consolidated Statements of Cash Flows:

<i>(in millions of euros)</i>	Year ended December 31, 2018		
	As reported	Adjustments	without adoption of IFRS 15
Net income	€563.4	€(1.4)	€562.0
Adjustments for non-cash items	390.5	(31.5)	359.0
Changes in operating assets and liabilities	(55.3)	32.9	(22.4)
Net cash provided by operating activities	€898.6	–	€898.6

IFRS 9 – Financial Instruments

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

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

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

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

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

Standard issued but not yet applied by the entity

IFRS 16 – Lease

On January 13, 2016, the IASB issued the new accounting standard IFRS 16 “Leases”. IFRS 16 is a major revision in the accounting of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases. Based on this model, the amortization of assets is accounted for in operating expense, and the cost of the debt towards the lessor is accounted for in financial

expense. Under the standard applied on the fiscal year ended on December 31, 2018, the rent expense is recorded within the operating expense. The Group has chosen to apply two exemptions provided by IFRS 16 and to keep the recognition as operating rent expense for leases with a lease term no more than 12 months or leases with underlying asset of low value.

The Company adopts IFRS 16 for the fiscal year beginning January 1, 2019 using the simplified retrospective approach. Under this approach, the cumulative effect of the first-time application of the standard is recognized as an adjustment to the opening balance of consolidated equity without restatement of comparative information.

The Company has recognized since January 1, 2019:

- A new right-of-use asset, mainly related to the leased offices, of an estimated amount of €390 million and
- A new liability related to rent payable of an estimated amount of €470 million.

In 2019, the Company will adjust its processes and information systems in view of the new quantitative information that will be disclosed, in accordance with IFRS 16, in the notes to 2019 consolidated financial statements.

Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Areas involving the use of significant estimates and assumptions mainly include: assessing product lifecycles; identifying the different elements comprising a software solution arrangement, including the distinction between upgrades/enhancements, new products and services, contract price allocation to the different elements based on their standalone selling prices and determining the revenue recognition date of those elements; determining when technological feasibility is achieved for its products; estimating the recoverable amount of goodwill; determining the nature, fair value and useful life of acquired intangible assets in a business combination; determining assumptions to estimate the fair value of share-based payments; assessing the recognition of deferred tax assets; and making reasonable estimates about the ultimate resolution of the Company's tax uncertainties based on current tax laws and the Company's interpretation thereof. Actual results and outcomes could differ from management's estimates and assumptions.

Foreign currency adjustments

The functional currency of the Company's foreign subsidiaries is generally the applicable local currency. Assets and liabilities with functional currencies other than the euro are translated into euro equivalents at the rate of exchange in effect on the balance sheet date. Revenues, expenses and cash flows are translated at the average exchange rates for the year unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues, expenses and cash flows are translated at the rate on the dates of the transactions. Translation gains or losses are recorded in Other items in shareholders' equity.

Exchange differences on the settlement or retranslation of monetary items in a currency other than the Company's and its subsidiaries' functional currency are recorded in the statement of income.

Revenue recognition

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

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

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

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

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

Licenses, subscription, support and other software revenue

Software license revenue represents fees earned from granting customers licenses to use the Company's software. The Company's software license revenue consists of perpetual and periodic license sales of software products. Software license

revenue is recognized at a point in time for an arrangement when control is transferred to the client.

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

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

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

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

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

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

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

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

Services Revenue

Services revenue consist primarily of fees from consulting services in methodology for design, deployment and support, and training services. Services generally do not require significant modification or customization of software products

and are accounted for separately to the extent they are not essential to the functionality of software products.

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

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

Incremental Costs of Obtaining a Contract

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

Contract Assets / Liabilities and Accounts Receivable

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

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

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

Share-based payment

The Company recognizes compensation expense for share-based payment awards expected to vest on a straight-line basis over the requisite service period of the entire award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

Stock options are measured at fair value on the date of the grant using an option-pricing model based on assumptions made by management on expected volatility, expected option life and distributed dividends.

Performance shares are measured at fair value based on the quoted price of the Company's common stock on the date of grant. The fair value also includes the impact of certain conditions based on an option-pricing model.

Vesting conditions excluded from the fair value measurement are taken into account to estimate the number of shares that will eventually vest. At the end of each reporting period, the Group reviews this estimate and records the impact of changes to original estimate, if any, in the statement of income.

For performance share plans that allow the beneficiaries to acquire shares either upon satisfaction of a market condition or a non-market vesting condition, the Group estimates the fair value of the equity instrument at grant date for each possible outcome, and accounts for the share-based payment based on the most likely outcome at the end of each reporting period.

Cost of software revenue

Cost of software revenue primarily includes software license expense for software products included in the Company's software, maintenance costs and delivery expense.

Research and development

Research costs are expensed as incurred.

Costs incurred to develop computer software products include mainly payroll and other headcount-related costs associated with development of the Company's products. They also include amortization expense, lease and maintenance costs of computer equipment used for product development, software expenditures and costs of information technology and communication.

Due to specificities in the software industry, the Company has determined that technological feasibility is the key criteria to capitalize development expenditure as it is generally the last criteria to be met. Currently the risks and uncertainties inherent in the software development process make it difficult to demonstrate technological feasibility before a working prototype has been completed, which generally occurs shortly before the commercial release of its software products. As a consequence, costs incurred after technological feasibility is established that could potentially be capitalized are not material.

Government grants

The Company receives grants from various governmental authorities to finance certain research and development activities, including research and development tax credits in France that are treated as government grants. Government grants are recognized as a reduction of research and development costs or cost of services and other revenue when the qualifying research and development activities have been performed and there is reasonable assurance that the grants will be received.

Other operating income and expense, net

The Company distinguishes income and expense that is unusual, infrequent or generally non-recurring in nature in the consolidated statement of income. Such income and expense includes the impact of restructuring activity and other generally non-recurring events, such as gain or loss on sale of subsidiaries, impairment of goodwill or acquired intangible

assets, costs directly related to acquisitions, and costs related to site closings or moving from one site to another.

Other financial income and expense, net

Other financial income and expense primarily includes the impact of remeasuring financial instruments at fair value, gains and losses on disposals and the impairment of investments in non-consolidated companies, exchange gains and losses on monetary items and change in fair value of derivative financial instruments not qualified for hedge accounting.

Income taxes

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Allowance for doubtful accounts and loans receivable

The allowance for doubtful accounts and loans receivable reflects the Company's best estimate of probable losses inherent in the receivable balance. The Company applies the simplified approach as permitted by IFRS 9 to account for the expected losses on trade accounts receivables and establishes a statistical model based on historical experience and prospective information including financial difficulties and other currently available evidence.

Financial instruments

Fair Value – The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses approximate fair value, due to the short-term maturities of such instruments.

Foreign exchange options and forward contracts, which are designated and serve as hedges, are recorded at their fair market value. Fair value is measured based on the following fair value hierarchy: level 1: quoted price in active markets; level 2: inputs observable directly or indirectly, other than quoted price included in level 1; level 3: inputs not based on observable market data. Cash, cash equivalents and short-term investments are measured using the level 1 fair value. Derivative instruments are measured using the level 2 fair value. Other investments that are not equity method investments are measured using the level 3 fair value.

Cash and Cash Equivalents and Short-Term Investments – The Company considers deposits with banks, investments in money market mutual funds and marketable debt securities with short-term maturities to be cash equivalents since they are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Other marketable debt securities and mutual funds that do not qualify as cash equivalents are considered to be short-term investments and are generally classified as trading securities with changes in fair value recorded in interest income and expense, net.

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

Derivative Instruments – The Company uses derivative instruments to manage exposures to foreign currency and interest rates. Derivative instruments are measured at their fair value and changes in the fair value affect the consolidated statements of income unless specific hedge accounting criteria are met. Changes in the fair value of derivatives designated as cash-flow hedges are reported as a component of shareholders' equity until the hedged item is recognized in earnings.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives: computer equipment, two to five years; office furniture and equipment, five to 10 years; buildings, 30 years; leasehold improvements are depreciated over the shorter of the life of the assets or the remaining lease term. Repair and maintenance costs are expensed as incurred.

Intangible assets

Intangible assets primarily include acquired technology, contractual customer relationships and computer software. Costs related to intangible assets are capitalized and amortized using the straight-line method over their estimated useful lives, which range from two to 16 years. No intangible assets have been identified with an indefinite useful life.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed on the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's net identifiable assets.

When a business combination with permanent non-controlling interest includes a put option related to these same non-controlling interests, a liability is recognized in the consolidated balance sheet along with a decrease in the consolidated reserves. Subsequent fluctuations of this put option related to potential changes in estimates or unwinding of discounts are also booked in consolidated reserves. Any further acquisition of minority interests is considered as a transaction between shareholders and is therefore not subject to re-evaluation.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and at a minimum annually. For the purpose of the impairment test, the Company relies upon projections of future cash flows and takes into account assumptions regarding the evolution of the market and its ability to successfully develop and commercialize its products. Changes in market conditions could have a major impact on the valuation of assets and liabilities and could result in additional impairment losses.

Provisions

Provisions are recognized as liabilities to cover probable outflows of resources that can be estimated and that result from present obligations (legal, contractual or constructive) relating to past events. In cases where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Company's commitments.

The amount of the provision provided is the best estimate of the outflow of resources required to extinguish this present obligation.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Gains and losses on the purchase, sale, issue or cancellation of the Company's own equity instruments are credited or charged to shareholders' equity and are not recognized in the statement of income.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Any difference between the recorded amount and the redemption value is amortized into income over the period of the borrowing using the effective interest rate method.

Post-employment benefits

The Company's payments for defined contribution plans are recorded as expenses for the relevant period.

For defined benefit plans concerning post-employment benefits, the Company uses the projected unit credit method to determine the present value of its obligations. Under this method, benefits are attributed to periods of service according to the plan's benefit formula. However, if an employee's service in later years will earn a materially higher level of benefit than in earlier years, benefits are attributed to periods of service on a straight-line basis.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

The future payments for employee benefits are measured on the basis of future salary increases, retirement age, mortality and length of employment with the Company, and are discounted at a rate determined by reference to yields on long-term high quality corporate bonds of a duration corresponding to the estimated duration of the benefit plan concerned.

The net expense for the year, corresponding to the sum of the current service costs, past service costs and net interest expense or income, is charged in full to operating income.

Note 3 Segment and Geographic Information

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

The assessment of the operating segment's performance is based on the Group's supplemental non-IFRS financial information (see paragraph 3.1.1.2 "Supplemental Non-IFRS Financial Information"). The accounting policies used

differ from those described in Note 2 Summary of Significant Accounting Policies as follows:

- operating segment revenue and income are reported under the former IAS 18 rules for comparison purposes.
- the measure of operating segment revenue and income includes the whole revenue that would have been recognized by acquired companies had they remained stand-alone entities but which is partially excluded from Group revenue to reflect the fair value of obligations assumed;
- the measure of operating segment income excludes share-based compensation expense and associated payroll taxes (see Note 6 Personnel Costs and Note 7 Share-based Payments), amortization of acquired intangibles, and other operating income and expense, net (see Note 8 Other Operating Income and Expense, Net).

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017*
TOTAL REVENUE FOR OPERATING SEGMENT	€3,488.0	€3,242.0
Impact of change in accounting policy	3.1	-
Adjustment for unearned revenue of acquired companies	(13.7)	(14.0)
REPORTED TOTAL REVENUE	€3,477.4	€3,228.0

* The Group has initially applied IFRS 15 at 1 January 2018. In accordance with the transition method chosen, comparative information is not restated. Only data for operating segment, reported under the former IAS 18 rules, are comparable.

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017*
INCOME FOR OPERATING SEGMENT	€1,109.4	€1,037.1
Impact of change in accounting policy	3.1	-
Adjustment for unearned revenue of acquired companies	(13.7)	(14.0)
Share-based compensation expense and related payroll taxes	(120.6)	(103.9)
Amortization of acquired intangibles	(171.6)	(160.3)
Other operating income and expense, net	(38.4)	(29.9)
REPORTED OPERATING INCOME	€768.2	€729.0

* The Group has initially applied IFRS 15 at 1 January 2018. In accordance with the transition method chosen, comparative information is not restated. Only data for operating segment, reported under the former IAS 18 rules, are comparable.

Data by geographic operations of the Company is established according to geographical location of the consolidated companies and is as follows:

<i>(in millions of euros)</i>	Total revenue	Total assets	Additions to property, equipment and intangibles
2018			
Europe	€1,215.9	€4,659.0	€37.6
<i>of which France</i>	615.5	1,925.0	31.8
<i>of which Germany</i>	272.4	669.7	2.5
Americas	1,449.2	2,776.3	23.2
<i>of which the United States</i>	1,397.5	2,587.5	22.5
Asia	812.3	538.7	11.6
<i>of which Japan</i>	424.7	153.0	1.6
TOTAL	€3,477.4	€7,974.0	€72.4
2017*			
Europe	€1,122.2	€4,250.5	€54.2
<i>of which France</i>	547.7	1,580.5	48.4
<i>of which Germany</i>	252.1	700.0	2.3
Americas	1,360.4	2,258.0	19.2
<i>of which the United States</i>	1,315.0	2,063.3	18.8
Asia	745.4	521.3	11.2
<i>of which Japan</i>	400.0	133.2	0.9
TOTAL	€3,228.0	€7,029.8	€84.5

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

The Company also receives data that identifies the location of the Company's end-user customers. Using such information, revenue by geographic area would be as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017*
Europe	€1,524.3	€1,398.5
of which France	350.4	291.3
of which Germany	423.5	387.5
Americas	1,001.3	977.3
of which the United States	880.0	874.2
Asia	951.8	852.2
of which Japan	433.0	404.9
TOTAL REVENUE	€3,477.4	€3,228.0

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

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Note 4 Software Revenue

Software revenue is comprised of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Licenses revenue	€908.6	€845.5
Subscription and Support revenue ⁽¹⁾	2,163.3	2,013.5
Other software revenue	9.9	10.3
SOFTWARE REVENUE	€3,081.8	€2,869.3

(1) Out of which €278.4 million of euros at a point in time and €1,884.8 million over time in 2018.

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

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
CATIA software revenue	€1,028.6	€1,004.9
SOLIDWORKS software revenue	742.5	695.8
ENOVIA software revenue	358.5	321.9
Other	952.3	846.7
SOFTWARE REVENUE	€3,081.8	€2,869.3

Note 5 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, as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Research and development	€30.8	€36.1
Other expenses	1.2	1.6
TOTAL GOVERNMENT GRANTS	€31.9	€37.7

Note 6 Personnel Costs

Personnel costs

Personnel costs, excluding share-based payments (€83.4 million in 2018 and €92.5 million in 2017, see Note 7 Share-based Payments) and associated payroll taxes (€37.2 million in 2018 and €11.4 million in 2017), are presented in the following table:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Personnel costs	€(1,324.8)	€(1,248.2)
Social security costs	(311.0)	(287.1)
TOTAL	€(1,635.8)	€(1,535.3)

Average number of employees was 15,494 and 14,651 in 2018 and 2017 respectively.

Note 7 Share-based Payments

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

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Research and development	€(47.1)	€(41.5)
Marketing and sales	(31.0)	(36.6)
General and administrative	(37.7)	(21.6)
Cost of revenue	(4.8)	(4.2)
TOTAL COMPENSATION EXPENSE RELATED TO SHARE-BASED PAYMENTS	€(120.6)	€(103.9)

Changes during 2018 and 2017 of unvested options and performance shares were as follows:

	Number of awards		
	Performance shares	Stock options	Total
UNVESTED AT JANUARY 1, 2017	3,378,220	3,373,199	6,751,419
Granted	1,101,700	2,050,370	3,152,070
Vested	(1,021,050)	(1,221,519)	(2,242,569)
Forfeited	(24,550)	(388,693)	(413,243)
UNVESTED AT DECEMBER 31, 2017	3,434,320	3,813,357	7,247,677
Granted	1,912,430	1,985,201	3,897,631
Vested	(1,781,145)	(1,696,516)	(3,477,661)
Forfeited	(157,125)	(486,085)	(643,210)
UNVESTED AT DECEMBER 31, 2018	3,408,480	3,615,957	7,024,437

Performance shares

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

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

As explained in paragraph 5.1.3.2 "Performance shares and share subscription options" of the 2017 Annual Document, the Board of Directors at the meeting held on September 25, 2018 approved an advance share grant in respect of 2019 for several managers and employees of the Group (performance shares are usually authorized in May by the General

Meeting of Shareholders) in order to remain eligible for the tax regime associated with the authorization granted by the General Meeting of September 4, 2015 and expiring on November 4, 2018. Therefore, the Board of Directors at the meeting held on September 25, 2018 used this authorization to grant in advance in respect of 2019 496,700 performance shares to some employees and executives (Plan 2019-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 2019-B). Regarding the approval of this advance share grant in respect of 2019 for several managers and employees of the Group, the Board specified that the allocation in 2019 would not apply to the beneficiaries of this advance share grant. 2019-A and 2019-B performance shares shall be acquired as at May 23, 2022. They shall be vested subject to the condition that the beneficiary is an employee or a Director of the Company at the end of a two-year and eight months presence period and subject to the achievement of a condition based on the Company non-IFRS diluted earnings per share growth. This condition is based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2021, excluding foreign currency effects, and the one achieved in the year 2018 (non-vesting condition).

The weighted average grant-date fair value of 2019-A and 2019-B performance shares was €72.45. It was estimated based on the quoted price of the Company's common stock on the date of grant, adjusted to include the non-vesting condition based on the non-IFRS diluted earnings per share using a Monte Carlo model. The model simulates the performance of the non-IFRS diluted earnings per share of the Company excluding foreign currency effects. Assumptions used are an expected volatility of 9.70%.

A summary of the Company's performance shares plans is as follows:

Plans	2014-A	2014-B	2015-A	2015-B	2016-A	2016-B	2017-A	2017-B	2018-A	2018-B	2019-A	2019-B
Date of General Meeting of Shareholders	05/30/2013	05/30/2013	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015
Date of grant by Board of Directors	02/21/2014	02/21/2014	09/04/2015	09/04/2015	05/26/2016	05/26/2016	05/23/2017	05/23/2017	05/22/2018	05/22/2018	09/25/2018	09/25/2018
Total number of shares granted	529,940	150,000	734,600	300,000	782,950	300,000	801,700	300,000	815,730	300,000	496,700	300,000
Restated total number of shares granted ⁽¹⁾	1,059,880	300,000	734,600	300,000	782,950	300,000	801,700	300,000	815,730	300,000	496,700	300,000
Acquisition period (in years) ⁽²⁾	Four	Four	Two	Two	Two or three ⁽³⁾	Two or three ⁽³⁾	Three	Three	Three	Three	Three years and eight months	Three years and eight months
Performance conditions	See Note ⁽⁴⁾	See Note ⁽⁴⁾	See Note ⁽⁴⁾	See Note ⁽⁴⁾	See Note ⁽⁵⁾	See Note ⁽⁵⁾	See Note ⁽⁶⁾	See Note ⁽⁶⁾	See Note ⁽⁷⁾	See Note ⁽⁷⁾	See Note ⁽⁸⁾	See Note ⁽⁸⁾
Performance conditions is reached at December 31, 2018	Yes	Yes	Yes	Yes	See Note ⁽⁹⁾	See Note ⁽⁹⁾	N/A	N/A	N/A	N/A	N/A	N/A

(1) For shares granted before July 17, 2014, total number of shares granted has been restated to reflect the two-for-one stock split effected on July 17, 2014.

(2) Subject to the condition that the beneficiary be an employee or a Director of the Company at the acquisition date, with the exception of 2017-A, 2017-B, 2018-A and 2018-B plans, for which the presence period is two years and 2019-A and 2019-B plans for which the presence period is two years and eight months.

(3) Share acquisition divided into two tranches, the first having vested in May 26, 2018 and the second vesting in May 26, 2019.

(4) Performance condition measured based on two alternative criteria, the growth of the non-IFRS diluted earnings per share of the Group or the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index (market condition) for each of the years 2015, 2016 and 2017 for 2014-A and 2014-B Shares, and for the year 2016 for 2015-A and 2015-B Shares, compared to the year 2014. Such growth or difference must be at least equal to a threshold established by the Board of Directors. The 2015-B Shares granted to Mr. Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer, are also subject to an additional performance condition related to variable compensation dependent on achieving performance criteria previously established by the Board of Directors.

(5) Performance condition for the first tranche will be measured based on the average performance of two criteria: the growth of the non-IFRS diluted earnings per share of the Group for the year 2017, excluding foreign currency effects, compared to the year 2015 (non-market condition), and the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index between February 2016 and February 2018 (market condition). Such growth and outperformance must be at least equal to a threshold established by the Board of Directors. Performance condition for the second tranche will be measured based on two cumulative criteria: the growth of the non-IFRS diluted earnings per share of the Group for the year 2018, excluding foreign currency effects, compared to the year 2015 (non-market condition), and the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index between February 2016 and February 2019 (market condition). Such growth and outperformance must be at least equal to a threshold established by the Board of Directors. The 2016-B shares granted to Mr. Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer, are also subject to an additional performance condition related to his variable compensation itself dependent on achieving performance criteria previously established by the Board of Directors.

(6) Performance condition 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). Such growth must be at least equal to a threshold (expressed as a percentage) established by the Board of Directors granting the shares.

(7) Performance condition based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2020, excluding foreign currency effects, and the one achieved in the year 2017 (non-vesting condition). Such growth must be at least equal to a threshold (expressed as a percentage) established by the Board of Directors granting the shares.

(8) Performance condition based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2021, excluding foreign currency effects, and the one achieved in the year 2018 (non-vesting condition). Such growth must be at least equal to a threshold (expressed as a percentage) established by the Board of Directors granting the shares.

(9) Tranche 1 performance condition reached and Tranche 2 performance condition will be measured by March 20, 2019 Board of Directors.

Stock option

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

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

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

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

A summary of the Company's stock option activity is as follows:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
OUTSTANDING AS OF JANUARY 1,	5,695,244	€65.30	5,961,562	€49.31
Granted	1,985,201	€110.00	2,050,370	€82.00
Exercised	(1,488,924)	€46.13	(1,924,838)	€33.25
Forfeited	(502,201)	€74.25	(391,850)	€66.86
OUTSTANDING AS OF DECEMBER 31,	5,689,320	€85.13	5,695,244	€65.30
Exercisable	2,073,363	€67.81	1,881,887	€47.89

A summary of the remaining contractual life and the exercise price of options outstanding as of December 31, 2018 is presented below:

Stock option plan	Number of options	Remaining life (years)	Exercise price
2014-01	67,494	3.40	€45.50
2015-01	920,462	6.68	€62.00
2016-01	1,181,088	7.40	€69.00
2017-01	1,591,285	8.39	€82.00
2018-01	1,928,991	9.39	€110.00
OUTSTANDING AS OF DECEMBER 31, 2018	5,689,320	8.19	€85.13

Note 8 Other Operating Income and Expense, Net

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

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Impairment of goodwill and acquired intangible assets ⁽¹⁾	€(22.0)	€-
Acquisition costs and other ⁽²⁾	(8.2)	(9.5)
Restructuring costs ⁽³⁾	(3.8)	(5.1)
Costs incurred in connection with voluntary early retirement plan ⁽⁴⁾	(3.0)	(8.4)
Costs incurred in connection with relocation activities ⁽⁵⁾	(1.4)	(7.0)
OTHER OPERATING INCOME AND EXPENSE, NET	€(38.4)	€(29.9)

(1) Impairment of 3DEXCITE goodwill for €(15.0) million (see Note 18 Goodwill) and acquired intangible assets for €(7.0) million.

(2) Transaction costs primarily relating to the acquisition of Centric Software and IQMS in 2018 and EXA in 2017.

(3) In 2018 and 2017, primarily composed of severance costs relating to the termination of employees following the Company's decision to rationalize its sales organization principally in Asia and Europe.

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

(5) In 2018 and 2017, primarily composed of expenses 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 years ended December 31, 2018 and 2017 are as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Interest income ⁽¹⁾	€37.4	€25.4
Interest expense ⁽²⁾	(15.4)	(12.4)
INTEREST INCOME AND EXPENSE, NET	21.9	13.0
Foreign exchange losses, net ⁽³⁾	(7.5)	(10.2)
Other, net ⁽⁴⁾	1.1	19.6
OTHER FINANCIAL INCOME AND EXPENSE, NET	€(6.4)	€9.4

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

(2) Mainly includes interest expense of €12.9 million in 2018 and €11.8 million in 2017 due pursuant to two term loan facility agreements entered into in October 2015 for €650 million and in June 2013 for €350 million (see Note 20. Borrowings).

(3) Foreign exchange losses, net are primarily due to the depreciation of emerging currencies occurred in 2018 and the depreciation of the U.S. dollar in 2017.

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

Note 10 Income Taxes

Deferred tax assets and liabilities are as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Provisions and other expenses	€65.7	€70.2
Profit-sharing and pension accruals	44.4	42.2
Net tax loss and tax credit carryforward assets	82.7	56.2
Amortization and basis difference	10.9	17.1
Amortization of acquired intangibles	(267.8)	(246.7)
Other	(34.5)	(16.7)
NET DEFERRED TAX LIABILITY	€(98.7)	€(77.7)
Deferred tax assets	164.2	108.9
Deferred tax liabilities	(262.8)	(186.6)
NET DEFERRED TAX LIABILITY	€(98.7)	€(77.7)

Change in deferred taxes can be summarized as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017*
NET DEFERRED TAX LIABILITY AS OF JANUARY 1,	€(77.7)	€(122.8)
Changes included in the income statement	16.6	80.1
Business combinations	(40.6)	(39.4)
Other changes included in shareholders' equity	6.8	(0.9)
Currency translation adjustments	(3.7)	5.3
NET DEFERRED TAX LIABILITY AS OF DECEMBER 31,	€(98.7)	€(77.7)

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

The components of income before income taxes are as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
France	€383.7	€355.9
Foreign	400.1	395.6
INCOME BEFORE INCOME TAXES	€783.8	€751.4

The components of income tax expense are as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
France	€(142.8)	€(137.2)
Foreign	(94.1)	(174.1)
CURRENT TAXES	(236.9)	(311.4)
France	(6.1)	8.0
Foreign	22.6	72.1
CHANGE IN DEFERRED TAXES	16.6	80.1
INCOME TAX EXPENSE	€(220.4)	€(231.3)

Differences between the income tax provision and the provision computed using the statutory French income tax rate are as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Taxes computed at the statutory rate of 34.43% in 2018 (34.43% in 2017)	€(269,9)	€(258.7)
Foreign tax rate differentials ⁽¹⁾	52.7	(9.3)
R&D tax credit and other tax credits ⁽²⁾	18.0	17.0
Tax exempt income	22.0	21.6
Other, net ⁽³⁾	(43.3)	(1.9)
INCOME TAX EXPENSE	€(220.4)	€(231.3)
Effective tax rate	28.1%	30.8%

(1) In 2018, mainly include tax rate differential with USA tax rate of 21%.

(2) R&D tax credit and other tax credits derived mainly from research tax credits in France and in the United States.

(3) In 2018, included mainly tax impact in connection with provision for tax risks, French Cotisation sur la valeur ajoutée des entreprises ("CVAE") and 3DEXCITE impairment of goodwill. In 2017, included mainly tax impact in connection with French Cotisation sur la valeur ajoutée des entreprises ("CVAE"), exceptional tax contribution in France and positive effects of the new tax legislation in the USA on deferred taxes.

At December 31, 2018, there were unrecognized tax losses and tax credit carried forward of €96.5 million, which are scheduled to expire after 2024.

Note 11 Earnings per Share

Basic net income per share is determined by dividing net income attributable to equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted net income per share is determined

by dividing net income attributable to equity holders of the Company by the combination of the weighted average number of common shares outstanding during the period and the dilutive effect of stock options and performance shares.

The following table presents the calculation for both basic and diluted net income per share:

<i>(in millions of euros, except shares and per share data)</i>	Year ended December 31,	
	2018	2017
Net income attributable to equity holders of the Company	€569.4	€519.4
Weighted average number of shares outstanding	258,364,010	254,938,653
Dilutive effect of share-based payments	2,388,523	3,363,318
Diluted weighted average number of shares outstanding	260,752,533	258,301,971
Basic net income per share	€2.20	€2.04
Diluted net income per share	€2.18	€2.01

Note 12 Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents are comprised of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Bank accounts	€192.7	€142.4
Cash equivalents	2,616.6	2,317.0
CASH AND CASH EQUIVALENTS	€2,809.3	€2,459.4

At December 31, 2018 and 2017, approximately 56% and 61% of cash and cash equivalents was denominated in U.S. dollars, respectively.

Short-term investments of €0.6 million and €1.3 million at December 31, 2018 and 2017, respectively, were primarily comprised of bank certificates of deposit, mutual funds and fixed term deposits.

Cash, cash equivalents and short-term investments are maintained on deposit with high credit-quality financial institutions, principally in Europe. The Company follows a conservative policy for investing its cash resources, mostly relying on short-term maturity investments. Investment rules are determined and controlled by the Treasury department of Dassault Systèmes SE.

The Company has adopted policies regarding financial ratings and the spread of maturity dates in order to ensure the security and liquidity of its financial instruments. The Company's management oversees the credit-worthiness of its counterparts and the quality of its investments closely and believes that it has minimal exposure to the risk of bankruptcy of any one of them. The Company also closely oversees the liquidity of its financial assets held at these same counterparts. In this regard, the Company follows in particular the credit rating of each of its counterparties and, up to the present time, all of its counterparties are rated in the Investment Grade category by rating agencies. As a result, the Company believes that it has very low exposure to credit or counterparty risk.

The Group has a central cash management operated by a banking institution. In this context, the parent company of the bank offered a guarantee to the Group in the amount of \$500 million, and at the same time the Group offered a guarantee to the bank for the same amount.

Note 13 Trade Accounts Receivable, Net, Contract Balances and Other Current Assets

Trade accounts receivable and other current assets are receivables measured at amortized cost.

Trade accounts receivable

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Trade accounts receivable	€1,064.4	€920.8
Allowance for trade accounts receivable	(20.3)	(24.9)
TRADE ACCOUNTS RECEIVABLE, NET	€1,044.1	€895.9

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

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Trade accounts receivable past due at closing date:		
Less than 3 months past due	€89.4	€98.6
3 to 6 months past due	21.3	9.1
More than 6 months past due	13.4	8.9
TRADE ACCOUNTS RECEIVABLE PAST DUE	124.1	116.7
Trade accounts receivable not yet due	920.0	779.2
TOTAL TRADE ACCOUNTS RECEIVABLE, NET	€1,044.1	€895.9

The Company is not dependent on any of its principal clients. No single customer or sales channel partner represented more than 5% of the Company's total revenue in 2018 and 2017.

Contract Balances

<i>(in millions of euros)</i>	December 31, 2018	January 1, 2018
Contract assets	26.5	32.3
Contract liabilities	(907.5)	(782.4)

The amount of revenue recognized during 2018 that was deferred in the contract liabilities at January 1, 2018 is €630.8 million.

The amount of revenue recognized during 2018 related to performance obligations satisfied (or partially satisfied) in previous periods, was €7.6 million mainly due to changes in transaction price related to variable considerations and removal of collection uncertainties.

During the reporting period the change in contract assets and contracts liabilities due to business combination, was €(11.4) million mainly related to the acquisition of Centric Software Inc.

All contract assets recorded in the balance of January 1, 2018 have been reclassified as receivables during the period since the right to consideration becomes unconditional.

Remaining unsatisfied performance obligations

The amount of remaining unsatisfied performance obligations, as defined by IFRS 15, is the portion of the transaction price from contracts with customers allocated to performance obligations unsatisfied or partially satisfied as of the closing date.

When applying the practical expedient permitted by IFRS 15 (right to exclude contracts with duration less than one year and time & materials contracts), the amount of remaining unsatisfied performance obligation is €296.8 million as of December 31, 2018. Due to the profile of contract terms, approximately 68% of this amount is expected to be recognized as revenue over the next year, approximately 32% thereafter.

Other current assets

Other current assets consist of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Prepaid expenses	€89.8	€82.4
Value added tax	64.9	57.7
Derivatives, current ⁽¹⁾	12.9	13.6
Other current assets	17.4	14.6
TOTAL OTHER CURRENT ASSETS	€185.0	€168.3

(1) See Note 21. Derivatives and Currency and Interest Rate Risk Management.

Note 14 Property and Equipment

Property and equipment consist of the following:

<i>(in millions of euros)</i>	Year ended December 31, 2018			Year ended December 31, 2017		
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net
Computer equipment	€257.1	€(160.4)	€96.8	€226.5	€(138.0)	€88.5
Office furniture and equipment	55.6	(41.1)	14.5	58.0	(41.6)	16.4
Leasehold improvements	130.9	(68.2)	62.7	116.1	(56.9)	59.2
Buildings	6.5	(2.3)	4.2	6.8	(1.9)	4.9
TOTAL	€450.1	€(271.9)	€178.2	€407.4	€(238.4)	€169.0

The change in the carrying amount of property and equipment as of December 31, 2018 is as follows:

<i>(in millions of euros)</i>	Computer equipment	Office furniture and equipment	Leasehold improvements	Buildings	Total
NET PROPERTY AND EQUIPMENT AS OF JANUARY 1, 2018	€88.5	€16.4	€59.2	€4.9	€169.0
Additions	44.7	3.7	13.7	-	62.1
Business combinations	0.8	0.1	0.1	-	1.0
Other changes	1.2	(0.1)	(0.1)	-	1.0
Depreciation for the period	(39.8)	(5.7)	(11.4)	(0.4)	(57.3)
Exchange differences	1.4	0.1	1.2	(0.2)	2.5
NET PROPERTY AND EQUIPMENT AS OF DECEMBER 31, 2018	€96.8	€14.5	€62.7	€4.2	€178.2

The change in the carrying amount of property and equipment as of December 31, 2017 is as follows:

<i>(in millions of euros)</i>	Computer equipment	Office furniture and equipment	Leasehold improvements	Buildings	Total
NET PROPERTY AND EQUIPMENT AS OF JANUARY 1, 2017	€49.5	€18.1	€62.5	€5.4	€135.4
Additions	46.6	5.6	12.5	0.1	64.9
Business combinations	27.1	0.2	0.3	-	27.6
Other changes	(0.3)	(0.2)	-	-	(0.4)
Depreciation for the period	(31.4)	(6.3)	(11.5)	(0.4)	(49.5)
Exchange differences	(3.0)	(1.1)	(4.5)	(0.3)	(8.9)
NET PROPERTY AND EQUIPMENT AS OF DECEMBER 31, 2017	€88.5	€16.4	€59.2	€4.9	€169.0

Note 15 Non-Current Financial Assets

Non-current financial assets consist of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Tax receivable ⁽¹⁾	€123.1	€123.1
Investments	22.0	19.2
Loans receivable, non-current	0.9	-
Derivatives, non-current ⁽²⁾	0.3	4.0
Deposits and other non-current financial assets	21.2	15.9
NON-CURRENT FINANCIAL ASSETS	€167.5	€162.3

(1) In 2018 and 2017, tax payments following tax reassessments which are disputed by the Group with the relevant authorities (see Note 25 Commitments and Contingencies).

(2) See Note 21 Derivatives and Currency and Interest Rate Risk Management.

Note 16 Business Combinations

2018 acquisitions

Centric Software, Inc. ("Centric")

On July 24, 2018, the Company acquired 63.19% of Centric, for a consideration transferred of approximately €228.1 million. Based in California's Silicon Valley, Centric is a software company driving digital transformation with software innovation in the fashion, apparel, luxury and retail sectors.

The preliminary allocation of the purchase price resulted in €115.3 million of goodwill. The primary items that generated goodwill include mainly the value of the synergies between Centric and the Company's activities.

In addition, the Group has signed an agreement with minority shareholders on their remaining shares. The reached agreement permits the use of a put option exercisable in the first quarters of 2020 and 2021 and a call option exercisable in the second quarter of 2021. In the event of the exercise of an option, the price of the remaining shares is based on the enterprise's value depending on Centric's profitability and revenue.

The put option lead to the recognition of a liability deducted from consolidated shareholders' equity. A €133.5 million variation has been recognized in the consolidated shareholders' equity.

In addition, an advance payment for the remaining shares has been issued to minority shareholders for approximately €75.2 million. It will be deducted from the exercise price of the put or call options in the event of exercise or will be refunded if no option is exercised. This refundable advance is deducted from the put option liability in Other non-current liabilities (See Note 19 Other liabilities).

Other acquisitions

The Company completed its acquisition of 100% of No Magic, Inc., Opera, in May 2018 and COSMOlogic GmbH & Co Kommanditgesellschaft in December 2018 for a total consideration transferred of approximately €66.3 million.

These transactions resulted in €32.5 million of goodwill.

Purchase price allocation

The estimated fair values of assets acquired and liabilities assumed in connection with the acquisitions presented below are provisional. The Company is waiting for additional information necessary to finalize these fair values and the provisional measurements of fair value presented are subject to change. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practical and no later than one year from the acquisition date.

The purchase prices of Centric and other acquisitions have been allocated to identifiable assets acquired and liabilities assumed based on estimated fair values at the date of the acquisition is as follows:

<i>(in millions of euros)</i>	Centric Software Inc.	Other acquisitions	Total
Cash and cash equivalents	€31.9	€4.4	€36.4
Trade accounts receivable	20.4	3.3	23.7
Other assets	3.9	0.7	4.7
Intangible assets acquired ⁽¹⁾	190.2	39.2	229.4
Contract liabilities ⁽²⁾	(10.1)	(1.2)	(11.4)
Other liabilities	(41.7)	(3.2)	(44.8)
Deferred taxes, net	(16.0)	(9.5)	(25.6)
TOTAL IDENTIFIABLE NET ASSETS	€178.6	€33.7	€212.3
Goodwill	115.3	32.5	147.8
Non-controlling interest	(65.7)	-	(65.7)
TOTAL PURCHASE PRICE	€228.1	€66.3	€294.3

(1) Intangible assets acquired are subject to amortization and include the following:

<i>(in millions of euros)</i>	Centric Software Inc.	Other acquisitions	Total
Software	€92.3	€38.9	131.2
Customer relationships	97.8	0.3	98.1
TOTAL IDENTIFIABLE ASSETS REQUIRED	€190.2	€39.2	€229.4

(2) The carrying values of contract liabilities were reduced to reflect the fair value of obligations assumed. As a result, approximately €15.6 million of revenues that would have otherwise been recorded by these entities had they not been acquired by the Company will not be recognized in the Company's consolidated statements of income.

The unaudited financial information presented in the table below summarizes the combined results of operations for the year ended December 31, 2018 as if the acquisitions had occurred at the beginning of the period. This information is presented for informational purposes and does not purport to be indicative of the results that will be achieved in the future.

This financial information reflects the adjustment to reduce unearned revenue to the fair value of the associated obligation, and the additional amortization expense, assuming the fair value adjustments to deferred revenue and intangible assets had been applied from the beginning of the period, with the related tax effects.

<i>(in millions of euros)</i>	Year ended December 31, 2018 <i>(unaudited)</i>
Revenue	€3,526.6
Net income	€515.1

In addition, the portion of acquired companies' revenue and net income generated since the acquisition date and included in the Company's consolidated financial statements as of December 31, 2018 is as follows:

<i>(in millions of euros)</i>	Year ended December 31, 2018
Revenue	€29.6
Net income	€(12.3)

2017 acquisitions

Exa Corp. ("Exa")

On November 17, 2017, the Company acquired 100% of Exa, for a consideration transferred of approximately €344.2 million. Based in Burlington (Massachusetts) in the United States, Exa is a global innovator in simulation software for product engineering.

The allocation of the purchase price resulted in €194.5 million of goodwill. The primary items that generated goodwill include mainly the value of the synergies between Exa and the Company's activities.

Other acquisitions

The Company acquired a majority stake in Outscale and completed its acquisition of 100% of AITAC B.V. and Expi GmbH for total consideration transferred of approximately €62.3 million in April, June and September 2017 respectively.

These transactions resulted in €37.1 million of goodwill.

Note 17 Intangible Assets

Intangible assets consist of the following:

<i>(in millions of euros)</i>	Year ended December 31, 2018			Year ended December 31, 2017		
	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization	Net
Software ⁽¹⁾	€1,394.9	€(753.4)	€641.5	€1,251.2	€(645.7)	€605.5
Customer relationships	1,184.0	(701.4)	482.6	1,050.2	(603.6)	446.6
Other intangible assets	32.2	(18.5)	13.7	32.7	(18.3)	14.4
TOTAL INTANGIBLE ASSETS	€2,611.1	€(1,473.3)	€1,137.8	€2,334.0	€(1,267.6)	€1,066.4

(1) Including €(7.0) million of acquired software technologies impairment.

The change in the carrying amount of intangible assets as of December 31, 2018 is as follows:

<i>(in millions of euros)</i>	Software	Customer relationships	Other intangible assets	Total intangible assets
NET INTANGIBLE ASSETS AS OF JANUARY 1, 2018	€605.5	€446.6	€14.4	€1,066.4
Business combinations	131.2	98.1	-	229.4
Other additions	8.5	0.5	1.2	10.3
Amortization and impairment for the period ⁽¹⁾	(110.8)	(75.9)	(0.8)	(187.4)
Exchange differences and other changes	7.1	13.2	(1.1)	19.1
NET INTANGIBLE ASSETS AS OF DECEMBER 31, 2018	€641.5	€482.6	€13.7	€1,137.8

(1) Including €(7.0) million of acquired software technologies impairment.

The change in the carrying amount of intangible assets as of December 31, 2017 is as follows:

<i>(in millions of euros)</i>	Software	Customer relationships	Other intangible assets	Total intangible assets
NET INTANGIBLE ASSETS AS OF JANUARY 1, 2017	€589.0	€474.9	€15.2	€1,079.1
Business combinations	110.2	85.5	0.3	196.1
Other additions	19.4	(3.0)	3.3	19.7
Amortization for the period	(89.5)	(77.6)	(1.1)	(168.2)
Exchange differences and other changes	(23.6)	(33.2)	(3.4)	(60.2)
NET INTANGIBLE ASSETS AS OF DECEMBER 31, 2017	€605.5	€446.6	€14.4	€1,066.4

Note 18 Goodwill

The change in the carrying amount of goodwill as of December 31, 2018 and 2017 is as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
GOODWILL AS OF JANUARY 1,	€1,923.7	€1,847.4
Business combinations	165.5	211.5
Impairment	(15.0)	-
Exchange differences and other changes	50.3	(135.3)
GOODWILL AS OF DECEMBER 31,	€2,124.5	€1,923.7

The Company performed annual impairment tests in the fourth quarter of 2018 and 2017.

For the purpose of the impairment test, the Company identified 13 cash-generating units ("CGUs") or groups of CGUs as of December 31, 2018, generally corresponding to the Company's main software products. Each CGU represents the lowest level within the Company at which goodwill is

monitored for internal management purposes. Goodwill tested for impairment purposes was allocated to each CGU, or groups of CGUs that were expected to benefit from the synergies of the combination. In 2018, a change in organization led to a partial reallocation of 3DEXCITE goodwill to CATIA CGU.

Goodwill allocated to each CGU or groups of CGUs is as follows:

<i>(in millions of euros)</i>	December 31, 2017	Impairment	Goodwill reallocation	Centric Software Inc. acquisition	Other acquisitions	Exchange differences and other changes	December 31, 2018
SIMULIA	€540.1	-	-	-	€22.2	€18.1	€580.4
BIOVIA	376.8	-	-	-	3.4	17.8	398.0
CATIA	259.2	-	71.8	-	24.7	4.0	359.8
ENOVIA	151.7	-	-	-	-	5.4	157.1
DELMIA	139.2	-	-	-	-	5.2	144.4
QUINTIQ	119.5	-	-	-	-	-	119.5
GEOVIA	116.1	-	-	-	-	(4.1)	112.0
3DEXCITE	113.1	(15.0)	(71.8)	-	-	-	26.3
CENTRIC PLM	-	-	-	115.3	-	2.6	117.8
Other	107.9	-	-	-	-	1.3	109.2
TOTAL	€1,923.7	€(15.0)	-	€115.3	€50.3	€50.3	€2,124.5

The recoverable amount of each CGU or groups of CGUs has been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets covering a five- to ten-year period. The ten-year period projections are used for activities that have longer development cycles, representing approximately 29% of the Group's total goodwill as of December 31, 2018. Key assumptions used to determine the value in use of assets are derived from management objectives for revenue growth and operating margin of each CGU or groups of CGUs. The pre-tax discount rates are between 10.6% and 12.1%. Cash flows beyond that five- to ten-year period have been extrapolated

using a steady growth rate comprised between 2% and 3%, reflecting long-term growth rates in the software industry.

Further to the impairment tests performed, the goodwill initially allocated to 3DEXCITE CGU was partially impaired for €(15.0) million and recorded in the line item Other operating income and expenses. In accordance with the applicable standards, these tests were conducted before taking into account the change in organization specified above. This impairment results mainly from lower margin and growth rates on the 3DEXCITE services activity as well as a lower acceleration of the software distribution activity.

At December 31, 2018, based on management estimates, the Company concluded that the value in use of each other CGU or groups of CGUs exceeded its carrying value. Management believes that any reasonable possible change in key assumptions described above on which recoverable amount is based would not cause each CGU or groups of CGUs' carrying amount to significantly exceed its recoverable amount. In particular, an increase of 150 basis points in the pre-tax discount rate or a decrease of 100 basis points in

the long-term growth rates would not cause each CGU or groups of CGUs' carrying amount to significantly exceed its recoverable amount, except GEOVIA for which an increase of 30 basis points in the pre-tax discount rate or a decrease of 40 basis points in the long-term growth rate would cause the recoverable amount to equal carrying amount and 3DEXCITE for which the recoverable amount equals the carrying amount.

Note 19 Other Liabilities

Other liabilities are comprised of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Value added tax and other taxes	€120.0	€96.8
Provisions, current ⁽¹⁾	7.1	7.2
Post employment benefits ⁽²⁾	5.2	8.0
Derivatives, current ⁽³⁾	7.3	1.1
Other current liabilities ⁽⁴⁾	26.7	44.5
TOTAL OTHER CURRENT LIABILITIES	€166.4	€157.6
Post-employment benefits ⁽²⁾	€142.4	€139.0
Provisions, non-current ⁽¹⁾	110.3	73.0
Accrual for deferred lease incentives	43.5	44.0
Employee profit sharing, non-current	29.3	27.6
Derivatives, non-current ⁽³⁾	6.7	12.0
Other non-current liabilities ⁽⁵⁾	80.4	24.1
TOTAL OTHER NON-CURRENT LIABILITIES	€412.6	€319.7

(1) See reconciliation of provisions below.

(2) See Note 22 Post-employment Benefits.

(3) See Note 21 Derivatives and Currency and Interest Rate Risk Management.

(4) In 2017, includes the remaining debt related to the acquisition of redeemable preference share linked to the finalization of the acquisition of 3DPLM for €27.2 million (see Note 23. Shareholders' equity).

(5) In 2018, includes the put option debt on Centric Software Inc.'s minority interests, net of the refundable advance (See Note 16 Business Combinations).

The change in the carrying value of provisions as of December 31, 2018 is as follows:

<i>(in millions of euros)</i>	Tax risks	Claims, litigation and other	Restructuring	Total provisions
PROVISIONS AS OF JANUARY 1, 2018	€58.1	€9.6	€12.6	€80.3
Additions	40.7	3.1	10.9	54.7
Utilization	(1.7)	(2.0)	(7.3)	(11.0)
Reversal of unused amounts	(2.5)	(0.4)	(7.5)	(10.4)
Business combinations	1.1	1.0	-	2.2
Exchange differences and other	2.6	(0.1)	(1.0)	1.6
PROVISIONS AS OF DECEMBER 31, 2018	€98.4	€11.3	€7.8	€117.4

Note 20 Borrowings

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

October 2017, the Company exercised the option extension for one year, bringing the new term to October 2022.

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

The table below provides a breakdown of total borrowings by contractual maturity date as of December 31, 2018:

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

Note 21 Derivatives and Currency and Interest Rate Risk Management

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

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

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

Foreign currency risk

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

In 2018, revenue denominated in U.S. dollars represented 35.1% of total revenue, compared with 36.4% in 2017. The Company's operating expenses denominated in U.S. dollars represented 32.6% of total operating expenses in 2018, compared with 33.3% in 2017.

As a result, the Company's net operating exposure to U.S. dollars amounted to €338.2 million in 2018 (9.7% of the Company's total revenue). The average value of the U.S. dollar decreased by approximately 4% against the euro in 2018 following a decrease of 2% in 2017, resulting in a negative

impact on the Company's revenue and operating income in 2018 and in 2017.

In 2018, revenue denominated in Japanese yen represented 11.9% of total revenue, compared to 12.0% in 2017. The Company's operating expenses denominated in Japanese yen represented 4.6% of total operating expenses in 2018 and 5.0% in 2017.

As a result, the Company's net operating exposure to Japanese yen amounted to €286.6 million in 2018 (8.2% of the Company's total revenue), and this exposure was in part hedged through market instruments at a level of €188.7 million, as further described below. The average value of the Japanese yen decreased by approximately 3% against the euro in 2018, after a decrease in value of approximately 5% in 2017, resulting in a negative impact on the Company's revenue and operating income in 2018 and 2017.

The Company usually hedges exchange rate risk related to its revenues and expenses coming from usual and predictable activity arising in the normal course of operations. The Company may also cover occasional exchange rate risk arising from specific transactions, such as acquisitions paid for in foreign currencies. Hedging activities are generally carried out and managed by Dassault Systèmes SE for its own account and on behalf of its subsidiaries. In certain cases, however, the Company can authorize selected subsidiaries to enter into hedging instruments directly.

The table below sets forth, for the year ended December 31, 2018, the euro value of the Company's revenue, operating expenses and net position, before and after hedging, denominated in U.S. dollars, Japanese yen and other currencies, principally the euro:

<i>(in millions of euros)</i>	Year ended December 31, 2018			
	U.S. dollars	Japanese yen	Euro and other currencies	Total
Revenue	€1,221.2	€412.5	€1,843.8	€3,477.4
Operating expenses	(882.9)	(125.9)	(1,700.3)	(2,709.2)
NET POSITION	€338.2	€286.6	€143.4	€768.2
Hedge	-	188.7	68.4	257.0
NET POSITION AFTER HEDGE	€338.2	€97.9	€75.1	€511.2

With all other variables held constant, movements in euro/U.S. dollar exchange rates by +10% or -10% would have had an impact of €(30.7) and €37.6 million on operating income, respectively. In addition, with all other variables held constant, movements in euro/Japanese yen exchange rates by +10% or -10% would have had an impact of €(26.1) and €31.8 million on operating income, respectively.

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 2018 and 2017, the portion of gains or losses from hedging instruments excluded from the assessment of effectiveness and the ineffective portions of hedges was nil.

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

<i>(in millions of euros)</i>	Year ended December 31,			
	2018		2017	
	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale ⁽¹⁾	€135.9	€(4.3)	€71.1	€12.6
Forward exchange contract euros/Indian rupees – sale ⁽¹⁾	24.9	1.3	23.7	-
Forward exchange contract euros/U.S. dollars – sale ⁽¹⁾	41.0	(0.2)	42.5	(0.5)
Forward exchange contract U.S. dollars/Indian rupees – sale ⁽¹⁾	21.2	-	15.5	0.7
Forward exchange contract Japanese yen/U.S. dollars – sale ⁽¹⁾	78.8	0.2	-	-
Forward exchange contract British pounds/euros – sale ⁽¹⁾	27.5	0.4	22.5	(0.1)
Cross currency swaps Canadian dollars/euros ⁽²⁾	66.2	3.3	68.6	0.8
Cross currency swaps Australian dollars/euros ⁽²⁾	65.9	6.9	69.6	3.2
Other instruments ⁽²⁾	49.2	(0.3)	51.2	(0.2)

(1) Instruments entered into by the Company to hedge the foreign currency exchange risk of forecasted royalty flows.

(2) Mainly 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

Except for their impact on the general economic environment, which is difficult to quantify, the Company believes that changes in interest rates in 2018 did not materially affect its revenue and earnings before financial income and that it would be the same in the future. Therefore, the Company's interest rate risk is primarily a risk related to a reduction of financial revenue.

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 new French term loan facility (see Note 20 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 that have the economic effect of modifying forecasted interest obligations relating to the €350 million French term loan facility (see Note 20 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. In 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 €3.8 million in 2018 and for €8.4 million in 2017. Accumulated gains and losses on changes in fair value recognized in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (€(4.0) in 2018 and €(5.5) million in 2017).

Financial revenue, which is composed of interest income from cash, cash equivalents and short-term investments, is sensitive to fluctuations in interest rates. As of December 31, 2018, cash and cash equivalents and short-term investments totaled €2,810 million, including €694 million sensitive to fluctuations in interest rates mostly in Europe. With all other variables held constant, an increase in interest rates of 100 basis points would have had a positive impact in 2018 of €6.7 million on financial income and a decrease in interest rates of 100 basis points would have had a negative impact of €6.6 million.

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

	Year ended December 31,			
	2018		2017	
	Nominal amount	Fair value	Nominal amount	Fair value
<i>(in millions of euros)</i>				
Interest rate swaps in euros	€1,000.0	€(8.1)	€1,000.0	€(11.9)

Note 22 Post-employment Benefits

Contributions made to defined contribution plans were €25.1 and €23.8 million in 2018 and 2017 respectively.

The Company provides defined benefit retirement indemnities to the employees of its French operations, and sponsors defined benefit pension plans for certain employees in the United States. The Company also has certain defined benefit plans in other countries, mainly in Germany and in Japan.

In France, defined employee benefits include certain gratifications paid upon anniversary of employment and retirement indemnities that are based upon an individual's years of credited service and annualized salary at retirement. Retirement indemnity benefits vest and are settled as a lump sum paid to the employee upon the employee's retirement.

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

In the United States, pension benefits are based upon years of credited service and the employee's average final salary. Retirement benefits are funded by the Company's contributions to segregated pension plan assets, in an amount that is sufficient to meet or exceed the minimum annual funding requirements of the Employee Retirement Income Security Act. In 2011, the Company decided to freeze the American defined-benefit pension plan.

The projected benefit obligation was determined using the prospective method, based on the following assumptions:

Assumptions

Assumptions used to determine the benefit obligation are as follows:

	Year ended December 31, 2018			Year ended December 31, 2017		
	Europe	Americas	Asia	Europe	Americas	Asia
Discount rate	1.80%*	4.60%	0.40% – 2.75%	1.80%*	3.80%	0.50% – 3.50%
Average rate of compensation increase	2.50% – 2.80%	N/A	2.50% – 5.00%	2.50% – 2.80%	N/A	2.50% – 5.00%

* Except for the voluntary early retirement plan implemented for French subsidiaries.

Components of net periodic benefit cost

The components of net periodic benefit cost were as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Service cost*	€(11.5)	€(15.5)
Interest cost on benefit obligations	(4.6)	(4.5)
Interest income on plan assets	2.3	2.2
Other	0.2	2.1
NET PERIODIC BENEFIT COST	€(13.6)	€(15.7)

* In 2018 and in 2017, includes service costs related to the voluntary early retirement plan implemented for French subsidiaries for €3.0 and 8.4 million respectively.

Obligations and funded status

Changes in benefit obligations and plan assets as of December 31, 2018 and 2017 are as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Benefit obligations at beginning of year	€227.4	€226.6
Service cost	11.5	15.5
Interest cost on benefit obligations	4.6	4.5
Remeasurement (gains) losses*	3.6	(4.7)
Benefits paid	(11.8)	(7.7)
Exchange rate differences and other changes	3.4	(6.9)
BENEFIT OBLIGATIONS AT END OF YEAR	€238.7	€227.4
Fair value of plan assets at beginning of year	80.3	78.7
Employer contribution	11.3	3.0
Interest income on plan assets	2.3	2.2
Benefits paid	(3.2)	(1.8)
Remeasurement (losses)	(1.7)	3.5
Exchange rate differences and other changes	2.2	(5.4)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	€91.2	€80.3
NET DEFINED BENEFIT LIABILITY	€(147.6)	€(147.1)

* Remeasurement gains and losses mainly arise from changes in financial assumptions. A decrease of 150 basis points in the discount rates would increase the obligation by €55.2 million.

The benefit obligation by geographical location is as follows:

	Year ended December 31,	
	2018	2017
Europe	70%	72%
Americas	19%	18%
Asia	11%	10%
TOTAL BENEFIT OBLIGATIONS	100%	100%

The fair value of plan assets by geographical location is as follows:

	Year ended December 31,	
	2018	2017
Europe	45%	47%
Americas	55%	53%
TOTAL FAIR VALUE OF PLAN ASSETS	100%	100%

Plan assets

The weighted average asset allocations are as follows:

	Year ended December 31,	
	2018	2017
Debt instruments	58%	60%
Equity instruments	37%	34%
Other	5%	6%
TOTAL	100%	100%

Cash flows

The Company does not expect to make any additional contributions to the hedge funds related to its pension plans in 2018.

The planned payments to the beneficiaries for future periods are presented in the following table:

<i>(in millions of euros)</i>	Total
2019	13.8
2020	12.4
2021	11.0
2022	10.4
2023	12.0
2024-2028	75.4

Note 23 Shareholders' Equity

Shareholders' equity activity

As of December 31, 2018, Dassault Systèmes SE had 262,732,941 common shares issued with a nominal value of €0.50 per share. Changes in shares outstanding as of December 31, 2018 and 2017 are as follows:

<i>(in number of shares)</i>	Year ended December 31,	
	2018	2017
SHARES ISSUED AS OF JANUARY 1,	260,932,531	257,996,603
Dividend paid in shares	1,034,543	1,011,090
Exercise of stock options	1,488,924	1,924,838
Cancellation of treasury stock	(723,057)	-
SHARES ISSUED AS OF DECEMBER 31,	262,732,941	260,932,531
Treasury stock as of December 31,	(4,124,372)	(4,904,227)
SHARES OUTSTANDING AS OF DECEMBER 31,	258,608,569	256,028,304

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. No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and 2017.

Dividend rights

Dassault Systèmes SE is required to maintain a legal reserve equal to 10% of the aggregate nominal value of its issued share capital. The legal reserve balance was €13.1 and €12.9 million as of December 31, 2018 and 2017, respectively, and represents a component of retained earnings in the consolidated balance sheet. The legal reserve is distributable only upon the liquidation of Dassault Systèmes SE.

Distributable profit, consisting of net income of the year increased by retained earnings from prior years and after deduction for legal reserve when required, is available for distribution to shareholders of the Company as dividends. Allocation of this profit is subject to approval by the General Meeting of Shareholders following recommendations by the Board of Directors.

In 2018 and 2017, the Shareholders' Meeting approved the distribution of a dividend of €150.4 and €134.5 million for 2017 and 2016 respectively, and offered shareholders the

option to receive payment of their dividend in the form of new Dassault Systèmes shares. Shareholders who opted to receive payment in whole or in part of the 2017 and 2016 dividend in the form of new Dassault Systèmes SE shares represented approximately 74% and 61% of Dassault Systèmes' shares, respectively, resulting in the issuance of 1,034,543 and 1,011,090 new ordinary shares in 2018 and 2017, respectively. The cash dividend was paid in 2018 and 2017 in an aggregate amount of €38.0 million and €51.3 million, respectively.

Dividends per share were €0.58 and €0.53 as of December 31, 2017 and December 31, 2016, respectively.

No dividend was paid to non-controlling interest in 2018 and 2017.

Stock repurchase programs

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

Furthermore, the Group signed a liquidity agreement for an initial period until December 31, 2015, automatically renewable for subsequent 12-month terms. On December 31, 2018, 1,400,547 shares were purchased, at an average price of €115.23, and 1,393,150 shares were sold, at an average price of €113.81.

Components of other comprehensive income

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
CASH FLOW HEDGES:		
(Losses) Gains arising during the year	(7.9)	9.3
Less: reclassification adjustments for gains or (losses) included in the income statement	3.8	2.7
	€(11.8)	€6.6

Finalization of the acquisition of 3DPLM

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

In exchange for the ownership in 3DPLM, shareholders of Geometric Ltd. received one listed redeemable preference

share of Indian rupees 68 in 3DPLM against every one share of Geometric Ltd., refundable for a period of 15 months and with an annual 7 percent preferential dividend. In 2018, the Company paid €26.3 million for the redemption of these preference shares.

3DPLM being already fully consolidated in the Company's consolidated financial statements, the transaction was treated as an equity transaction and accounted for in shareholders' equity in the consolidated financial statements ended December 31, 2017.

Note 24 Consolidated Statements of Cash Flows

Adjustments for non-cash items consist of the following:

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017
Depreciation of property and equipment	14	€57.3	€49.5
Amortization of intangible assets	17	180.4	168.2
Non-cash share-based payment expense	6, 7	83.4	92.5
Deferred taxes	10	(16.6)	(80.1)
Other ⁽¹⁾		86.0	(15.7)
ADJUSTMENTS FOR NON-CASH ITEMS		€390.5	€214.4

(1) In 2018, includes impairment loss on 3DEXCITE goodwill for €15,0 million (see Note 18. Goodwill), impairment loss on acquired intangible assets for €7,0 million (see Note 17. Intangible Assets) and provisions for tax risks impacts (see Note 10. Income Taxes)

Changes in operating assets and liabilities consist of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
(Increase) in trade accounts receivable and contract assets	€(142.1)	€(111.2)
Increase (Decrease) in accounts payable	6.5	(1.0)
Increase in accrued compensation	43.9	28.5
(Decrease) Increase in income tax payable	(71.8)	22.1
Increase in contract liabilities – Increase in unearned revenue	108.3	86.6
Changes in other assets and liabilities	(0.1)	(14.4)
CHANGES IN OPERATING ASSETS AND LIABILITIES	€(55.3)	€10.5

Acquisition of non-controlling interests consist mainly of the payment of a refundable advance to Centric minority shareholders for €75.2 million in 2018 (See Note 16 Business Combinations) and the acquisition of acquisition of 3DPLM

further shares for approximately €26,3 million in 2018 and €34,8 million in 2017 (See Note 23 Shareholders' Equity).

Note 25 Commitments and Contingencies

Leases

The Company leases computer equipment, premises and office equipment under operating leases. Rent expense under operating leases was €87.8 million for the year ended December 31, 2018 and €82.4 million for the year ended December 31, 2017.

At December 31, 2018, future minimum annual rental commitments under non-cancelable lease obligations were as follows:

<i>(in millions of euros)</i>	Operating leases
2019	€88.1
2020	78.4
2021	67.0
2022	56.8
2023	52.1
2024 and thereafter	126.6
TOTAL FUTURE MINIMUM LEASE PAYMENTS	€469.0

3DS Paris Campus (Headquarters facilities)

The Company has leased approximately 57,000 square meters of office space for its headquarters facilities located in Vélizy-Villacoublay, outside Paris, France since June 30, 2008. In February 2013, the Company entered into a new lease agreement for its headquarters facilities for a non-cancelable initial term of 10 years beginning with the delivery of an additional 13,000 square meters of office space in the fourth quarter of 2016. Close to that site, the Company also leases approximately 11,000 square meters more in a building located in Meudon-La-Forêt, since October 2010. Future minimum rental payments until the end of the leases amount to approximately €204.8 million in the aggregate and have been included in the table presented above.

3DS Boston Campus

The Company leases approximately 30,000 square meters of office space for its campus located in the United States, regrouping the primary operating facilities of the Company's main American activities. The initial lease agreement signed June 1st, 2011 included a lease term of 12 years. In September 2016, the lease has been extended for 25 months and will end June 30, 2026. Future minimum rental payments amount to approximately €90.8 million in the aggregate and have been included in the table presented above.

Litigation and other proceedings

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

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

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

Note 26 Related-Party Transactions

Compensation of key management personnel

The table below summarizes compensation granted to the members of the Group Executive Committee and to the Chairman of the Board of Directors as of December 31, 2018 and 2017:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Short-term benefits ⁽¹⁾	€9.5	€11.1
Share-based compensation ⁽²⁾	34.0	37.1
COMPENSATION OF KEY MANAGEMENT PERSONNEL	€43.5	€48.2

(1) Including gross salaries, bonus, incentives, profit-sharing, directors' fees and fringe benefits paid.

(2) Expense recorded in the income statement for share-based payments (stock options and performance shares), including the expense related to the grants attributed by the Board of Directors at the meeting held on September 25, 2018, in advance in respect of 2019 (see Note 7 and paragraph 5.1.3.2 "Performance Shares and share subscription options" of 2017 Annual Report).

In certain circumstances, the Group Chief Executive Officer is entitled to an indemnity payment upon the termination of his functions as Chief Executive Officer. The amount of the indemnity due would be equivalent to a maximum of two years of compensation as Chief Executive Officer and would depend on satisfying the performance conditions established for calculating his variable compensation.

Other transactions with related parties

The Company licenses its products for internal use to Dassault Aviation SA, a sister company to the Company. The Chairman of Dassault Systèmes SE is, since May 29, 2018, the Chairman of Groupe Industriel Marcel Dassault SAS (Of which he was

Chief Executive Officer until that date), which controls Dassault Aviation SA. Dassault Aviation SA licenses the Company's products on commercial terms consistent with those granted to the Company's other customers of similar size. These licenses generated €17.2 million and €9.9 million of software revenue for the years ended December 31, 2018 and 2017, respectively. The Company also provides service and support to Dassault Aviation SA. Such activity generated service revenues of €9.6 million and €5.0 million in the years ended December 31, 2018 and 2017, respectively. The balances of trade accounts receivable with Dassault Aviation SA were €9.7 million, and €1.7 million at December 31, 2018 and 2017, respectively.

Note 27 Principal Statutory Auditors' Fees and Services

The following table presents the amount of fees paid to each of the Company's principal Statutory Auditors in 2018 and 2017:

	PricewaterhouseCoopers Audit				Ernst & Young et Autres			
	Amount		%		Amount		%	
<i>(in millions of euros, excluding VAT)</i>	2018	2017	2018	2017	2018	2017	2018	2017
Certification of accounts								
Audit opinion, review of statutory and consolidated financial statements ⁽¹⁾ :								
• issuer	€0.7	€0.8	25%	29%	€0.4	€0.4	36%	25%
• other consolidated subsidiaries	1.4	1.6	47%	58%	0.5	0.5	48%	37%
SUBTOTAL	2.1	2.4	72%	87%	1.0	0.9	84%	62%
Other services								
Other audit related services ⁽²⁾ :								
• issuer	-	0.1	0%	3%	-	0.1	0%	8%
• other consolidated subsidiaries	0.5	0.1	16%	4%	-	0.1	1%	6%
Other services (Legal, tax, social) ⁽³⁾ :								
• issuer	0.1	-	2%	0%	0.1	0.2	9%	16%
• other consolidated subsidiaries	0.3	0.2	10%	6%	0.1	0.1	6%	8%
SUBTOTAL	0.8	0.4	28%	13%	0.2	0.5	16%	38%
TOTAL	€2.9	€2.7	100%	100%	€1.1	€1.4	100%	100%

(1) Audit fees consist of fees billed for the annual audit services engagement and other audit services for the years ended December 31, 2018 and 2017, which are those services that only the Statutory Auditor reasonably can provide, and include the Group audit, statutory audits, consents, attest services, and services provided in connection with documents filed with the AMF.

(2) Audit-related fees generally consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the Statutory Auditor, and include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, and information system reviews. In 2018 and 2017, they primarily included fees related to certain acquisitions.

(3) Fees billed by members of the Statutory Auditors' respective networks to consolidated subsidiaries are related to the support in the execution of software licensing reviews and to local and international tax compliance services, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.

Note 28 Principal Dassault Systèmes Companies

The principal Dassault Systèmes SE subsidiaries included in the scope of consolidation as at December 31, 2018 are as follows:

Country	Consolidated companies	% of Interest
France	Dassault Data Services SAS	100%
France	Outscale SAS	89.63%
Germany	Dassault Systemes Deutschland GmbH	100%
Germany	Dassault Systemes 3DExcite GmbH	100%
Germany	CST – Computer Simulation Technology GmbH	100%
Netherlands	Dassault Systemes B.V.	100%
Italy	Dassault Systemes Italia Srl	100%
Sweden	Dassault Systemes AB	100%
United Kingdom	Dassault Systemes UK Limited	100%
United Kingdom	Dassault Systemes Biovia Limited	100%
Canada	Dassault Systèmes Canada Inc.	100%
United States	Centric Software, Inc.	63.19%
United States	Dassault Systemes Americas Corp.	100%
United States	Dassault Systemes Corp.	100%
United States	Dassault Systemes Simulia Corp.	100%
United States	Dassault Systemes SolidWorks Corporation	100%
United States	Spatial Corp.	100%
United States	Exa Corp.	100%
China	Dassault Systemes (Shanghai) Information Technology Co., Ltd	100%
India	3D PLM Software Solutions Limited	100%
India	Dassault Systemes India Private Limited	100%
South Korea	Dassault Systemes Korea Corp.	100%
Japan	Dassault Systemes K.K.	100%
Japan	SolidWorks Japan K.K.	100%
Singapore	Dassault Systemes Singapore Pte. Ltd.	100%
Australia	Dassault Systemes Australia Pty Ltd	100%
Malaysia	Dassault Systemes Innovation Technologies Malaysia Sdn.Bhd	100%

Note 29 Events after the reporting period

Acquisition of IQMS

On January 3rd, 2019, the Group acquired 100% of IQMS, a manufacturing ERP software company, for a preliminary estimated purchase price of €377 million.

4.1.2 Statutory Auditors' Report on the Consolidated Financial Statements

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European Regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. 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 of Dassault Systèmes SE,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Dassault Systèmes SE ("the Group") for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of Matter

We draw attention to the following matter described in Note 2 to the consolidated financial statements presenting the impacts of changes in accounting methods related to the first time application of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers". Our opinion is not modified in respect of this matter.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenue from complex contractual arrangements

Description of risk

As described in Note 2 “Summary of Significant Accounting Policies” to the consolidated financial statements, the Group derives revenue from multiple sources, chief among them software licenses, subscription, support and services.

Where these complex contractual arrangements include multiple elements sold as a single package, determining the date of recognition of the resulting revenue and how that revenue should be allocated between the various elements can be difficult and can require a significant degree of judgment from management.

The revenue for each element of a multiple-element arrangement with multiple performance obligations is allocated to each distinct performance obligation based on their standalone selling price. With respect to perpetual software licenses only sold bundled with one year of support, the stand-alone selling price is then determined by applying the residual approach. Allocating revenue between the various performance obligations requires analyses and, potentially, making adjustments, both of which can be complex.

In addition, when a sale of a license goes along with a service essential to the software functionality, the two performance obligations (software and service) are not distinct. Therefore, the license revenue is recognized in accordance with the pattern of recognition of the service obligation. Determining whether or not a service is essential to the functionality of a product requires significant judgment from management, as does analyzing the potential future profits to be gained from the corresponding long-term contract.

Moreover, recognizing revenue from complex contractual arrangements typically requires an in-depth analysis of contractual terms and conditions, together with other relevant documentation shared with customers during negotiations, with a view to ascertaining the full scope and type of the elements the Group has committed to providing and thus recognizing the revenue for each element on the appropriate date and at the appropriate value.

For the above reasons, we deemed the recognition of revenue from complex multiple-element arrangements to be a key audit matter.

How our audit addressed this risk

In the course of our audit, we examined the internal control systems relating to the recognition of revenue and that were implemented by the Group within its main shared services centers worldwide and we tested the key controls relating to these procedures that we considered to be the most relevant.

Throughout the year we performed analyses on all complex multiple-element arrangements deemed significant, as well as on a sample of randomly selected arrangements, with the aim of verifying that the management judgements in terms of allocation of revenue between the various elements was consistent with the Group’s accounting policies and whether the correct amount of revenue had been recognized with respect to the appropriate reporting period. Our works consisted primarily in analyzing the contractual terms and conditions, re-calculating the fair value of each element tested, analyzing the essentiality criteria’s for the provision of services associated with software sales and verifying the consistency of revenue assessments with the Group’s accounting policies and IFRS.

We also tested all significant manual accounting entries affecting revenue from complex contractual arrangements for consistency with the Group’s accounting policies.

Lastly, we examined the related disclosures provided in Notes 2 and 4 to the consolidated financial statements.

Business combinations and impairment of goodwill and non-current assets

Description of risk

Each year, the Group undertakes selected key acquisitions with a view to broadening its offering to customers. In these circumstances, the identifiable assets, liabilities and contingent liabilities of the newly acquired entities are recognized at their fair value, on the acquisition date. The excess of the price of the acquisition over the fair value of the net acquired assets is recorded as goodwill.

As of December 31, 2018, the Group’s non-current assets included goodwill of €2.125 million, software for €642 million and customer relationships for €483 million, deriving primarily from business combinations. In accordance with IAS 36, the Group performs annual impairment tests.

Given (i) the materiality of the amounts in question in the Group’s financial statements and (ii) the valuation methods used in acquisitions and in annual impairment tests, which rely in particular on projected future cash flows, we deemed the measurement of non-current assets to be a key audit matter. In order to implement these techniques, management must rely on assumptions and make estimates. Regarding the specific matter of recently acquired companies, the degree of judgment involved in projecting future cash flows is all the more significant as projections cannot necessarily be compared with historical data from these companies.

How our audit addressed this risk

For each acquisition, we examined the methods used to identify and measure the assets and liabilities acquired and to implement the annual impairment test of the related goodwill.

Our procedures consisted in taking note of the valuation techniques employed by the Group as well as the appropriateness of the main assumptions and estimates used, particularly in terms of future cash flows, long-term growth rates and discount rates. We also compared the initial cash flow forecasts with actual cash flows.

In addition, we carried out our own sensitivity analyses to supplement our assessment of the appropriateness of the key assumptions and inputs.

Lastly, we examined the related disclosures provided in Notes 2 and 18 to the consolidated financial statements.

Tax risks***Description of risk***

The Group has operations in many countries and must therefore abide by multiple different laws and regulations. This is particularly the case for tax policy, which can be a source of risk for the Group in terms of how it is applied. The Group is involved in a certain number of tax disputes, chief among them a dispute brought against reassessments relating to acquisition financing. Accordingly, between 2014 and 2016, the Group made payments totaling €123.1 million to the French tax authorities further to adjustments of the tax bases for the relevant years audited.

The Group assesses its tax positions and the technical justifications therefor at the end of each quarterly reporting period.

Where a risk in terms of how the local tax rules are to be applied is identified, the Group measures and records a provision for tax risk if the occurrence of an outflow of resources appears likely.

On the other hand, when it makes a payment further to a disputed tax reassessment and where it deems its position in that dispute to be technically justified, the Group simultaneously records a tax credit for the refund it will likely receive (as was the case for the above-mentioned acquisition financing matter). In this case, there is a risk that the tax credit will not be recovered.

Given (i) the materiality of the ongoing tax disputes and (ii) the complex technical analyses required of management, we deemed the assessment of tax risks to be a key audit matter. These analyses are specific to each tax jurisdiction and require a significant degree of judgment from management. Moreover, they are ultimately subject to a final decision from the tax authorities concerned.

How our audit addressed this risk

With guidance from our experts in international and French tax law, we examined the main grounds for reassessment cited by the local tax authorities against the Group, as well as the decisions made by management with respect to tax risks and disputes deemed significant. We also reconciled the assumptions and estimates used to account for tax provisions with the Group's accounting policies and IFRS.

For the more significant disputes for which a tax credit is recognized, in particular the above-mentioned acquisition financing matter, we also carried out an analysis of the technical opinions and consultations obtained by the Group from independent tax lawyers with a view to assessing the consistency thereof with the decisions made by management and the accounting treatments applied.

Lastly, we examined the related disclosures provided in Notes 15 and 25 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial information statement required by Article L.225-102-1 of the French Commercial Code is presented in the Group's information given in the management report, being specified that, in accordance with Article L.823-10 of this Code, the information given in this statement have not been verified by us with respect to the fair presentation and consistency with the consolidated financial statements and has to be subject to a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Dassault Systèmes SE by the Shareholders' Meetings held on June 8, 2005 for PricewaterhouseCoopers Audit and on May 27, 2010 for Ernst & Young et Autres.

As at December 31, 2018, PricewaterhouseCoopers Audit and Ernst & Young et Autres were in the fourteenth year and the ninth year of total uninterrupted engagement, respectively.

Previously, Ernst & Young Audit was the Auditors of Dassault Systèmes SE since 1998.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris La Défense, March 20, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

French original signed by:
Thierry Leroux

ERNST & YOUNG et Autres

French original signed by:
Nour-eddine Zanouda

4.2 Parent company financial statements

4.2.1 Parent company financial statements and notes

The 2018 financial statements presented below are the individual parent company financial statements of Dassault Systèmes SE.

Presentation of the parent company financial statements and the valuation methods used

The financial statements for the year ended December 31, 2018 have been prepared in accordance with the French General Chart of Accounts (*Plan comptable général*). They are presented in the same manner and prepared using the same valuation methods as the preceding year.

In 2018 operating revenue increased 8.5% to €1,613.8 million from €1,487.7 million in 2017 principally driven by the performance on the European and Asian markets. The portion of revenue earned from export sales amounted to €1,297.9 million, or 81.7% of net sales. Software revenue increased 7.5% to €1,199.7 million in 2018 from €1,115.5 million in 2017.

Operating expenses increased 11.2% to €1,291.0 million in 2018, from €1,160.7 million in 2017. The main drivers of this change were as follows:

- the *transmissions universelles de patrimoine* or TUP have impacted all expenditures items mainly that relating to personnel costs following the full-year effect of the integration of 75 new employees during 2017;
- the other purchases and external expenses increased mainly due to higher subcontracting costs related to client service contracts and to higher expenses relating to IT services principally for on-line service activities;
- personnel costs grew resulting from the increase in the headcount, from the performance shares plans and from salary inflation;
- depreciation, amortization and provisions increased mainly resulting from acquisitions and from the full-year impact of the delivery in May 2017 of a new building at the 3DS Campus;
- other expenses increased 16.8% driven by the growth of the royalties due to other Group subsidiaries for Group products sales.

Operating income decreased 1.3% from €327.0 million in 2017 to €322.8 million in 2018.

Financial income for 2018 amounted to €169.5 million, compared with €69.4 million for the preceding year, showing an increase of €100.1 million. This change was principally due to net favorable changes in the provisions for financial risks and higher dividends paid by Group subsidiaries.

Exceptional income and loss amounted to a loss of €55.2 million in 2018 compared to a loss of €19.7 million in 2017. This is explained by three lack of favorable items like in 2017 with a capital gain on a sale of a shareholding, and a favorable outcome of a dispute.

In 2018, income tax expense decreased to €49.8 million from €70.0 million in 2017. Income tax expense decrease is principally explained by the discontinuity of the 2017 exceptional contribution and the tax on dividends in addition to higher costs.

Net income increased to €331.2 million in 2018 from €257.8 million in 2017.

At December 31, 2018, cash and cash equivalents and marketable securities stood at €1,058.3 million, compared with €764.8 million at December 31, 2017. This increase was mainly driven by cash provided by operating activities.

Statement of income

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017
OPERATING REVENUE		1,613.8	1,487.7
Revenue	3	1,589.4	1,468.6
Of which exports		1,297.9	1,177.2
Other revenue		24.4	19.1
OPERATING EXPENSE		(1,291.0)	(1,160.7)
Other purchases and external expenses		(488.2)	(467.9)
Taxes, duties and similar payments		(29.0)	(28.5)
Personnel Costs	4	(504.2)	(429.0)
Depreciation, amortization and provisions		(76.9)	(70.3)
Other operating expense		(192.7)	(165.0)
OPERATING INCOME		322.8	327.0
FINANCIAL INCOME AND EXPENSE, NET	5	169.5	69.4
CURRENT INCOME		492.3	396.4
EXCEPTIONAL INCOME/(LOSS)	6	(55.2)	(19.7)
EMPLOYEE PROFIT-SHARING		(56.1)	(48.9)
Contractual employee profit-sharing (intéressement)		(27.9)	(24.5)
Contractual employee profit-sharing (participation)		(28.2)	(24.4)
INCOME TAX EXPENSE	7	(49.8)	(70.0)
NET INCOME		331.2	257.8

Balance sheet

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017
Assets			
NON-CURRENT ASSETS NET		3,521.2	3,483.1
Intangible Assets	10	308.4	345.4
Property and Equipment	11	52.0	49.4
Non-current Financial Assets	12	3,160.8	3,088.3
CURRENT ASSETS NET		1,954.6	1,482.7
Receivables	13	554.3	474.1
Marketable Securities	14	970.3	692.0
Treasury Shares	14	342.0	243.8
Cash and cash equivalents		88.0	72.8
PREPAID EXPENSES		63.8	65.4
FOREIGN CURRENCY TRANSLATION ADJUSTMENT		43.9	40.5
TOTAL ASSETS		5,583.5	5,071.7

<i>(in millions of euros)</i>	Notes	Year ended December 31,	
		2018	2017
Liabilities and equity			
SHAREHOLDERS' EQUITY	15	3,721.1	3,418.9
Capital		131.4	130.5
Share and contribution premiums		1,037.9	917.4
Legal reserve		13.1	12.9
Retained earnings		2,207.3	2,100.1
Income (loss) for the fiscal year		331.2	257.8
Regulated provisions		0.2	0.2
PROVISIONS FOR CONTINGENCIES AND LOSSES	16	223.9	181.7
FINANCIAL LIABILITIES	17	1,026.0	1,026.7
TRADE PAYABLES	19	540.0	390.4
UNEARNED REVENUE	20	71.7	53.6
FOREIGN CURRENCY TRANSLATION ADJUSTMENT		0.8	0.4
TOTAL LIABILITIES AND EQUITY		5,583.5	5,071.7

Notes to the Annual Financial Statements for Years Ended December 31, 2018 and 2017

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Note 1 Description of Business and Key Events of the Year

Description of business

Dassault Systèmes SE 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 user experience.

In 2018 Dassault Systèmes SE'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, Dassault Systèmes SE has developed a broad software applications portfolio, comprised of 3D modeling applications,

simulation applications, social and collaborative applications, and information intelligence applications, all powered by its **3DEXPERIENCE** platform.

Dassault Systèmes SE is a European company (*Societas Europaea*) incorporated under the laws of France. The Company's registered office is located at 10, rue Marcel Dassault, in Vélizy-Villacoublay, France. The Dassault Systèmes SE shares are listed in France on Euronext Paris. These financial statements were established under the responsibility of the Board of Directors on March 20, 2019.

Key Events of the Year

As part of its program to simplify the organization of its legal entities throughout the world, Dassault Systèmes SE carried out the merger operation (*or TUP*) of Dassault Systèmes Biovia SARL on July 3, 2018.

Note 2 Summary of Significant Accounting Policies

The financial year lasts for 12 months from January 1 through December 31.

The annual financial statements for the fiscal year ended December 31, 2018 have been prepared and are presented in accordance with the accounting ANC rule n°2016-07 dated November 4, 2016 and updating the ANC rule n°2014-03 related to the French General Chart of Accounts (PCG). In particular, the financial statements have been prepared in accordance with the principle of prudence, the principle of continuity of accounting methods from one year to the next, the independence of financial years, and the assumption that the business is a going concern. Assets and liabilities are initially recorded at historical cost.

Significant accounting policies applied are as follows:

Revenue

Dassault Systèmes SE derives revenue from three primary sources: (1) licenses, other software revenue (which includes the development of additional functionalities of standard products requested by clients), subscription and support (which includes software license updates and technical support); (2) consulting and training services; and (3) royalties from distribution agreements signed primarily with the Group's subsidiaries.

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

Dassault Systèmes SE accounts for a contract with a client when there is a written agreement that creates legally enforceable rights and obligations, including payment terms,

when the contract has commercial substance and when collection consideration is probable. A performance obligation is a promise in a contract with a client to transfer products or services that are distinct from the other promises of the contract.

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

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

Licenses, subscription, support and other software revenue

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

Subscription generally have a one-year term and represent two obligations including the license and the support of the software.

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

Software revenue relating to the development of additional functionalities of standard products requested by clients is recognized when the development work is performed.

The recurring revenue from subscription and support is accounted for in software revenue.

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

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

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

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

Services Revenue

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

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

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

Research and development

Research costs are expensed as incurred. Technological feasibility is not demonstrated before a working prototype has been completed. Technological feasibility is generally demonstrated shortly before the commercial release of software products. As a consequence, costs incurred after technological feasibility is established and that could potentially be capitalized are not material.

Research and development tax credits are recognized as a deduction to the income tax expense.

Intangible assets, property and equipment

Intangible assets, property and equipment are recognized at cost, including ancillary expenses, when they are purchased, at their production cost when they are produced internally, and at their integration value.

Under the ANC rule n°2015-06 dated November 23, 2015, technical deficits from mergers (*TUP*) and goodwill have been allocated to their underlying assets and amortized if necessary since January 1, 2016. Residual goodwill considered as permanent is not amortized but subject to yearly impairment tests.

The useful life of intangible assets, property and equipment is presented below:

Amortization using the straight-line method	Amortization period
Intangible assets	
Software	3 to 5 years
Technologies	5 to 10 years
Customer assets	5 to 10 years
Tangible assets	
Computer equipment	3 to 5 years
Fixtures and fittings	Over the term of the lease
Office furniture	10 years

Non-current Financial Assets

Investments in subsidiaries are recognized at cost without revaluation of the transaction currencies. Expenses directly related to the acquisition of equity securities are included in the acquisition cost of these securities. Loans and advances to subsidiaries are valued at their net realizable value.

At least once a year, Dassault Systèmes SE reviews the net realizable value of its investments and loans and advances to subsidiaries. In particular, the net realizable value of securities takes into account the amount of shareholders' equity, long-term profitability and strategic factors. An impairment loss is recognized if the net realizable value is less than the carrying value for a long period of time.

Marketable Securities

Marketable securities are initially recorded at cost and are depreciated, when applicable, by referring to their quoted price in an active market at year end.

Receivables and payables

Trade receivables are reported at their net receivable value and trade payables are reported at their nominal value. For trade receivables, an allowance is recorded when the net realizable value is lower than the carrying value taking into account, in particular, aging and risk of non-collectability.

Foreign currency transactions

Transactions in foreign currencies are recorded in euros in the income statement at the monthly average exchange rate, except for significant transactions which are booked at the daily exchange rate. Receivables, payables and cash in foreign currencies are converted to euros in the balance sheet at the closing exchange rate or at the hedged rate when they are subject to exchange rate hedging. The conversion differences are recorded on the balance sheet in "Unrealized Exchange Losses/Gains". In the event of unrealized losses, a provision for contingencies (exchange loss) is recorded.

Provisions for Contingencies and losses

Provisions for contingencies and losses are recognized when liabilities to cover are probable to generate outflows of resources resulting from a present obligation. These provisions are estimated to take into account the most probable hypothesis at the closing date.

Derivatives

Dassault Systèmes SE can manage exposure to foreign currency and interest rates with regards to revenue and cost generated by its ongoing and predictable activity. Dassault Systèmes SE can also mitigate a given foreign currency exposure linked to specific operations.

In order to hedge foreign currency exposure, Dassault Systèmes SE uses, as needed, foreign exchange contracts or financial instruments for which total maximum losses are known from the outset.

Interest rate derivatives

Financial income and expense resulting from the use of derivatives are recorded in the income statement in the same manner as income and expense from the covered transactions when the derivatives are considered to be hedging transactions from an accounting perspective. If the instruments do not qualify as hedging, they are accounted for as follows:

- net unrealized losses are fully reserved;
- net gains are recognized in the income statement upon settlement.

Exchange rate derivatives

Exchange rate derivatives are included in Dassault Systèmes SE's currency position. Unrealized losses on these derivatives are taken into account in determining the provision for unrealized exchange losses.

Isolated open position

Any transaction that does not qualify as a hedge is classified in a category called "isolated open position". The accounting treatment is as follows:

- derivatives are recorded in the balance sheet at their fair value;
- a provision for unrealized losses derivatives is booked impacting the profit and loss account.

As a consequence, changes in the value of derivatives that do not qualify as hedge are recorded in adjustment accounts (as well as interest rate options are currently recorded according to the French General Chart of Accounts).

Tax credit in favor of competitiveness and employment (CICE)

Dassault Systèmes SE recognizes the tax credit in favor of competitiveness and employment (the *Crédit d'Impôt pour la Compétitivité et l'Emploi*, or CICE) as an offset to personnel costs.

Notes on the Income Statement

Note 3 Revenue Breakdown

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Licenses revenue	148.4	128.2
Subscription and Support revenue	381.8	354.2
Royalties	669.5	633.1
TOTAL SOFTWARE REVENUE	1,199.7	1,115.5
Services revenue	46.2	40.4
Other revenue	343.5	312.7
TOTAL REVENUE	1,589.4	1,468.6

The breakdown of software revenue by geographic area is as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Europe	664.0	656.9
Asia	338.5	280.9
Americas	197.2	177.7
TOTAL SOFTWARE REVENUE	1,199.7	1,115.5

Note 4 Personnel Costs

Personnel costs are comprised of the following:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Salaries and wages	345.4	288.9
Social security costs	158.8	140.1
TOTAL PERSONNEL COSTS	504.2	429.0

Average Headcount by Category

Salaried employees by category	Year ended December 31,	
	2018	2017
Managers	3,213	3,098
Supervisors and technicians	124	116
Employees	37	49
TOTAL AVERAGE HEADCOUNT (IN FULL TIME EQUIVALENTS)*	3,374	3,263

* Apprentices and professional training contractors excluded.

The Company headcount increased to support growing sales and shared services centers.

Tax credit in favor of competitiveness and employment (CICE)

The tax credit in favor of competitiveness and employment (the *Crédit d'Impôt pour la Compétitivité et l'Emploi*, or *CICE*) is based on total compensation due for the current period. In 2018, an amount of €1.8 million of CICE was recognized compared to €2.0 million in 2017, and was allocated to funding working capital requirements.

Compensation of Executives

Total compensation paid by Dassault Systèmes to the executive officers is paid by Dassault Systèmes SE, a company incorporated under French law. The total gross compensation paid to executive officers by Dassault Systèmes SE during 2018 was as follows:

<i>(in thousands of euros)</i>	Year ended December 31,	
	2018	2017
Salaries	4,536	4,427
Benefits	28	22
Directors' fees*	73	73
TOTAL COMPENSATION OF EXECUTIVES	4,637	4,522

* Compensation is based on payments made. 2018 directors' fees represent €73,700 paid in 2019.

Note 5 Financial Income and Expense, Net

Net financial income and expense is as follows:

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Dividends received	125.1	83.2
Interest income	10.1	11.3
Interest expense	(13.2)	(11.9)
INTEREST INCOME AND EXPENSE, NET	122.0	82.6
Revenue from disposals of investment securities	7.9	4.0
Net foreign exchange income (expense), net other financial contingencies	4.3	2.3
Net reversal (additions) of provisions for impairment	35.3	(19.5)
FINANCIAL INCOME AND EXPENSE, NET	169.5	69.4

Changes in provisions for impairment result from impairment test updates (see Note 2 Summary of Significant Accounting Policies and Note 24 Information relating to Subsidiaries and Shareholdings).

Note 6 Exceptional Income/Loss

Exceptional loss for the year ended December 31, 2018 was €55.2 million compared to a loss of €19.7 million for the year ended December 31, 2017. The evolution in 2018 was driven by the lack of favorable items like in 2017 with a capital gain on a sale of a shareholding, and a favorable outcome of a dispute. The impact of the shares granted 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, was recorded as an exceptional item (see Note 8 Performance Shares).

A company agreement regarding employment forecasting, competencies and social transformation (GPEC) has been signed in June 2016 for three years with no automatic renewal (see Note 16 Provisions for Contingencies and Losses). The goal of this agreement is to implement means and measures allowing Dassault Systèmes SE to reach three strategic objectives:

- anticipation of competencies needed to sustain the Company's development;

- training modalities for employees to acquire those competencies;
- internal and external employment evolution plan, in interaction with its ecosystem.

This agreement applies to all employees of the French subsidiaries of the Group. It includes innovating structures which enable the sharing of competencies, the development of entrepreneurial projects, the research of new but non-rival jobs outside the Group and the facilitation of the transition between work and retirement on a voluntary basis.

The costs relating to this agreement are recorded as exceptional expenses and amounted to €1.9 million in 2018 compared to €7.0 million in 2017.

Note 7 Income Tax

The tax group included 10 entities at the end of December 2018. Under the tax integration agreement, it is agreed that the income tax expense of tax-integrated companies will be the same as it would have been if each subsidiary had not been a member of the Group. Without the tax integration agreements,

the income tax expense of Dassault Systèmes SE, the head of the tax group, would have been €50.5 million in 2018.

The breakdown of income tax between current income and exceptional income for the year ended December 31, 2018, was as follows:

<i>(in thousands of euros)</i>	Income before tax	Tax (expense) credit	Income after income tax
Current income	492.3	(89.0)	403.3
Exceptional income	(111.3)	39.2	(72.1)
TOTAL	381.0	(49.8)	331.2

The effective income tax rate for the year ended December 31, 2018 was 13.1% against 21.4% in 2017. This decrease is notably driven by higher dividends paid by Group subsidiaries which are not taxed double, and by net favorable changes in the provisions for financial contingencies which are non-taxable.

Note 8 Performance Shares

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

As explained in paragraph 5.1.3.2 "Performance shares and share subscription options" of the 2017 Annual Document, the Board of Directors at the meeting held on September 25, 2018 approved an advance share grant in respect of 2019 for several managers and employees of the Group (performance shares are usually authorized in May by the General Meeting of Shareholders) in order to remain eligible for the

tax regime associated with the authorization granted by the General Meeting of September 4, 2015 and expiring on November 4, 2018. Therefore, the Board of Directors at the meeting held on September 25, 2018 used this authorization to grant in advance in respect of 2019 496,700 performance shares to some employees and executives (Plan 2019-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 2019-B). Regarding the approval of this advance share grant in respect of 2019 for several managers and employees of the Group, the Board specified that the allocation in 2019 would not apply to the beneficiaries of this advance share grant. 2019-A and 2019-B performance shares shall be acquired as at May 23, 2022. They shall be vested subject to the condition that the beneficiary is an employee or a Director of the Company at the end of a two-year and eight months presence period and subject to the achievement of a condition based on the Company non-IFRS diluted earnings per share growth. This condition is based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2021, excluding foreign currency effects, and the one achieved in the year 2018 (non-vesting condition).

A summary of the Company's performance shares plans is as follows:

Plans	2014-A	2014-B	2015-A	2015-B	2016-A	2016-B	2017-A	2017-B	2018-A	2018-B	2019-A	2019-B
Date of General Meeting of Shareholders	05/30/2013	05/30/2013	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015	09/04/2015
Date of grant by Board of Directors	02/21/2014	02/21/2014	09/04/2015	09/04/2015	05/26/2016	05/26/2016	05/23/2017	05/23/2017	05/22/2018	05/22/2018	09/25/2018	09/25/2018
Total number of shares granted	529,940	150,000	734,600	300,000	782,950	300,000	801,700	300,000	815,730	300,000	496,700	300,000
Restated total number of shares granted ⁽¹⁾	1,059,880	300,000	734,600	300,000	782,950	300,000	801,700	300,000	815,730	300,000	496,700	300,000
Acquisition period (in years) ⁽²⁾	Four	Four	Two	Two	Two or three ⁽³⁾	Two or three ⁽³⁾	Three	Three	Three	Three	Three months	Three months
Performance conditions	See Note ⁽⁴⁾	See Note ⁽⁴⁾	See Note ⁽⁴⁾	See Note ⁽⁴⁾	See Note ⁽⁵⁾	See Note ⁽⁵⁾	See Note ⁽⁶⁾	See Note ⁽⁶⁾	See Note ⁽⁷⁾	See Note ⁽⁷⁾	See Note ⁽⁸⁾	See Note ⁽⁸⁾
Performance conditions is reached at December 31, 2018	Yes	Yes	Yes	Yes	See Note ⁽⁹⁾	See Note ⁽⁹⁾	N/A	N/A	N/A	N/A	N/A	N/A

- (1) For shares granted before July 17, 2014, total number of shares granted has been restated to reflect the two-for-one stock split effected on July 17, 2014.
- (2) Subject to the condition that the beneficiary be an employee or a Director of the Company at the acquisition date, with the exception of 2017-A, 2017-B, 2018-A and 2018-B plans, for which the presence period is two years and 2019-A and 2019-B plans for which the presence period is two years and eight months.
- (3) Share acquisition divided into two tranches, the first having vested in May 26, 2018 and the second vesting in May 26, 2019.
- (4) Performance condition measured based on two alternative criteria, the growth of the non-IFRS diluted earnings per share of the Group or the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index (market condition) for each of the years 2015, 2016 and 2017 for 2014-A and 2014-B Shares, and for the year 2016 for 2015-A and 2015-B Shares, compared to the year 2014. Such growth or difference must be at least equal to a threshold established by the Board of Directors. The 2015-B Shares granted to Mr. Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer, are also subject to an additional performance condition related to variable compensation dependent on achieving performance criteria previously established by the Board of Directors.
- (5) Performance condition for the first tranche will be measured based on the average performance of two criteria: the growth of the non-IFRS diluted earnings per share of the Group for the year 2017, excluding foreign currency effects, compared to the year 2015 (non-market condition), and the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index between February 2016 and February 2018 (market condition). Such growth and outperformance must be at least equal to a threshold established by the Board of Directors. Performance condition for the second tranche will be measured based on two cumulative criteria: the growth of the non-IFRS diluted earnings per share of the Group for the year 2018, excluding foreign currency effects, compared to the year 2015 (non-market condition), and the outperformance of the price of the Dassault Systèmes share compared to the performance of the CAC 40 index between February 2016 and February 2019 (market condition). Such growth and outperformance must be at least equal to a threshold established by the Board of Directors. The 2016-B shares granted to Mr. Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer, are also subject to an additional performance condition related to his variable compensation itself dependent on achieving performance criteria previously established by the Board of Directors.
- (6) Performance condition 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). Such growth must be at least equal to a threshold (expressed as a percentage) established by the Board of Directors granting the shares.
- (7) Performance condition based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2020, excluding foreign currency effects, and the one achieved in the year 2017 (non-vesting condition). Such growth must be at least equal to a threshold (expressed as a percentage) established by the Board of Directors granting the shares.
- (8) Performance condition based on a targeted growth between the non-IFRS diluted earnings per share of the Group for the year 2021, excluding foreign currency effects, and the one achieved in the year 2018 (non-vesting condition). Such growth must be at least equal to a threshold (expressed as a percentage) established by the Board of Directors granting the shares.
- (9) Tranche 1 performance condition reached and Tranche 2 performance condition will be measured by March 20, 2019 Board of Directors.

The expense related to performance shares plans, for personnel of subsidiaries of Dassault Systèmes SE is recharged when the shares are definitively attributed to beneficiaries. During the vesting period, Dassault Systèmes SE accrues only for the costs related to the performance shares attributed to employees contributing directly to its activity.

Note 9 Additional Information

Research and development expense

In 2018, Dassault Systèmes SE recorded a total of €294.8 million of research and development expenses, which corresponds to 24.6% of software revenue. This amount reflects a full-cost basis including IT and facility costs, as well as employee profit sharing, net of recharges and grants.

Notes to the Balance Sheet

Note 10 Intangible Assets

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<i>(in millions of euros)</i>	Year ended December 31,			2018
	2017	Additions	Disposals	
Goodwill	353.3	9.1	-	362.4
Software, technology and other	177.7	12.8	(21.3)	169.2
TOTAL GROSS VALUE	531.0	21.9	(21.3)	531.6
Goodwill	(72.6)	(32.9)	-	(105.5)
Software, technology and other	(113.0)	(16.4)	11.7	(117.7)
TOTAL AMORTIZATION AND PROVISIONS	(185.6)	(49.3)	11.7	(223.2)
Goodwill	280.7	(23.8)	-	256.9
Software, technology and other	64.7	(3.6)	(9.6)	51.5
TOTAL NET VALUE	345.4	(27.4)	(9.6)	308.4

Residual goodwill considered as permanent, amounted to €85.6 million net of provisions.

Increase of intangible assets was mainly driven by the TUP carried out in 2018 (see Note 1 Description of Business and Key Events of the Year), and by customer base and technology acquisitions.

Note 11 Property and Equipment

<i>(in millions of euros)</i>	Year ended December 31,			2018
	2017	Additions	Disposals	
Machinery and equipment	98.3	17.0	(21.0)	94.3
Fixtures and fittings	34.9	4.1	-	39.0
Office furniture and equipment	16.8	0.6	(4.7)	12.7
TOTAL GROSS VALUE	150.0	21.7	(25.7)	146.0
Machinery and equipment	(70.6)	(15.0)	20.9	(64.7)
Fixtures and fittings	(17.4)	(2.9)	-	(20.3)
Office furniture and equipment	(12.6)	(1.1)	4.7	(9.0)
TOTAL DEPRECIATION	(100.6)	(19.0)	25.6	(94.0)
Machinery and equipment	27.7	2.0	(0.1)	29.6
Fixtures and fittings	17.5	1.2	-	18.7
Office furniture and equipment	4.2	(0.5)	-	3.7
TOTAL NET VALUE	49.4	2.7	(0.1)	52.0

The acquisitions were mainly related to hardware and IT servers.

The decrease resulted principally from hardware renewal.

Note 12 Non-Current Financial Assets

<i>(in millions of euros)</i>	Year ended December 31,			2018
	2017	Additions	Disposals	
Investments in subsidiaries	2,809.5	105.2	(6.2)	2,908.5
Loans and advances to subsidiaries	295.0	2.2	(6.5)	290.7
Treasury Shares	71.6	3.1	(59.6)	15.1
TOTAL GROSS VALUE	3,176.1	110.5	(72.3)	3,214.3
Provision for impairment	(87.8)	(0.7)	35.0	(53.5)
TOTAL PROVISION FOR IMPAIRMENT	(87.8)	(0.7)	35.0	(53.5)
Investments in subsidiaries	2,721.7	105.2	28.8	2,855.7
Loans and advances to subsidiaries	295.0	1.5	(6.5)	290.0
Treasury Shares	71.6	3.1	(59.6)	15.1
TOTAL NET VALUE	3,088.3	109.8	(37.3)	3,160.8

The increase in investments in subsidiaries were mainly related to the recapitalization of Group entities.

Note 13 Receivables

External unpaid issued invoices are split as follows:

(in millions of euros)	Year ended December 31, 2018					91 days and over (1 day and over)	Total (1 day and over)
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days			
(A) overdue split							
Number of bills	6,846						2,443
Total amount of external invoices (VAT excluded)	118.9	2.4	2.2	0.5	3.1		8.2
Percentage of total external revenue (VAT excluded)	20.7%	0.4%	0.4%	0.1%	0.5%		1.4%
Total amount of trade receivables excluded from (A) and related to claims or not yet issued (VAT excluded)							23.1

Reference payment terms applied by Dassault Systèmes SE with third parties are contractual deadlines ranging from 30 days from the end of the month to 60 days net.

The share of overdue above one year related to other receivables is not material.

Note 14 Treasury

Marketable Securities

At December 31, 2018, marketable securities amounted to €970.3 million compared with €692.0 million at December 31, 2017. They are mainly held in euro denominated monetary investments. The balance as of December 31, 2018 included €(8.1) million related to treasury instruments.

The increase in marketable securities is principally attributable to the cash provided by operating activities.

Treasury Shares

Share repurchases are analyzed below as at December 31, in 2018:

	Number of shares authorized and issued	Average price (in euros)	Total (in millions of euros)
Treasury shares directly managed by Dassault Systèmes SE ⁽¹⁾	3,480,335	98.27	342.0
Treasury shares managed through liquidity agreement ⁽²⁾	140,423	107.37	15.1
TREASURY SHARES AS OF DECEMBER 31, 2018	3,620,758	98.62	357.1

- (1) The General Meeting of Shareholders authorized the Board of Directors to implement a share repurchase program limited to 10,000,000 of Dassault Systèmes' shares. Under this authorization, the Company may not buy shares at a price exceeding €150 per share or above a maximum annual aggregate amount of €500 million. In 2018, 1,716,950 shares were purchased, at an average price of €118.53, and 1,781,145 shares were delivered to the beneficiaries of performance shares plans, at an average purchase price of €59.11.
- (2) The Group signed a liquidity agreement for an initial period until December 31, 2015, automatically renewable for subsequent 12-month terms. In 2018, 1,400,547 shares were purchased, at an average price of €115.23, and 1,393,150 shares were sold, at an average price of €113.81.

Note 15 Shareholders' Equity

Share Capital

Changes in share capital during the year ended December 31, 2018 were as follows:

	Number of shares authorized and issued	Par value (in euros)	Capital (in euros)
SHARES AS OF JANUARY 1, 2018	260,932,531	0.50	130,466,265
Shares issued pursuant to exercise of share subscription options	1,488,924	0.50	744,462
Capital increase*	1,034,543	0.50	517,271
Capital decrease	(723,057)	0.50	(361,528)
SHARES AS OF DECEMBER 31, 2018	262,732,941	0.50	131,366,470

* See "Dividend rights" below.

Shareholder base

On December 31, the share capital of Dassault Systèmes SE was held by:

(%)	2018	2017
Public	49.64	49.44
Groupe Industriel Marcel Dassault	40.70	40.87
Charles Edelstenne ⁽¹⁾	6.01	6.03
Bernard Charlès	1.46 ⁽⁵⁾	1.26 ⁽⁵⁾
Treasury stock ⁽²⁾ and indirect treasury stock ⁽³⁾	1.57	1.88
Directors and senior management ⁽⁴⁾	0.62	0.52
TOTAL	100.00	100.00

On December 31, the voting rights in Dassault Systèmes SE were held by:

(in % of exercisable voting rights) ⁽¹⁾	2018	2017
Groupe Industriel Marcel Dassault	55.02	55.30
Public	34.51	34.40
Charles Edelstenne ⁽¹⁾	8.14	8.17
Bernard Charlès	1.74 ⁽⁵⁾	1.61 ⁽⁵⁾
Directors and senior management ⁽⁴⁾	0.59	0.52
TOTAL	100.00	100.00

(1) Including shares held in trust for the benefit of his family and managed by Mr. Edelstenne.

At December 31, 2018, Mr. Edelstenne held 4,175,158 shares with all ownership rights and 3,382 shares through two family companies which he manages, representing a total of 1.59% of the capital and 2.14% of the exercisable voting rights, as well as 11,616,045 shares with "usage" rights (usufruit). For the usage rights with respect to these 11,616,045 shares, representing 6.03% of the exercisable voting rights, Mr. Edelstenne can only exercise the right to vote on decisions of the General Meeting concerning the allocation of profits; the holders of the bare property rights (nue-propriété) exercise the right to vote for other resolutions in compliance with Article 11 of the by-laws.

(2) Including 140,423 shares through the liquidity agreement as of December 31, 2018. As of December 31, 2017, such number was 131,026 shares.

(3) Shares held by SW Securities LLC. This company is a subsidiary of Dassault Systèmes SE, Dassault Systèmes' shares held by it do not have voting rights.

(4) Excluding Mr. Edelstenne and Mr. Charlès, "management" includes the officers listed in paragraph 5.1.2 "The Executive Committee".

(5) For further information, see Table 5 of paragraph 5.3.1 "Compensation of the Company's Corporate Officers (mandataires sociaux)".

Stock Option Plan

A summary of the stock option activity is as follows:

	2018		2017	
	Number of options	Weighted average exercise price (in euros)	Number of options	Weighted average exercise price (in euros)
OUTSTANDING AS OF JANUARY 1, 2018	5,695,244	65.30	5,961,562	49.31
Number of options granted	1,985,201	110.00	2,050,370	82.00
Exercised	(1,488,924)	46.13	(1,924,838)	33.25
Forfeited	(502,201)	74.25	(391,850)	66.86
OUTSTANDING AS OF DECEMBER 31, 2018	5,689,320	85.13	5,695,244	65.30
Exercisable	2,073,363	67.81	1,881,887	47.89

A summary of the remaining contractual life and the exercise price of options outstanding as of December 31, 2018 is presented below:

Stock option plan	Number of options	Remaining life (years)	Exercise price (in euros)
2014-01	67,494	3.40	45.50
2015-01	920,462	6.68	62.00
2016-01	1,181,088	7.40	69.00
2017-01	1,591,285	8.39	82.00
2018-01	1,928,991	9.39	110.00
OUTSTANDING AS OF DECEMBER 31, 2018	5,689,320	8.19	85.13

Movements in Shareholders' Equity

Movements in shareholders' equity for the year ended December 31, 2018 were as follows:

(in millions of euros)	2017	Appropriation of 2017 earnings	Effect of exercising options	Net income for 2018 fiscal year	2018
Share Capital	130.5	-	0.9	-	131.4
Share and contribution premiums	917.4	-	120.5	-	1,037.9
Legal reserve	12.9	0.2	-	-	13.1
Retained earnings	2,100.1	107.2	-	-	2,207.3
Income (loss) for the fiscal year	257.8	(257.8)	-	331.2	331.2
Regulated provisions	0.2	-	(0.0)	-	0.2
SHAREHOLDERS' EQUITY	3,418.9	(150.4)	121.4	331.2	3,721.1

Movements in shareholder's equity result from the issuances of new shares from stock option plans, or from the payment of dividends net of share capital decreases.

Dividend rights

The Combined General Meeting of Shareholders held on May 22, 2018 approved a dividend of €150.4 million. The General Meeting approved offering shareholders the option to receive payment of their dividend for 2017 in the form of

new Dassault Systèmes SE shares. As a result, 1,034,543 new ordinary shares were created. The cash dividend was paid in the total amount of €38.0 million.

Note 16 Provisions for Contingencies and Losses

Movements of provisions for contingencies and losses were as follows:

<i>(in millions of euros)</i>	Year ended December 31,				2018
	2017	Additions	Utilization	Reversal of unused amounts	
Provisions for performance shares	97.1	150.5	(105.3)	-	142.3
Provisions for exchange losses	28.6	35.7	(28.5)	-	35.8
Provisions for post-employment benefits	27.1	5.0	(5.0)	-	27.1
Other provisions for contingencies and losses	24.7	12.3	(22.4)	(0.2)	14.4
Provisions for jubilee awards	4.2	0.4	(0.3)	-	4.3
TOTAL PROVISIONS	181.7	203.9	(161.5)	(0.2)	223.9

Changes in provisions for contingencies and losses impacted captions of the income statement as follows:

<i>(in millions of euros)</i>	Additions	Utilization	Reversal of unused amounts
Operating income	114.3	(83.8)	(0.2)
Financial income and expense, net	46.1	(42.8)	-
Exceptional income/(loss)	43.5	(34.9)	-
TOTAL	203.9	(161.5)	(0.2)

Provisions for Post-employment Benefits

Dassault Systèmes SE's commitment in terms of post-employment benefits was evaluated and recognized using the prospective actuarial future rights pro rata method with the use of a corridor.

This method takes into account rights acquired by employees on the date of their retirement, computed on the basis of the employees' seniority and annual salary at the time of retirement. These rights are acquired and paid to employees when they retire as a fixed amount.

The projected benefit obligation at December 31, 2018 was determined based on the following assumptions: retirement between 60 and 65 years of age, discount rate of 1.80%, average increase in salaries of 2.80% and a 3.00% expected

return on plan. Dassault Systèmes SE has an insurance policy with Sogecap, a life insurance company affiliated with the *Société Générale*, intended to cover the retirement payment commitments. Pursuant to this policy, Dassault Systèmes SE has invested a total of €14.6 million. Actuarial impacts on the cost of past services is spread in profit using the corridor method. They totaled €14.8 million to be spread over an average residual employee service of 21.07 years.

Note 17 Financial Liabilities

Financial liabilities are as follows:

<i>(in millions of euros)</i>	Less than 1 year	1 to 5 years	Year ended December 31,	
			2018	2017
Bank loans and borrowings	350.4	650.0	1,000.4	1,000.5
Mandatory employee profit-sharing scheme	2.9	14.9	17.8	18.2
Other financial liabilities	0.0	7.8	7.8	8.0
TOTAL FINANCIAL LIABILITIES	353.3	672.7	1,026.0	1,026.7

In June 2013, Dassault Systèmes SE entered into a six-year term ending on July 25, 2019 loan facility agreement for €350 million. The facility was immediately drawn down and bears interest at Euribor 1-month plus 0.55% per annum.

In October 2015, Dassault Systèmes SE entered into a new five-year term loan facility agreement, which maturity

could be extended by two additional years at the Company's option, for €650 million. The facility was immediately drawn down and bears interest at Euribor 1-month plus 0.50% per annum. In October 2016 and October 2017, the Company exercised the option extension for one year, which extends the termination date to its new maturity in October 2022.

Note 18 Elements Concerning Related Companies

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Loans receivable	282.1	288.6
Trade accounts receivable and related items	116.7	97.7
Current accounts receivable	73.3	98.1
Accounts payable and related items	57.7	26.2
Current accounts with credit balances	188.2	116.8
Finance income: dividends collected and net interest received	132.1	93.2

Current accounts with debit and credit balances sharply fluctuated as a result of the cash provided by operating activities of the subsidiaries, and of the share capital increase of one of these entities.

Note 19 Trade Payables

External unpaid received invoices are split as follows:

<i>(in millions of euros)</i>	Year ended December 31, 2018					Total (1 day and over)
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	
(A) overdue split						
Number of invoices	2,622					1,641
Total amount of external invoices (VAT excluded)	11.2	1.9	0.3	(0.0)	0.3	2.5
Percentage of total external purchases (VAT excluded)	4.4%	0.8%	0.1%	-0.0%	0.1%	1.0%
Total amount of trade payables excluded from (A) related to invoices not yet recognized (VAT excluded)						34.6

Reference payment terms applied by Dassault Systèmes SE with third parties are contractual deadlines of 45 days from the end of the month. Late payments mainly result from the lack of compliance with procurement rules.

The share of overdue above one year related to other trade payables amounts to €25.2 million in 2018. It includes the provision for social security contributions related to performance shares with vesting periods equal or greater than one year.

Note 20 Prepaid Expenses and Unearned Revenue

Prepaid expenses are mainly made of IT services paid in advance. Prepaid expenses amounted to €63.8 million in 2018 from €65.4 million in 2017.

Unearned revenue is composed primarily of deferred software, subscription and support revenue relating to periods subsequent to year end. Unearned revenue amounted to €71.7 million in 2018 compared to €53.6 million in 2017.

Note 21 Financial Commitments

Financial Instruments

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

<i>(in millions of euros)</i>	Year ended December 31,			
	2018		2017	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps in euros ⁽¹⁾⁽⁵⁾	1,000.0	(8.1)	1,000.0	(11.9)
Forward exchange contract Japanese yen/euros – sale ⁽³⁾	135.9	(4.3)	71.1	12.6
Cross currency swaps Canadian dollars/euros ⁽⁴⁾	66.2	3.3	68.6	0.8
Cross currency swaps Australian dollars/euros ⁽⁴⁾	65.9	6.9	69.6	3.2
Forward exchange contract euros/U.S. dollars – sale ⁽²⁾	41.0	(0.2)	42.5	(0.5)
Forward exchange contract euros/U.S. dollars – buy ⁽²⁾	41.0	0.2	42.5	0.5
Forward exchange contract Japanese yen /U.S. dollars – sale ⁽²⁾	78.8	0.2	-	-
Forward exchange contract Japanese yen /U.S. dollars – buy ⁽²⁾	78.8	(0.2)	-	-
Forward exchange contract British pounds/euros – sale ⁽³⁾	27.5	0.4	22.5	(0.1)
Other instruments ⁽⁵⁾	21.8	(0.1)	19.2	0.1

(1) Term loan facilities obtained by Dassault Systèmes SE in June 2013 and October 2015 respectively for €350 million and €650 million (see Note 17 Financial Liabilities). Transaction recorded as isolated open position (see Note 14 Treasury for the balance sheet impact).

(2) Dassault Systèmes SE has entered into hedging agreements for its subsidiaries.

(3) Instruments (hedge accounting) entered into by the Company to hedge the foreign currency exchange risk of forecasted royalty flows.

(4) Hedging contracts with regards to loans made to subsidiaries to finance acquisitions; these instruments are not designated as hedging instruments.

(5) Mainly derivatives designated as isolated open position.

The Company usually hedges exchange rate risk related to its revenues and expenses coming from usual and predictable activity arising in the normal course of operations. The Company may also cover occasional exchange rate risk arising from specific transactions, such as acquisitions paid for in foreign currencies. Hedging activities are generally carried out and managed by Dassault Systèmes SE for its own account and on behalf of its subsidiaries. In certain cases, however, the Company can authorize selected subsidiaries to enter into hedging instruments directly.

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

At the end of 2018, foreign exchange contracts have maturity dates of less than two years. Swaps of cross currency and interest rates have also a maturity shorter than two years.

Increases and Reductions in Future Income Tax Payable

Increases and reductions in future income tax payable have been evaluated on the basis of the standard corporate tax rate, plus extraordinary contributions when applicable.

<i>(in millions of euros)</i>	Year ended December 31,	
	2018	2017
Nature of temporary differences		
SHORT TERM (32.02% TAX RATE FOR 2018 AND 34.43% FOR 2017)	43.1	40.1
Provision for mandatory profit-sharing	28.2	24.5
Depreciation of receivables	13.7	12.9
Other	1.2	2.7
LONG TERM (25.83% TAX RATE FOR 2018 AND 2017)	32.6	37.1
Provision for post-employment benefits	32.6	37.1
TOTAL TEMPORARY DIFFERENCES	75.7	77.2
Net reduction of the future corporate tax debt		
(32.02% tax rate for 2018 and 34.43% for 2017)	13.8	13.8
(25.83% tax rate for 2018 and 2017)	8.4	9.6

Note 22 Other Commitments and Contingencies

Leases

Dassault Systèmes SE has leased approximately 57,000 square meters of office space for its headquarters facilities located in Vélizy-Villacoublay, outside Paris, France since June 30, 2008. In February 2013, the Company entered into a new lease agreement for its headquarters facilities for a non-cancelable initial term of 10 years beginning with the delivery of an additional 13,000 square meters of office space in the fourth quarter of 2016.

On December 31, 2018, commitments stood at €222.1 million for real estate and equipment rentals (compared with €234.8 million as of December 31, 2017) including €194.0 million relating to the lease for the headquarters in Vélizy-Villacoublay (compared with €214.0 million as of December 31, 2017); and €10.9 million (compared with €12.7 million as of December 31, 2017) related to the lease of the "Terre Europa" site, next to the headquarters, effective as from July 2011.

Litigation and other proceedings

Dassault Systèmes SE is involved in litigation and other proceedings, such as civil, commercial and tax proceedings, incidental to normal operations.

Dassault Systèmes SE is subject to ongoing tax audits and tax reassessments. Certain of these reassessments, in particular those related to acquisition financing, are being challenged

by Dassault Systèmes SE 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, Dassault Systèmes SE made payments to the French tax authorities for a total amount of €123.1 million from 2014 to 2016, but disputed them with the relevant authorities. In March and December 2017, Dassault Systèmes SE appealed first instance judgments in relation to this dispute.

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

Guarantee pledged

The Group has a central cash management operated by a banking institution. In this context, the parent company of the bank offered a guarantee to one entity of the Group in the amount of \$500 million, and at the same time Dassault Systèmes SE offered a guarantee to the bank for the same amount.

Moreover, Dassault Systèmes SE offered guarantees in the framework of contracts between subsidiaries and third parties for a total amount of €45.7 million.

The Company also offered a guarantee to secure the acquisition and payment of IQMS by one of its subsidiaries.

Note 23 Additional Information

Events after the reporting period

None.

Identity of the Consolidating Company

Dassault Systèmes SE's business is included in the consolidated financial statements of Groupe Industriel Marcel Dassault SAS, whose registered office is located at 9, Rond-Point des Champs-Élysées – Marcel Dassault, 75008 Paris, France.

Note 24 Information Relating to Subsidiaries and Shareholdings

As Dassault Systèmes SE publishes consolidated accounts, information relating to subsidiaries and shareholdings are presented in aggregated form.

<i>(in millions of euros)</i>	Subsidiaries		Participations		Total
	French	Foreign	French	Foreign	
Gross book value of shares ⁽¹⁾	276.8	2,631.7	–	–	2,908.5
Net book value of shares ⁽¹⁾	276.8	2,578.9	–	–	2,855.7
Loans and advances	137.5	144.6	–	–	282.1
Guarantees provided ⁽²⁾	–	482.4	–	–	482.4
Dividend rights received	–	125.1	–	–	125.1

(1) Acquisition costs are excluded

(2) See Note 22 Other Commitments and Contingencies

4.2.2 Selected financial and other information for Dassault Systèmes SE over the last five years

<i>(in euros)</i>	2014	2015	2016	2017	2018
Share capital					
Share Capital	128,182,039	128,357,093	128,998,301	130,466,265	131,366,470
Number of shares authorized and issued ⁽²⁾	256,364,077	256,714,186	257,996,603	260,932,531	262,732,941
Statement of income data					
Revenue	1,125,687,175	1,260,845,593	1,350,178,886	1,468,591,921	1,589,407,627
Result before income tax, profit sharing, amortization and provisions	359,636,561	533,131,911	508,202,894	567,265,426	598,767,852
Result before income tax, profit sharing, amortization and provisions and reversals of provisions	304,131,981	447,874,625	429,982,212	463,298,523	485,909,988
Income tax	45,164,304	76,133,045	57,113,129	69,972,918	49,799,790
Regulated employee profit-sharing	17,921,044	21,163,228	23,457,774	24,439,598	28,178,726
Optional employee profit-sharing	17,921,044	21,163,228	23,457,773	24,463,855	27,919,810
Net income	183,005,154	299,471,749	269,585,830	257,812,287	331,248,341
Data per share					
Result after income tax and profit sharing and before amortization and provisions	0.87	1.28	1.26	1.32	1.45
Basic net income per share	0.71	1.17	1.04	0.99	1.26
Dividend per share	0.43	0.47	0.53	0.58	0.65 ⁽¹⁾
Personnel					
Average headcount ⁽²⁾	2,672	2,880	3,030	3,263	3,374
Personnel costs paid during the year	203,666,853	229,015,587	255,040,681	288,877,319	345,379,869
Social security contributions paid during the year	99,949,422	111,452,364	121,906,769	140,138,953	158,857,795

(1) To be proposed for approval at the General Meeting scheduled for May 23, 2019.

(2) Apprentices and professional training contractors are excluded.

4.2.3 Statutory Auditors' Report on the parent company financial statements

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory auditors' report includes information required by European Regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. 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 of Dassault Systèmes SE,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Dassault Systèmes SE ("the Company") for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) no. 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Recognition of revenue from complex contractual arrangements

Description of risk

As described in Note 2 "Summary of Significant Accounting Policies" to the financial statements, the Company derives revenue from multiple sources, chief among them software licenses, subscription, support and services.

Where these complex contractual arrangements include multiple elements sold as a single package, determining the date of recognition of the resulting revenue and how that revenue should be allocated between the various elements can be difficult and can require a significant degree of judgment from management.

The revenue for each element of a multiple-element arrangement with multiple performance obligations is allocated to each distinct performance obligation based on their standalone selling price. With respect to perpetual software licenses only sold

bundled with one year of support, the stand-alone selling price is then determined by applying the residual approach. Allocating revenue between the various performance obligations requires analyses and, potentially, making adjustments, both of which can be complex.

In addition, when a sale of a license goes along with a service essential to the software functionality, the two performance obligations (software and service) are not distinct. Therefore, the license revenue is recognized in accordance with the pattern of recognition of the service obligation. Determining whether or not a service is essential to the functionality of a product requires significant judgment from management, as does analyzing the potential future profits to be gained from the corresponding long-term contract.

Moreover, recognizing revenue from complex contractual arrangements typically requires an in-depth analysis of contractual terms and conditions, together with other relevant documentation shared with customers during negotiations, with a view to ascertaining the full scope and type of the elements the Company has committed to providing and thus recognizing the revenue for each element on the appropriate date and at the appropriate value.

For the above reasons, we deemed the recognition of revenue from complex multiple-element arrangements to be a key audit matter.

How our audit addressed this risk

In the course of our audit, we examined the internal control systems relating to the recognition of revenue and that were implemented by the Company and we tested the key controls relating to these procedures that we considered to be the most relevant.

Throughout the year we performed analyses on all complex multiple-element arrangements deemed significant, as well as on a sample of randomly selected arrangements, with the aim of verifying that the management judgements in terms of allocation of revenue between the various elements was consistent with the Company's accounting policies and whether the correct amount of revenue had been recognized with respect to the appropriate reporting period. Our works consisted primarily in analyzing the contractual terms and conditions, re-calculating the fair value of each element tested, analyzing the essentiality criteria's for the provision of services associated with software sales and verifying the consistency of revenue assessments with the Company's accounting policies and French accounting principles.

We also tested all significant manual accounting entries affecting revenue from complex contractual arrangements for consistency with the Company's accounting policies.

Lastly, we examined the related disclosures provided in Notes 2 and 3 to the financial statements.

Valuation of investments in subsidiaries and loans and advances to subsidiaries

Description of risk

As described in Note 24 to the financial statements, investments in subsidiaries and loans and advances to subsidiaries amounted to €2.856 million and €282 million respectively at December 31, 2018, therefore representing some of the largest assets on the balance sheet. They are carried at cost and may be impaired, as applicable, based on their value in use.

As indicated in Note 2 to the financial statements, the calculation of value in use takes into account the share of equity in the relevant subsidiaries at the reporting date, together with their long-term profitability and strategic factors. Estimating the book value therefore requires management to exercise judgment, relying on forecasts to define the profitability outlook.

Accordingly, due to the inherent uncertainty of certain components of the valuation, in particular the likelihood of achieving projections, we deemed the valuation of investments in subsidiaries and loans and advances to subsidiaries to be a key audit matter.

How our audit addressed this risk

In order to assess the estimated values in use of investments in subsidiaries and loans and advances to subsidiaries, based on the information provided to us, our audit work consisted primarily in reconciling the estimated values in use determined by management with the valuation method and underlying data.

For valuations based on historical data, we verified that the equity values used were consistent with the financial statements of the entities concerned. For valuations based on forecast data, we obtained management's analyses on the profitability outlook and the strategic factors relating to these entities. We also performed the verification of the consistency of the assumptions used with the economic environment at the reporting date and at the date on which the financial statements were prepared.

Where the value in use was lower than the acquisition value of an investment, we made sure that the appropriate asset impairment had been recorded and if applicable, a provision for contingencies to any loans or advances granted to that investment.

Lastly, we considered the related disclosures provided in Notes 2 and 24 to the financial statements.

Tax risks

Description of risk

The Company has operations in many countries and must therefore abide by multiple different laws and regulations. This is particularly the case for tax policy, which can be a source of risk for the Company in terms of how it is applied. The Company is involved in a certain number of tax disputes, chief among them a dispute brought against reassessments relating to acquisition financing. Accordingly, between 2014 and 2016, the Company made payments totaling €123.1 million to the French tax authorities further to adjustments of the tax bases for the relevant years audited.

The Company assesses its tax positions and the technical justifications therefor at the end of each quarterly reporting period.

Where a risk in terms of how the local tax rules are to be applied is identified, the Company measures and records a provision for tax risk if the occurrence of an outflow of resources appears likely.

On the other hand, when it makes a payment further to a disputed tax reassessment and where it deems its position in that dispute to be technically justified, the Company simultaneously records a tax credit for the refund it will likely receive (as was the case for the above-mentioned acquisition financing matter). In this case, there is a risk that the tax credit will not be recovered.

Given (i) the materiality of the ongoing tax disputes and (ii) the complex technical analyses required of management, we deemed the assessment of tax risks to be a key audit matter. These analyses are specific to each tax jurisdiction and require a significant degree of judgment from management. Moreover, they are ultimately subject to a final decision from the tax authorities concerned.

How our audit addressed this risk

With guidance from our experts in international and French tax law, we examined the main grounds for reassessment cited by the local tax authorities against the Company, as well as the decisions made by management with respect to tax risks and disputes deemed significant. We also reconciled the assumptions and estimates used to account for tax provisions with the Company's accounting policies and French accounting principles.

For the more significant disputes for which a tax credit is recognized, in particular the above-mentioned acquisition financing matter, we also carried out an analysis of the technical opinions and consultations obtained by the Company from independent tax lawyers with a view to assessing the consistency thereof with the decisions made by management and the accounting treatments applied.

Lastly, we examined the related disclosures provided in Note 22 to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to its fair presentation and its consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to the payment terms required by Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Dassault Systèmes SE by the Shareholders' Meetings held on June 8, 2005 for PricewaterhouseCoopers Audit and on May 27, 2010 for Ernst & Young et Autres.

As at December 31, 2018, PricewaterhouseCoopers Audit and Ernst & Young et Autres were in the fourteenth year and the ninth year of total uninterrupted engagement, respectively.

Previously, Ernst & Young Audit was the Auditors of Dassault Systèmes SE since 1998.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris La Défense, March 20, 2019

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit
Thierry Leroux

ERNST & YOUNG et Autres
Nour-eddine Zanouda

4.2.4 Statutory Auditors' Report on Related Party Agreements and Commitments

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

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms, the conditions and the reasons justifying the company's interest of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*) concerning the implementation, during the last financial year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval by the General Meeting of Shareholders

We hereby inform you that we have not been advised of any agreements or commitments authorized in the course of the year to be submitted to the General Meeting of Shareholders for approval in accordance with Article L.225-38 of the French commercial code (*Code de Commerce*).

Agreements and commitments approved in prior years

We hereby inform you that we have not been advised of any agreements or commitments already approved by the General Meeting of Shareholders, whose implementation continued during the year.

In addition, we have been advised that the following agreements and commitments which were approved by the General Meeting of Shareholders in prior years were not implemented during the year.

1. With Mr. Bernard Charlès, *directeur général*

Nature and purpose

Indemnity in the event of the removal of Mr. Bernard Charlès from corporate office

Conditions

At its meeting on 15 March 2018, on the occasion of the renewal of Mr Bernard Charlès' term of office as *directeur général*, the Board of Directors authorized, upon the proposal of the Remuneration and Selection Committee, the renewal of the agreement granting Mr Bernard Charlès a compensation in case of the termination of his functions as *directeur général* according to the terms adopted by the Board of Directors at its meetings on 27 May 2010, 28 March 2008 and 27 March 2009.

At its meeting on 15 March 2018, the Board of Directors decided to make no change to the conditions, as defined by the Board of Directors at its meeting on 27 May 2010, 28 March 2008 and 27 March 2009, in which this compensation would be due in view of the recommendations of the Remuneration and Selection Committee and in accordance with the recommendations integrated into the AFEP/MEDEF Consolidated Corporate Governance Code (*Code de gouvernement d'entreprise consolidé*) of December 2008.

The amount of the indemnity due would be equivalent to a maximum of two years of remuneration of the *directeur général* and would depend on meeting performance targets established for the calculation of his variable remuneration.

The amount paid would be calculated as a prorated percentage of the variable remuneration paid during the three years prior to the departure in relation to the target variable remuneration for these same years.

Thus, the amount due would be calculated according to the following formula:

- total gross remuneration (including variable remuneration but excluding benefits in kind and directors' fees) due in respect of his corporate office for the two years ended prior to the date of departure,
- multiplied by the figure resulting from the division i) of the amount of the variable remuneration paid to the *directeur général* during the three years ended prior to the date of the departure (numerator), by ii) the amount of the target variable remuneration decided for each of these same years by the Board of Directors according to the achievement of the targets fixed for the company (denominator).

The indemnity may only be paid in the event of a change of control or strategy duly established by the Board of Directors that results in a forced departure within the following twelve months. It could also be paid in a scenario of a forced departure without being related to poor results of the company or to mismanagement; the Board of Directors can then decide to grant all or part of the termination compensation.

The indemnity will not be due in a situation where Mr Bernard Charlès leaves the company on his own initiative to take up a new position, or changes position within the group, or if he is able to claim a pension within a short time period.

Besides, in the event of exceptional events that could seriously damage the group's image or income and have a significant negative impact on the stock market share price of your company, according to the assessment of the Board of Directors, or in the event of misconduct independent of his functions and incompatible with the normal performance of his office as *directeur général*, the Board of Directors may establish that the indemnity will not be due.

2. With the board members of your company, in connection with the insurance policy "Civil liability of the directors and the corporate officers" signed with the company Insurance Allianz

a. Nature and purpose

Advance to the Board Members of their expenses of possible legal defense instituted against them in the exercise of their mandate.

Conditions

In its meeting on 24 July 1996, the Board of Directors authorized the decision to have your company advance their expenses to a legal and compensations that the board members might have if their personal civil liability would be questioned, in case the insurance policy signed with the company CHARTIS Insurance (*Allianz*), would not cover these advances and financial consequences.

b. Nature and purpose

Payment of the possible legal defense expenses of Board Members taking place in the United States.

Conditions

In its meeting on 23 September 2003, the Board of Directors authorized the decision to have your company pay the fees and travel expenses that board members of the company and of its subsidiaries might have to meet to prepare their personal defense before a civil, criminal or administrative jurisdiction of the United States if this defense were to be exercised within the scope of an inquiry or investigations being carried out against your company.

Payment of these expenses is ensured on the three-part condition that the board members and senior executives concerned are assisted by lawyers selected by the company, that the company remains in control of its strategic choices in terms of procedure and methods of defense and that the expenses incurred be reasonable.

Neuilly-sur-Seine and Paris-La Défense, March 21th 2019

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit
Thierry Leroux

ERNST & YOUNG et Autres
Nour-Eddine Zanouda

4.3 Legal and Arbitration Proceedings

In the ordinary course of business, the Company is involved from time to time in litigation, tax audits or regulatory inquiries. The Company is subject to ongoing tax audits and tax reassessments in jurisdictions in which it has or had operations. Certain reassessments have been contested and the Company is under discussion with the relevant tax authorities. To the Company's knowledge, there is no outstanding, suspended or pending government proceeding, litigation or arbitration, which has had during the last twelve months preceding the publication of this Annual Report (*Document de référence*), or is likely to have, a significant impact on the Company's financial position or results of operations.

5

CORPORATE GOVERNANCE

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5.1 The Board's Corporate Governance Report

Report of the Board to the Combined General Meeting of May 23, 2019

To the Shareholders of Dassault Systèmes,

The purpose of this report is to describe inter alia the composition and practices of the Board of Directors of Dassault Systèmes SE, the application thereto of the principle of balanced representation of men and women, and the policy and details of the executives' remuneration.

This report was drawn up in accordance with the French Commercial Code and the regulations of the Financial Markets Authority (AMF), based on work carried out by the Finance,

Legal and Internal Audit departments of Dassault Systèmes. It has been reviewed by the Audit Committee and approved by the Board of Directors on March 20, 2019.

Since its IPO in 1996, Dassault Systèmes has sought to implement the best international standards of corporate governance. Dassault Systèmes currently adheres to the recommendations of the AFEP-MEDEF Code (available on the MEDEF website: www.medef.com) and therefore summarizes in a table the reasons why it does not apply certain of these recommendations (see paragraph 5.1.5 "Application of the AFEP-MEDEF Code").

5.1.1 Composition and Practices of the Board of Directors

5.1.1.1 Composition of the Board of Directors

As of the date of this Annual Report, the Board of Directors of Dassault Systèmes SE comprises 13 members whose term of office is four renewable years:

- Charles Edelstenne (Chairman);
- Bernard Charlès (Vice-Chairman);
- Thibault de Tersant;
- Xavier Cauchois;
- Jean-Pierre Chahid-Nourai;
- Catherine Dassault;
- Arnoud De Meyer;
- Odile Desforges;
- Soumitra Dutta;
- Tanneguy de Fromont de Bouaille (director representing employees);
- Marie-Hélène Habert-Dassault;
- Laurence Lescourret;
- Toshiko Mori.

Since the terms of office of Jean-Pierre Chahid-Nourai and Arnoud De Meyer expire on May 23, 2019, the Board of Directors will have 11 members from that date.

In the composition of the Board of Directors, the Company seeks a balance between experienced and new directors,

between independent and non-independent, between women and men, as well as the diversity of profiles, nationalities and qualifications. The Company monitors the composition of the Board by making projections based on all of these criteria, which has resulted in greater diversity within the Board, regardless of the criterion considered. Thus, in the last two years, a woman was appointed Chair of the Compensation and Nomination Committee, the proportions of women, foreign directors and independent directors in the Board have increased respectively.

As at December 31, 2018, the proportion of independent directors as per the AFEP-MEDEF Code (i.e. excluding the director representing the employees) was 58%. From May 23, 2019, independent directors will make up 50% of the Board. This is higher than the ratio recommended by the Code for controlled companies (1/3).

To assess such independence, Dassault Systèmes SE bases its decision on the definition of the AFEP-MEDEF Code, which has been incorporated into the internal regulation of the Board of Directors, whereby a director is independent when he or she has no relationship whatsoever with Dassault Systèmes SE, the Group or its management which might compromise his or her free judgment. At its meeting of March 20, 2019, the Board of Directors assessed, as it does every year, the independence of its members, and concluded that seven directors are independent: Mrs. Desforges, Mrs. Mori, Mrs. Lescourret, Mr. Chahid-Nourai, Mr. De Meyer, Mr. Dutta and Mr. Cauchois. This decision by the Board is based on the answers from the directors to a questionnaire.

As none of the independent directors have a business relationship with the Company, the Board of Directors had to express an opinion, as at present, neither on the materiality of any such relationship nor on the criteria used to assess it.

Dassault Systèmes SE is also committed to ensure a significant female representation on the Board, which is, with 42% of women directors (excluding the director representing the employees in accordance with law) above the minimum of 40% set forth by law. From May 23, 2019, women will make up 50% of the Board. For details on how the company

seeks gender equality within the Executive Committee and the results regarding gender equality within the top 10% of positions with responsibility, see paragraph 5.1.6.5.

Lastly, in terms of internationalization, the Board has three non-French members – a Belgian, a Japanese and an Indian director – accounting for 23% of the members.

The average age of the directors is 62 at the date of this Annual Report.

The above information is summarized in the table below.

COMPOSITION OF THE BOARD OF DIRECTORS OF DASSAULT SYSTÈMES SE

	PERSONAL INFORMATION			EXPERIENCE		POSITION ON THE BOARD			PARTICIPATION IN BOARD COMMITTEES	
	Age	Gender	Nationality	Number of shares authorized and issued	Number of appointments in listed companies ⁽²⁾	Independence	Initial date of appointment	Expiry of the term of office		Length of service on the Board
DIRECTOR										
EXECUTIVE OFFICERS										
Charles Edelstenne	81	M	France	15,794,585	5		04/08/1993	2022	26 years	
Bernard Charlès	61	M	France	3,840,441	2		04/08/1993	2022	26 years	
DIRECTOR										
Thibault de Tersant	61	M	France	124,572	2		04/08/1993	2022	26 years	
Xavier Cauchois	61	M	France	300	1	X	05/22/2018	2022	1 year	X
Jean-Pierre Chahid-Nouräi	80	M	France	2,077	1	X	04/15/2005	2019	14 years	X
Catherine Dassault	51	F	France	1,419	2		07/20/2016	2019 ⁽¹⁾	3 years	
Arnoud De Meyer	64	M	Belgium	1,184	1	X	04/15/2005	2019	14 years	X
Odile Desforgues	69	F	France	300	4	X	05/30/2013	2021	6 years	X
Soumitra Dutta	55	M	India	100	2	X	05/23/2017	2021	2 years	X
Marie-Hélène Habert-Dassault	53	F	France	500	3		07/23/2014	2020	5 years	
Laurence Lescourret	45	F	France	115	1	X	05/26/2016	2020	3 years	X
Toshiko Mori	67	F	Japan	600	1	X	05/26/2011	2019 ⁽¹⁾	8 years	X
DIRECTOR REPRESENTING EMPLOYEES										
Tanneguy de Fromont de Bouaille	64	M	France	13,307	1		06/24/2016	2020	3 years	

(1) Re-appointment proposed to the General Meeting of May 23, 2019.

(2) Number including the appointment held within Dassault Systèmes SE.

The roles and duties performed by the Dassault Systèmes SE Corporate Officers (*mandataires sociaux*) in 2018 are indicated in the table below:

CHARLES EDELSTENNE – CHAIRMAN OF THE BOARD

Biography: Charles Edelstenne is currently Chairman of the Board of Directors after having subsequently occupied the positions of Manager and then Chairman and Chief Executive Officer of Dassault Systèmes of which he is the founder.

He is also Chairman of Groupe Industriel Marcel Dassault⁽¹⁾.

Charles Edelstenne is as well Honorary Chairman and Director of Dassault Aviation after having occupied the positions of Vice President responsible for economic and financial affairs (1986-2000), General Secretary (1975-1986) and Chairman and Chief Executive Officer (2000-2013).

He holds a chartered accountant qualification.

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2021

Date of first appointment: 04/08/1993

Dassault Systèmes shares owned at December 31, 2018: 15,794,585 (including a majority of beneficial ownership shares)

Attendance rate at the 2018 Board of Directors' meetings: 100%

Age: 81

Nationality: French

Professional address: Groupe Industriel Marcel Dassault – 9 Rond Point des Champs-Élysées – Marcel Dassault, 75008 Paris – France

Other current positions and directorships:

Within the Dassault Group, in France: Chairman of Groupe Industriel Marcel Dassault SAS (GIMD) since May 29, 2018, Honorary Chairman and Director of Dassault Aviation SA (listed company), Director of Sogitec Industries SA, Chairman of the Board and Chief Executive Officer of Dassault Médias SA, Chairman of Rond Point Immobilier SAS, Chairman of Rond Point Holding SASU, Manager of Rond Point Investissements EURL, Manager of SCI de Maison Rouge, Chief Executive Officer of Dassault Wine Estates SASU, Chairman and member of the Board of Directors of Groupe Figaro SAS, Chairman of Société du Figaro SAS

Within the Dassault Group, outside France: Director of SABCA (listed company) (Belgium), Director of Dassault Falcon Jet Corporation (United States), Chairman and member of the Board of Dassault Belgique Aviation SA

Outside the Dassault Group: Director of Thales and Carrefour (listed companies) and Banque Lepercq de Neuflyze & Co. Inc. (USA); Honorary Chairman of Gifas⁽²⁾, Manager of the non-trading companies Arie, Arie 2, Nili and Nili 2

Other positions held, and expired, during the past five years:

Chief Executive Officer and member of the Supervisory Board of GIMD until May 28, 2018

Director of Dassault Médias SA and Figaro Benchmark SASU until May 2018

Chairman of Gifas and Cidef⁽³⁾

Chairman and CEO of Dassault Aviation SA (listed company), Chairman of the Board of Dassault Falcon Jet Corporation and Chairman of Dassault International, Inc.

(1) GIMD is the main shareholder of Dassault Systèmes SE (see paragraph 6.3.2 "Controlling Shareholder").

(2) Groupement des Industries Françaises Aéronautiques et Spatiales.

(3) Conseil des industries de défense françaises.

BERNARD CHARLÈS – VICE-CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Biography: Bernard Charlès has been Vice-Chairman of the Board (since 2016) and Chief Executive Officer of Dassault Systèmes since 2002. Since 1995, Mr. Charlès has had executive functions, which he shared with Mr. Edelstenne. Prior to holding this position, Mr. Charlès served as Director of the New Technology, Research and Development and Strategy department from 1986 to 1988 and as Director of Strategy, Research and Development from 1988 to 1995.

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2021

Date of first appointment: 04/08/1993

Dassault Systèmes shares owned at December 31, 2018:

3,840,441

Attendance rate at the 2018 Board of Directors' meetings: 100%

Age: 61

Nationality: French

Professional address: Dassault Systèmes – 10 rue Marcel-Dassault, 78140 Vélizy-Villacoublay – France

Main position: Vice-Chairman of the Board and Chief Executive Officer of Dassault Systèmes

Main other current positions and directorships:

Within the Dassault Systèmes Group, outside France: Chairman of the Board of Dassault Systemes Corp., Dassault Systemes SolidWorks Corp., Dassault Systemes Simulia Corp., IQMS and Centric Software Inc. (United States); Chairman of the Advisory Board (statutory body) of Dassault Systemes 3DExcite GmbH (Germany)

Outside the Dassault Systèmes Group, in France: Independent Director of Sanofi (listed company)

Other positions held, and expired, during the past five years (all inside the Dassault Systèmes Group, outside France):

Chairman of the Board of Biovia Corp. (United States) and Dassault Systèmes Canada Software Inc. (Canada); Chairman of the Supervisory Board of RealTime Technology AG (Germany)

THIBAUT DE TERSANT – SENIOR EXECUTIVE VICE-PRESIDENT AND GENERAL SECRETARY

Biography: Thibault de Tersant has been Senior Executive Vice-President and General Secretary of Dassault Systèmes since February 5, 2018. He had previously served as Senior Executive Vice-President and Chief Financial Officer of Dassault Systèmes since 2003. He joined Dassault Systèmes in 1988 as Executive Vice-President and Chief Financial Officer. Prior to joining Dassault Systèmes, Mr de Tersant served as a finance executive at Dassault International.

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2021

Date of first appointment: 04/08/1993

Dassault Systèmes shares owned at December 31, 2018:

124,572

Attendance rate at the 2018 Board of Directors' meetings: 100%

Age: 61

Nationality: French

Professional address: Dassault Systèmes – 10 rue Marcel-Dassault, 78140 Vélizy-Villacoublay – France

Main position: Senior Executive Vice-President and General Secretary of Dassault Systèmes

Main other current positions and directorships:

With the Dassault Systèmes Group, in France: President of Dassault Systèmes International SAS

Chairman of the Board of La Fondation Dassault Systèmes

Within the Dassault Systèmes Group, outside France: Chairman of the Board of Spatial Corp., Director of Dassault Systemes Corp., Dassault Systemes SolidWorks Corp., Dassault Systemes Simulia Corp., IQMS and Centric Software, Inc. (United States); member of the Advisory Board (statutory body) of Dassault Systemes 3DExcite GmbH (Germany)

Outside the Dassault Systèmes Group: Director of Temenos (listed company) (Switzerland); Director of DFCG (the French National Association of Chief Financial Officers and Financial Controllers)

Other positions held, and expired, during the past five years (all inside the Dassault Systèmes Group, outside France):

Director of Biovia Corp. (United States) and Dassault Systemes Canada Software Inc. (Canada)

XAVIER CAUCHOIS – INDEPENDENT DIRECTOR

Member of the Audit Committee since May 22, 2018
Chairman of the Audit Committee from the end of the General Meeting of May 23, 2019

Biography: Xavier Cauchois has more than 30 years of experience in the audit, as a partner of PwC France in the Paris office. He had several management positions within PwC France and at the European level. He notably accompanied its clients in the technology, telecoms, medias sectors, as well as in the health sector and more generally in the industry.

He was head of PwC Europe and France in the Technology sector until 2009 and member of the Global Strategic Committee for the Audit from 2005 to 2008.

He was member of the Executive Committee France in charge of "Partners & Strategy" from 2013 to 2016.

Term expires: General Meeting called to approve the financial statements for the year ended December 31, 2021.

Date of first appointment: 05/22/2018

Dassault Systèmes shares owned at December 31, 2018: 300

Attendance rate at the 2018 Board of Directors' meetings: 100%

Attendance rate at the 2018 Audit Committee's meetings: 100%

Age: 61

Nationality: French

Professional address: Dassault Systèmes – 10 rue Marcel Dassault, 78140 Vélizy-Villacoublay – France

Main position: Director.

Other current positions and directorships: None

Other positions held during the past five years: Manager of PwC Business Services Director of GIE PricewaterhouseCoopers Partner at PwC Audit

JEAN-PIERRE CHAHID-NOURAÏ – INDEPENDENT DIRECTOR

Chairman of the Audit Committee until the end of the General Meeting of May 23, 2019

Member and Chairman of the Compensation and Nomination Committee (until the end of the Board meeting of March 15, 2018)

Biography: Jean-Pierre Chahid-Nourai is an independent consultant. He was a managing director (administrateur délégué) of Finanval Conseil from 1992 to 2007. Former member of the Michelin management and Chief Financial Officer, Mr. Chahid-Nourai was also an investment banker at MM. Lazard Frères et Cie, Banque Veuve Morin-Pons, Financière Indosuez and S.G. Warburg, as well as a consultant with McKinsey & Co. At the same time, he taught finance at ESSEC, the Centre de Formation à l'Analyse Financière, INSEAD and CEDEP (Centre Européen d'Éducation Permanente).

Term expires: General Meeting of May 23, 2019

Date of first appointment: 04/15/2005

Dassault Systèmes shares owned at December 31, 2018: 2,077

Attendance rate at the 2018 Board of Directors' meetings: 100%

Attendance rate at the 2018 Audit Committee's meetings: 100%

Attendance rate at the 2018 Compensation and Nomination Committee's meetings: 100%

Age: 80

Nationality: French

Professional address: 56 rue de Boulainvilliers, 75016 Paris – France

Main position: Director.

Other current positions and directorships:

None

Other positions held, and expired, during the past five years:

Director of the Fondation Stanislas pour l'Éducation

CATHERINE DASSAULT – DIRECTOR

Biography: Catherine Dassault sits on the Board of the Institut de l'Engagement, which helps young volunteers enrolled in France's Civic Service scheme to pursue their studies, find a job or set up their own business. Before devoting her time to helping develop and fund medical research and education, Catherine Dassault studied law and psychology and worked in the advertising and communications industry.

Age: 51

Nationality: French

Professional address: Groupe Industriel Marcel Dassault – 9 Rond-Point des Champs-Élysées – Marcel Dassault, 75008 Paris – France

Main position: Active member of associations recognized to be of public interest

Term expires: General Meeting of May 23, 2019

Date of first appointment: 07/20/2016

Dassault Systèmes shares owned at December 31, 2018: 1,419

Attendance rate at the 2018 Board of Directors' meetings: 100%

Other current positions and directorships:

Director of Dassault Aviation SA (listed company)

Director of l'Institut de l'engagement

Manager of Green Spark Invest SARL

Other positions held, and expired, during the past five years:

Member of the Organizing Committee and the Honorary Committee of the French Alzheimer's Research Association

ARNOUD DE MEYER – INDEPENDENT DIRECTOR

Chairman of the Scientific Committee (until the end of the Board meeting of March 15, 2018)

Member of the Compensation and Nomination Committee (until the end of the Board meeting of March 15, 2018)

Biography: Arnoud De Meyer is a specialist in the management of innovation and has published numerous articles and books on this subject. Mr. De Meyer was President of Singapore Management University until the end of December 2018. He was previously Management Professor and Director of Judge Business School (University of Cambridge, U.K.) and Professor of Technology Management at INSEAD and Deputy -Dean of INSEAD in France in charge of Administration and External Relations. He has also taught at Waseda University and Keio Business School in Japan and created the INSEAD Campus in Singapore.

Age: 64

Nationality: Belgian

Professional address: Singapore Management University – 81 Victoria Street, Singapore 188065 – Singapore

Main position: President of Singapore Management University until the end of December 2018

Term expires: General Meeting of May 23, 2019

Date of first appointment: 04/15/2005

Dassault Systèmes shares owned at December 31, 2018: 1,184

Attendance rate at the 2018 Board of Directors' meetings: 87.5%

Attendance rate at the 2018 Scientific Committee's meetings: 100%

Attendance rate at the 2018 Compensation and Nomination Committee's meetings: 100%

Other current positions and directorships:

Outside France: Director of Viva Energy Australia Pty. Ltd, Singapore International Chamber of Commerce, SMU Ventures Pte. Ltd, member of the Board of Directors of Singapore National Research Foundation, Director of the Singapore Symphony Orchestra

Other positions held, and expired, during the past five years:

Director of Temasek Management Services Pte Ltd

ODILE DESFORGES – INDEPENDENT DIRECTOR

Member of the Audit Committee

Biography: Odile Desforges graduated from the École Centrale Paris in 1973. She began her career at the Transport Research Institute, before joining Renault in 1981 as Planner and then Product Engineer. In 1986, she joined the Purchasing department as manager for external equipments. She then became Body Equipment Purchasing General Manager for Renault/Volvo Purchasing Organization, then for Renault. In 1999, she became Executive Vice-President of Renault-VI Mack Group, before becoming in 2001 President of Volvo Group's 3P Business Unit.

In 2003, she was appointed Senior Vice-President, Purchasing, and Chairwoman and -managing director of Renault Nissan Purchasing Organization (RNPO). Between March 1, 2009 and July 1, 2012, she was Executive Vice-President, Engineering and Quality, and a member of the Group Executive Committee.

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2020

Date of first appointment: 05/30/2013

Dassault Systèmes shares owned at December 31, 2018: 300

Attendance rate at the 2018 Board of Directors' meetings: 100%

Attendance rate at the 2018 Audit Committee's meetings: 100%

Age: 69

Nationality: French

Professional address: 3, rue Henri Heine, 75016 Paris – France

Main position: Director.

Other current positions and directorships:

In France: Director of Safran, Faurecia and Imerys (listed companies)

Outside France: Director of Johnson Matthey Plc (United Kingdom)

Other positions held, and expired, during the past five years:

Director of RNBV, RNTBCI, Renault Espana SA and Sequana

SOUMITRA DUTTA – INDEPENDENT DIRECTOR

*Member of the Compensation and Nomination Committee
(at the end of the Board meeting of December 8, 2017)
Member of the Scientific Committee*

Biography: Soumitra Dutta began his career in 1985 as a research assistant at University of California, Berkeley, USA. Between 1988 and 1990, he gained further research experience at General Electric. He then joined Insead, the international management school based in Fontainebleau (France), where he served as lecturer then dean of technology and e-learning. In 1999, he set up eLab@Insead, the school's research and analytics center focused on big data analytics for businesses, which he headed until 2012. In 2002, he was named dean of Executive Education at Insead. During his tenure at Insead, Soumitra Dutta also participated in setting up and managing three strategy consultancies specialized in new technologies and innovation, which he developed before selling them. In 2012, he was appointed Dean of the Samuel Curtis Johnson Graduate School of Management at Cornell University in New York, and in 2016 became the founding dean of the Cornell College of Business, comprising Cornell's three accredited business programs: the School of Hotel Administration, the Charles H. Dyson School of Applied Economics and Management, and the Samuel Curtis Johnson Graduate School of Management.

Age: 55

Nationality: Indian

Professional address: College of Business – Cornell University – Ithaca, New York (USA)

Main position: Former Dean and Professor of Operations, Technology and Information Management, SC Johnson College of Business Cornell University

Term expires: General Meeting called to approve the financial statements for the year ended December 31, 2020

Date of first appointment: 05/23/2017

Dassault Systèmes shares owned at December 31, 2018: 100

Attendance rate at the 2018 Board of Directors' meetings: 87.5%

Attendance rate at the 2018 Scientific Committee's meetings: 100%

Attendance rate at the 2018 Compensation and Nomination Committee's meetings: 100%

Other current positions and directorships:

Director of Sodexo (listed company) and Chairman of the Board of The *Global Business Schools Network (GBSN)* (United States)

Other positions held during the past five years:

Chairman of the Board of *Directors of The Association to Advance Collegiate Schools of Business (AACSB)*

* Soumitra Dutta acquired 100 ADRs in March 2018.

TANNEGUY DE FROMONT DE BOUAILLE – DIRECTOR REPRESENTING THE EMPLOYEES

Biography: Tanneguy de Fromont de Bouaille is the director representing the employees appointed by the CFE-CGC. He has been recruited by Dassault Systèmes in 1992 and currently serves as Consumer Goods and Retail Industry Sales Director, after having been employed as General Manager of Dassault Data Services (between 1992 and 2004), and Europe Sales Administration Director for ENOVIA (between 2004 and 2012). He previously held technical functions and then commercial agency management functions with Cap Gemini France and Cap Gemini America. Tanneguy de Fromont de Bouaille graduated from École Centrale Lyon and *Massachusetts Institute of Technology*.

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2019

Date of first appointment: 06/24/2016

Dassault Systèmes shares owned at December 31, 2018:
13,307

Attendance rate at the 2018 Board of Directors' meetings: 100%

Age: 64

Nationality: French

Professional address: Dassault Systèmes -10, rue Marcel Dassault, 78140 Velizy-Villacoublay – France

Main position: Consumer Goods and Retail Industry Sales Director of Dassault Systèmes

Other current positions and directorships:

None

Other positions held, and expired, during the past five years:

None

MARIE-HÉLÈNE HABERT-DASSAULT – DIRECTOR

Biography: Marie-Hélène Habert-Dassault has been Group Director of Communication and Patronage since 1998. She joined the Dassault Group in 1991 as Deputy Director of Communications after having started her career at DDB Publicité in London as a media planning consultant. She holds a Master's degree in Business Law and Taxation, a business law practitioner diploma (Assas, 1988) and a Master's in Strategy and Marketing (Sciences Po, 1989).

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2019

Date of first appointment: 07/23/2014

Dassault Systèmes shares owned at December 31, 2018: 500*

Attendance rate at the 2018 Board of Directors' meetings: 100%

Age: 53

Nationality: French

Professional address: Groupe Industriel Marcel Dassault – 9 Rond-Point des Champs-Élysées – Marcel Dassault, 75008 Paris – France

Main position: Director of Communication and Patronage, Dassault Group

Other current positions and directorships:

Within the Dassault Group: Chair of the Supervisory Board of GIMD, Vice-Chair of the Supervisory Board of Immobilière Dassault, Chair of the Supervisory Board of Rond Point Immobilier SAS, member of the Board of Directors of Dassault Aviation (listed company), member of the HDF Strategy Committee, Director and Vice-Chair of the Serge Dassault Foundation, Director of Artcurial

Outside the Dassault Group: Director of Biomérieux (listed company), General Manager of H Investissements, General Manager of HDH, Director of Siparex, manager of SCI Duquesne, member of the Board of Directors of Fondation Fondamental

Other positions held, and expired, during the past five years:

Member of Strategic Committee of Dassault Développement

* Marie-Hélène Habert-Dassault is a shareholder of GIMD.

LAURENCE LESCOURRET – INDEPENDENT DIRECTOR

Member of the Audit Committee
Member of the Compensation and Nomination Committee
(at the end of the Board meeting of December 8, 2017)
Member of the Compensation and Nomination Committee
(at the end of the Board meeting of March 15, 2018)

Biography: Laurence Lescourret has been an associate professor at the Finance department of ESSEC Business School since 2010. She is also a Director of ESSEC's "Capital Markets and Regulation" Excellence Center and an affiliate academic researcher at the Centre de Recherche en Économie et Statistique (CREST).

She holds a PhD in finance from HEC Paris (2003), a Master in management from EDHEC, a Master "104 Finance" from Paris Dauphine University, and a Master in political economy analysis from the École d'Économie de Paris.

Between 2004 and 2011, she was first an assistant professor, co-director and ultimately Director of the ESSEC Finance department. She also taught at ENSAE between 2000 and 2010.

As an academic researcher, she is the author of several publications on organizing and regulating capital markets and has received distinction for her work. She was the 2013 recipient of the Vega Prize from the Federation of European Securities Exchanges and received the 2015 award for best research Article on derivative products granted by the IFSID (*Montreal Institute of Structured Finance and Derivatives*).

Term expires: General Meeting called to approve the financial statements for the year ending December 31, 2019

Date of first appointment: 05/26/2016

Dassault Systèmes shares owned at December 31, 2018: 115

Attendance rate at the 2018 Board of Directors' meetings: 100%

Attendance rate at the 2018 Audit Committee's meetings: 100%

Attendance rate at the 2018 Compensation and Nomination Committee's meetings: 100%

Age: 45

Nationality: French

Professional address: ESSEC Business School – Avenue Bernard Hirsch – 95021 Cergy-Pontoise – France

Main position: Associate professor in the Finance department – ESSEC Business School

Other current positions and directorships:

Independent Director of Le Crédit Lyonnais SA

Other positions held, and expired, during the past five years:

None

TOSHIKO MORI – INDEPENDENT DIRECTOR

Member of the Scientific Committee

Biography: Toshiko Mori is the Robert P. Hubbard Professor in the Practice of Architecture at Harvard University's Graduate School of Design and was the Chairman of the department of Architecture from 2002 to 2008. She is principal of Toshiko Mori Architect, and founder of VisionArc, a think-tank promoting global dialogue for a sustainable future. She has been honored with numerous awards: several American Institute of Architects New-York Awards; the Academy Award in Architecture from the American Academy of Arts and Letters; the American Institute of Architects New-York Chapter Medal of Honor; the 2016 Tau Sigma Delta National Honor Society Gold Medal; the 2019 Topaz Medallion for Architectural Education from the American Institute of Architects & Association of Collegiate Schools of Architecture, the 2018 Maine in America from the Farnsworth Art Museum; and the 2019 OMI Arts Leadership Award. Her project in Senegal won the Plan 2016 award in Culture, was a finalist for the Aga Khan 2014-2016 award, and won the Architizer 2016 A+ awards for Architecture + Community and Architecture + Humanitarianism. The project was also recently awarded the American Institute of Architects 2017 Institute Honor Award. Architectural Digest listed her amongst their biennial AD100 in 2014, 2016, 2017, 2018 and 2019.

She is a member of the World Economic Forum Global Future Council on Cities and Urbanization and member of the American Academy of Arts & Sciences. Lastly she is a partner of Paracoustica, a non-profit organization which brings music to underserved communities.

Term expires: General Meeting of May 23, 2019

Date of first appointment: 05/26/2011

Dassault Systèmes shares owned at December 31, 2018: 600

Attendance rate at the 2018 Board of Directors' meetings: 100%

Attendance rate at the 2018 Scientific Committee's meetings: 100%

Age: 67

Nationality: Japanese

Professional address: Toshiko Mori Architect, 199 Lafayette Street, New York, NY 10012 – USA

Main position: Founder of Toshiko Mori Architect PLLC

Other current positions and directorships:

Outside France: Robert P. Hubbard Professor in Harvard Graduate School of Design, member of the American Institute of Architects College of Fellows, member of the World Economic Forum Global Future Council on Future of Cities and Urbanism, member of the Advisory Board of A + U Magazine, member of the G1 Summit (Japan), advisor to Isamu Noguchi Museum, director of James Carpenter Design Associates Inc. (USA)

Other positions held, and expired, during the past five years:

President of World Economic Forum Global Agenda Council on Design

Member of the World Economic Forum Global Agenda Council on Design & Innovation

Member of the Alvar Aalto Medal 2017 jury

5.1.1.2 Practices of the Board of Directors

Separation of the offices of Chairman and Chief Executive Officer

Dassault Systèmes separated the offices of Chairman of the Board and Chief Executive Officer. In addition to the balance of powers that this offers, it enables the Chairman and the Chief Executive Officer to concentrate on their specific remits (described below) within an experienced and harmonious management team (Mr. Charles Edelstenne previously held both roles as Chairman and Chief Executive Officer of Dassault Systèmes SE).

Mr. Charles Edelstenne, Chairman of the Board, organizes and supervises the work of the Board and reports thereon at the General Shareholders' Meeting. He oversees the smooth running of the Board and committees of Dassault Systèmes SE and compliance with best governance practices, and ensures that the directors are able to fulfill their duties.

Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer keeps him regularly informed of significant matters concerning the Company and in particular its strategy, organization and investment projects. Mr. Charles Edelstenne also oversees maintaining quality relations with shareholders in close coordination with measures taken in this area by Mr. Bernard Charlès. To report on this mission, an overview of the shareholding in the Company and its evolution is presented and discussed each year during the Board of Directors' meetings. All of these tasks of the Chairman of the Board are directed toward serving the Company, and his actions are taken into account in reviewing and determining his compensation.

The Chief Executive Officer is vested by law with the most comprehensive powers to represent Dassault Systèmes SE, subject to the limitations of powers indicated in paragraph 5.1.1.4 "Powers of the Chief Executive Officer" below. He represents Dassault Systèmes SE in its dealings with third parties.

The Board of Directors has set up a number of special committees to help it perform its tasks: the Audit Committee (established in 1996), the Compensation and Nomination Committee and the Scientific Committee (established in 2005). The committees report regularly to the Board as to the performance of their missions. The composition of these committees and their practices are described in paragraph 5.1.1.3 "Composition, Practices and Activities of the Board Committees".

The General Meeting of May 22, 2018 approved the re-appointment of Mr. Charles Edelstenne and Mr. Bernard Charlès to the Board. On the same day, the Board of Directors re-appointed Mr. Edelstenne as Chairman of the Board and Mr. Charlès as Vice-Chairman and Chief Executive Officer.

Main provisions of the Board's internal regulation

The Board of Directors has established an internal regulation amended on December 7, 2018 to clarify the rules for the prevention and management of conflicts of interest and the option for directors to receive training in corporate social responsibility (CSR) as recommended by the AFEP-MEDEF Code.

The Audit Committee has its own charter.

The internal regulation stipulates the frequency of the Board meetings take place and how Board members may participate in them. It also provides rules on the information and disclosure provided to the Board members on a regular basis (e.g. information on off-balance sheet commitments and the cash position) and in case of event which might have a material impact on the Company's prospects, outlook or on the implementation of the Company's strategy.

The internal regulation requires that, each year:

- the Board reviews the independence of the directors;
- the independent directors meet on one occasion without the other directors to have a general discussion on the practices of the Board of Directors, and if applicable, debate specific subjects; and
- the Board discusses its practices. Every three years, the Board conducts a formal review.

In terms of confidentiality obligations, the Board regulation stipulates that the directors, or any persons attending meetings of the Board or one of its committees, must keep confidential all information obtained in connection with the fulfillment of their duties. In terms of preventing and managing conflicts of interest, all directors are required to notify the Board of any actual or potential conflicts of interest with the Group and, in such circumstances, to abstain from the discussion and from the vote taken on such matters. Specifically, the involvement of a director in a transaction in which the Group has a direct interest, or which has come to their attention in their capacity as director, must be notified to the Board prior to its conclusion. In addition, directors are not permitted to use their title or position to obtain benefits of any kind, for themselves or third parties. In terms of the number of positions held in other companies, each director is required to inform the Board of any other position held in another French or foreign company, including in their committees. Moreover, the executive officers (*dirigeants mandataires sociaux*) must first obtain the approval from the Board prior to accepting a new term of office in a listed company. The internal regulation also requires them to hold, directly or indirectly, a significant number of Dassault Systèmes SE shares in view of the directors' fees allocated (except the director representing the employees) and to comply with the Company's rules on the prevention of insider trading.

The Board of Directors' activities in 2018

The Board of Directors met eight times in 2018, with an attendance rate of 98.02%.

In addition to the deliberations on its agenda pursuant to the law (notice of the General Meeting, the drafting of this report and the annual management report), the Board also discussed principally the following issues:

- the Group strategy (definition and review of strategic directions, review, and approval where necessary, of partnership, acquisition and guarantee transactions);
- the financial statements and the budget (approval of the 2017 annual financial statements and consolidated financial statements, the consolidated financial statements for the first half of 2018, the 2018 forward accounts and the review of the 2018 quarterly results); the Board is kept informed as to the Group's financial position by reports from the Audit Committee and presentations made at each meeting by the Senior Executive Vice-President and Chief Financial Officer;
- the review of the assessment of the internal control system;
- the compensation of directors and allocation of shares and share subscription options;
- the policy on equal employment and pay;
- the amendment of the Board's internal regulation;
- the Board's composition and practices (including verification of the independent status of independent directors and assessment of the Board);
- the compliance of Dassault Systèmes SE with the rules and recommendations on corporate governance;
- the review of the policies to prevent and detect corruption and influence-peddling.

Directors' training

All the directors are invited to attend an annual information day launched in 2015 for the independent directors and a **3DEXPERIENCE** Forum which the Group organizes every year, notably in France, the United States and Japan, to receive feedback from its clients and partners in these markets. In accordance with the AFEP-MEDEF Code, each director may request, if he or she considers it necessary, additional training in specific aspects of Dassault Systèmes, its businesses, business sector and CSR issues.

Tanneguy de Fromont de Bouaille benefits from training specifically design to his office of director representing the employees.

Finally, the members of the Audit Committee receive, upon appointment, information on the specific accounting, financial and operational aspects of the Group.

The Board's review of its practices and performance

The Board of Directors is constantly seeking to improve its practices. To this end:

- it asks the independent directors for their comments on the subject. The independent directors meet every year to discuss the Board's practices. In 2018, a presentation was made to them on this topic, after which they were able to have a discussion without the presence of the Dassault Systèmes teams, before reporting on their discussion to the Board;
- it holds a debate at least once a year on its practices and conducts a formal review every three years, in accordance with its internal regulation and the AFEP-MEDEF Code. During the debate on Board practices and the formal review that took place in 2018, the directors expressed their satisfaction with both the work and practices of the Board and each of its committees. They suggested that Audit Committee meetings should be held the day before Board meetings, particularly for the preparation of the annual financial statements. The management has taken this request into account and has modified the calendar of meetings of the Board and its committees accordingly. The directors also expressed a wish to see various strategic issues discussed ahead of the Board meetings. A decision was therefore taken to expand the meeting of independent directors to allow them to discuss not only governance but also strategic issues in an holistic manner. Scientific or financial prospects of the Company's strategy being indeed described at the Scientific Committee or the Audit Committee respectively, it has been agreed upon that those two Committees would exchange during the joint meeting of independent directors, it being specified that the independent directors are all members of either one of those two Committees.

The Board declared that it was satisfied with the effective contribution of each director to its work, notably on the basis of the attendance and the involvement of each director. The Compensation and Nomination Committee is in charge of discussing the effective contribution of the independent directors to the Board's work.

5.1.1.3 Composition, Practices and Activities of the Board committees

Audit Committee

The Audit Committee consists solely of independent directors: Mrs. Odile Desforges, Mrs. Laurence Lescourret, Mr. Xavier Cauchois (member of the Audit Committee since May 22, 2018) and Mr. Jean-Pierre Chahid-Nourai (who will leave the Board and therefore the Audit Committee on May 23, 2019). Mr. Jean-Pierre Chahid-Nourai chairs the Audit Committee until the end of the General Assembly of May 23, 2019 from which date, Mr. Xavier Cauchois will chair the committee. All have financial or accounting expertise.

It is the task of the Audit Committee to oversee:

- matters related to the preparation and the auditing of accounting and financial information, in compliance with the applicable regulations and its Charter;
- the preparation process for financial information, the effectiveness of the internal control and risk management systems, the audit by the Statutory Auditors of the annual financial statements and consolidated financial statements and the independence of the Statutory Auditors; and
- the relationship between Dassault Systèmes and its Statutory Auditors. In this regard, the Audit Committee is involved in appointing and reappointing the Statutory Auditors and in approving their appointment for non-audit related missions. It monitors the Statutory Auditors to ensure they fulfill their mission and takes account of the findings and conclusions of the *Haut Conseil du Commissariat aux comptes* after audits have been conducted.

On all these matters, this Committee reports its recommendations to the Board of Directors.

The Audit Committee also provides the Board with regular reports on its activities, the results of the process of certification of the financial statements by the Statutory Auditors, how this process contributed to the integrity of the financial information and the role it played in this process. It informs the Board immediately of any difficulties it encounters.

It approves the annual plan for internal audits and gives its opinion on the department's organization. Lastly, it authorizes the Statutory Auditors to provide services other than the certification of the financial statements.

In the performance of its missions, the Audit Committee is given presentations by the Group's financial management, particularly regarding risks and, as the case may be, off-balance sheet commitments, and during the audit of the financial statements, a presentation from the Statutory Auditor on the results of the statutory audit and the accounting options selected. With regard to the efficiency of the internal control and risk management systems, the Statutory Auditors informs the Audit Committee of their main findings and the Internal Audit Director reports to the Audit Committee the conclusions of his work. In addition, the Committee may call on external experts, having assessed their expertise and independence.

In 2018, the Audit Committee met eight times, including three meetings at the head office, which were attended by the Senior Executive Vice-President and Chief Financial Officer, the Company Finance Vice-President, the Group Controller, the Financial Reporting Director, the Internal Audit Director, the General Counsel and the Statutory Auditors of the Company, with which regular discussions were held without the management in attendance. The meetings preceding the disclosure of the quarterly results took place by conference call. The attendance rate for meetings of the Audit Committee in 2018 was 100%.

During 2018, the Audit Committee had the opportunity to discuss, or to give its opinion on, various topics brought to its attention, including:

- a review of the Company's performance, its targets and the consolidated and parent company financial statements as part of the quarterly and annual closings;
- approval of services not related to the audit;
- presentation on the significant changes in accounting standards (IFRS or French) and their impacts, particularly IFRS 15 and IFRS 16;
- validation and follow-up of an internal audit plan for fiscal year 2018;
- review and assessment of the internal control system in 2017 and validation and follow-up of the 2018 internal audit;
- drafting of the external audit plan and budget for 2018;
- a review of the activity and functioning of the Treasury and Financing departments;
- a review of the position of compliance matters (GDPR, Sapin II, recent tax news and risks, financial communication);
- possible acquisitions of target companies, as well as a review of the Group's corporate simplification plan.

Compensation and Nomination Committee

The Compensation and Nomination Committee is comprised solely of independent directors: until March 15, 2018, the Committee was comprised of Mr. Jean-Pierre Chahid-Nourai, Mr. Arnoud De Meyer and, since the end of the December 8, 2017 Board meeting and to ensure an efficient transition, Ms. Laurence Lescourret and Mr. Soumitra Dutta. Since March 15, 2018, the Committee is composed of Ms. Laurence Lescourret and Mr. Soumitra Dutta, both independent. Mr. Chahid-Nourai was Chairman of the Committee until the Board meeting of March 15, 2018 and, at the end of this meeting, has been succeeded by Ms. Laurence Lescourret.

The main duties of this Committee are:

- to propose to the Board of Directors the amounts for compensation and benefits of the executive officers (*dirigeants mandataires sociaux*), including the formulas and the rules to apply for determining variable compensation, and to verify the application of these rules;
- to evaluate the overall amount and the allocation of the directors' fees;
- to propose to the Board the nomination or renewal of directors and examine the independence of those who are so identified, based on the criteria set out in the AFEP-MEDEF Code;
- to examine the Company's policy for nominating, and to be informed of the compensation policy for the managers, including non-executive officers;

- to discuss the employee profit-sharing and incentive plan comprised of grants of performance shares and share subscription options; and
- to propose to the Board of Directors solutions in case of vacancy of the position of Chairman of the Board and of Chief Executive Officer. Thus, further to a proposal from the Compensation and Nomination Committee, the Board of Directors decided in 2016 to appoint Mr. Bernard Charlès as Vice-Chairman of the Board of Directors to perform the duties of the Chairman of the Board in the event of incapacity or vacancy. In addition, the Committee meets regularly the members of the Company Executive Committee as well as members of the management teams and oversees the preparation of the Chief Executive Officer's succession through an annual review with the Chief Executive Officer of the composition of the Executive Committee and of the short-term and mid-term succession plan for its members.

When the Compensation and Nomination Committee carries out its nomination work, it liaises with Mr. Charles Edelstenne, Chairman of the Board and Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer.

In relation to its duties, the Committee met four times in 2018, with an attendance rate of 93.75%. During these meetings, the Committee made recommendations to the Board in the following topics:

- the composition of the Board of Directors and its Committees;
- the independence of directors, which was reviewed in relation to the responses of each director to a questionnaire;
- the compensation of executive officers (*dirigeants mandataires sociaux*);
- the share plans and share subscription option plans for Group directors and employees;
- the share plan for Group directors and employees in advance of the 2019 provisional allocation;
- the amount and allocation of the attendance fees allocated to directors.

On a general and ongoing basis, the Compensation and Nomination Committee monitors the compliance of Dassault Systèmes with the law and best practice in the area of corporate governance, particularly with regard to the composition of the Board.

Scientific Committee

Like the other Board committees, the Scientific Committee is composed solely of independent directors: Mrs. Toshiko Mori, Mr. Arnoud De Meyer (who will leave the Board and therefore the Scientific Committee on May 23, 2019) and Mr. Soumitra Dutta. Mr. Arnoud De Meyer was Chairman of the Committee until the Board meeting of March 15, 2018 and, at the end of the meeting, was succeeded by Mr. Soumitra Dutta. It meets at least once a year. The Committee reviews the main directions of research and development, as well as the Company's technological achievements and makes recommendations on these matters. The persons with principal responsibility for these matters within Dassault Systèmes are invited to the Committee's meetings.

The Scientific Committee met twice in 2018, with an attendance rate of 100%. At these meetings, it reviewed a number of topics central to Dassault Systèmes strategy and in particular:

- **3DEXPERIENCE** Operations through the visit of the *Usine du Futur* (ICO);
- the systems' cyber system strategy (acquisition of NoMagic);
- the fashion and consumer goods sector (acquisition of Centric PLM, which forms the basis for a PLM "for all", focused on the consumer);
- health sector, as an extension of Pharma & Biotech offers to the clinic, to carry out clinical trials.

5.1.1.4 Powers of the Chief Executive Officer

Pursuant to French law, the Chief Executive Officer represents Dassault Systèmes SE in dealings with third parties within the limits set by the corporate purpose of the Company and by the powers reserved by law to the shareholders or the Board of Directors.

However, under the Dassault Systèmes SE's by-laws, certain decisions of the Chief Executive Officer are submitted to the prior approval of the Board. This concerns, in particular, the acquisition or the disposal of an entity, shareholding or asset (excluding internal transactions) or the use of external funding (bank loan or capital market issue), if the amount of the transaction exceeds a threshold set each year by the Board. This threshold, which was set by the Board on March 20, 2019, is €500 million.

On March 20, 2019, the Board also renewed its authorization to the Chief Executive Officer to grant guarantees, endorsements or securities in the name of Dassault Systèmes SE up to an aggregate amount of €500 million.

5.1.2 The Executive Committee

Chaired by Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, the Executive Committee gathers together the managers of the main Dassault Systèmes business areas and functions.

In 2018, the Executive Committee was composed as follows:

Bernard Charlès⁽¹⁾	Vice Chairman, Chief Executive Officer
Dominique Florack	President, Research and Development
Pascal Daloz	Executive Vice-President, Brands and Corporate Development until February 4, 2018 and then Chief Financial Officer and Corporate Strategy Officer
Thibault de Tersant⁽²⁾	Senior Executive Vice-President, Chief Financial Officer until February 4, 2018 and then General Secretary
Bruno Latchague	Senior EVP, Global Brands, Indirect channels, North America, South America
Sylvain Laurent	Executive Vice-President, Worldwide Business Transformation, Asia-Oceania
Olivier Ribet	Executive Vice-President, EMEAR ⁽³⁾ since October 1, 2018
Laurent Blanchard	Executive Vice-President, EMEAR ⁽³⁾ Operations, Alliances until September 30, 2018
Laurence Barthès	Executive Vice-President, Chief People and Information Officer
Florence Verzelen	Executive Vice-President, Industry Solutions, Marketing, Global Affairs since January 15, 2018

(1) Mr. Bernard Charlès is an executive officer (dirigeant mandataire social exécutif) as defined by the AFEP-MEDEF Code.

(2) Mr. Thibault de Tersant is also a director of Dassault Systèmes SE.

(3) Europe Middle East Africa Russia.

5.1.3 Principles established by the Board of Directors pertaining to compensation of the Executive Officers and directors

Dassault Systèmes SE's compensation policy is designed to attract, motivate and retain highly qualified individuals, with the aim of ensuring the success of Dassault Systèmes. Indeed, this success depends on the achievement of its objectives, in particular, strategic, business and financial objectives, over the medium and long term. In setting criteria for determining compensation, Dassault Systèmes seeks to strike a balance between short, medium and long-term financial objectives, take into account the creation of stockholder value and recognize individual performance.

The annual compensation of the executive officers (dirigeants mandataires sociaux) is set by the Board on the basis of recommendations of the Compensation and Nomination Committee. Such Committee bases its recommendations on a benchmark of compensations granted to Presidents of Boards of Directors or Supervisory Boards and CEOs of French groups part of the SBF 120 index, and of compensations granted to CEOs (also founders in a majority of cases) of international technology companies.

Also, in accordance with Article L. 225-100 of the French Commercial Code, the compensation elements due or granted for the last fiscal year to Charles Edelstenne, Chairman, and Bernard Charlès, Vice-Chairman and CEO, will be subject to a shareholders' vote.⁽¹⁾

The payment of the variable or exceptional compensation elements for 2018, resulting from the implementation of the compensation policy applicable to Mr. Charles Edelstenne and Mr. Bernard Charlès and approved by the General Meeting held on May 22, 2018, is thus subject to shareholder approval at the next General Meeting (see paragraph 7.1 "Presentation of the resolutions proposed by the Board of Directors to the General Meeting on May 23, 2019").

Besides, in accordance with Article L. 225-37-2 of the French Commercial Code, the principles and criteria applicable to the determination, distribution and to the granting of the fixed, variable and, as the case may be, exceptional elements which are part of the total compensation and benefits of all kinds attributable to Mr. Charles Edelstenne, Chairman of the Board, and to Mr. Bernard Charlès, Vice-Chairman of the

(1) In 2018, such resolutions relating to compensation elements due or granted for the 2017 fiscal year to Charles Edelstenne (9th resolution) and to Bernard Charlès (10th resolution) were approved by 98.19% and 80.58%, respectively.

Board and CEO, for the purposes of their duty during 2019 and which form part of the compensation policy relating to them, will be subject to a vote in the next General Meeting (see paragraph 7.1 "Presentation of the resolutions proposed by the Board of Directors to the General Meeting on May 23, 2019"). In accordance with Article L. 225-100 of French Commercial Code, the payment of the variable or exceptional compensation elements resulting of the implementation of the compensation policy, for the 2019 fiscal year, will be subject to a vote of the shareholders during the General Meeting convened to approve the 2019 annual accounts.

5.1.3.1 Fixed, variable and exceptional compensation and benefits in kind

The annual compensation of the Chairman of the Board is a fixed amount. However, the compensation of each member of the Executive Committee of the Group is comprised of a fixed portion and a variable portion. The variable portion may represent a significant part of the total compensation if the annual targets are achieved or outperformed. The targets are reviewed every year in order to be consistent with the Company's strategic orientations and include individual management targets.

The members of the Executive Committee within the French scope, except for Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, are also eligible for profit-sharing payments in the same manner as other employees of Dassault Systèmes SE.

Each year, the Board of Directors sets:

- the amount of the compensation (fixed only in accordance with the recommendation of the AFEP-MEDEF Code) of Mr.

Charles Edelstenne, Chairman of the Board. At its meeting on March 20, 2019, the Board of Directors set the amount of fixed compensation for 2019 at €982,000, unchanged since 2014;

- the annual compensation of Mr. Bernard Charlès, Vice-Chairman of the Board and CEO.

For his office as CEO, the annual target compensation with objectives achieved of Mr. Bernard Charlès is comprised of a fixed portion for 50%, paid monthly, and a variable portion for 50%, paid annually in relation to the achievement of the performance criteria previously set by the Board of Directors. The level of achievement of the objectives determines the amount actually paid for the variable compensation, which can result in a payment below the target, or above the target up to 140%. Any significant change in his fixed compensation is made over the long term and relates to the increase in the Group's scope and market footprint.

At its meeting on March 20, 2019, upon the recommendation of the Compensation and Nomination Committee, the Board set the variable portion of the Chief Executive Officer's compensation paid in 2019 (in respect of 2018) at €1,506,760, equivalent to 108.4% of the annual target variable compensation. This decision followed a review of the achievement of the performance criteria set in 2018.

The categories of performance criteria, each equally weighted, are set forth in the following table with an indication, for each of them, of the level of payment resulting from the level of satisfaction of the quantifiable and qualitative objectives in 2018.

Performance criteria categories	Type	
Diluted net earnings per share on a non-IFRS consolidated basis (hereinafter referred to as the "EPS") in line with the objectives communicated by Dassault Systèmes for the year	Quantifiable	116%
Company's efficiency processes, measured by the fact that the non-IFRS operating margin is in line with the objectives announced by Dassault Systèmes for the year	Quantifiable	106%
Dassault Systèmes' competitive position, measured by the evolution of the increase in the turnover compared to the competitors and the increase of the weight of the diversification industries in the global software turnover	Quantifiable	100%
Composition of product portfolio	Qualitative	115%
Implementation of the Group's short-, medium- and long-term strategy contributing to future growth	Qualitative	105%

During its meeting held on March 20, 2019, the Board of Directors also set the foregoing performance criteria categories to assess the payment of the CEO's variable compensation for 2019. In 2019, those performance criteria categories show, as for 2018, a limit of 40% to the purely qualitative part of this variable compensation. In order to protect the Company's competitive position, the Board of Directors considered that it was not appropriate to disclose further details of the qualitative performance criteria. These qualitative and quantifiable criteria, which are discussed by the Compensation and Nomination Committee and the Board, are both internal and external in nature and depend on the Group's annual performance or its

multi-year strategy (medium and long-term). The Company's long-term strategy is based on its *raison d'être*, which aims at contributing to sustainable development in all its components: to provide business and people with 3D experience universes (**3DEXPERIENCE**) to imagine sustainable innovations, capable of harmonizing products, nature and life. This *raison d'être*, published in February 2012 and driven by the Chief Executive Officer himself, determines not only the choice of acquisitions and product developments, each 3DS brand carrying a promise of sustainable innovation, but also the culture and the values of the Company and each of its organizations. In other words, Social and Environmental Responsibility is at the core of the

Company's strategy and its achievements, as acknowledged by the various sustainable development indexes and international rankings. Thus, each class of performance criteria derives from the Company's *raison d'être*; they cannot be dissociated (see "3DEXPERIENCE platform for Sustainability: apps and solutions for sustainable development" in paragraph 2.3.1).

At its meeting on March 20, 2019, the Board of Directors set the 2019 annual target compensation (with targets achieved) for the Chief Executive Officer at €2,780,000. This is composed of a fixed amount of €1,390,000 (unchanged since 2018) and a variable portion, the amount of which will depend upon the achievement of the targets and will be subject to the approval of the General Shareholders' Meeting called to approve the 2019 financial statements. Accordingly, the Chief Executive Officer's annual compensation (with targets achieved) remains unchanged in 2019 compared with 2018.

Mr. Bernard Charlès, as Chief Executive Officer, receives benefits in-kind in the form of the use of a vehicle provided by Dassault Systèmes SE, as indicated in paragraph 5.1.4. "Summary of Compensation and Benefits Due to Directors".

As regards his office as Vice-Chairman of the Board, Mr. Bernard Charlès has not been granted nor has received any compensation in 2018. All compensation paid by the Company to Mr. Bernard Charlès is paid by Dassault Systèmes SE, a company incorporated under the laws of France (see paragraph 5.1.4.1 – Table 2).

Finally, Mr. Charles Edelstenne, Chairman of the Board, and Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, have not been granted in 2018 any exceptional compensation or any multi-annual compensation. They are not beneficiaries of an additional retirement plan or any indemnity under a non-competition clause.

5.1.3.2 Performance shares and share subscription options

The members of the Group's Executive Committee are given long-term incentives notably through grants of Dassault Systèmes performance shares or share subscription options to associate them with the development and performance of the Company. In general, performance shares or share subscription options may be granted to key employees of the Company, the number granted to each of them being dependent on individual performance and level of responsibility. (see paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE").

Grants of share subscription options and performance shares generally occur during identical periods. However, there may have been rare exceptions to this rule, given the recent changes in the tax and legal frameworks, or the compliance with the rules regarding knowledge of inside information by the corporate officers.

The General Meeting of September 4, 2015 set the maximum number of shares that could be granted to the executive officers at 35% of the overall amount approved, assessed on the date of the grant, or 1,823,545 shares at May 22, 2018 and 1,830,787 shares at September 25, 2018.

Within the framework of this authorization, the Board of Directors which met on May 22, 2018, decided, on the recommendation of the Compensation and Nomination Committee, to grant 300,000 shares ("2018-B" shares) to Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, as part of the gradual process of making Bernard Charlès a company shareholder that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30 years with the Company and providing him with an equity interest comparable to that of founders of companies in the same sector or more generally his peers in technology companies around the world. This number of 300,000 shares granted remains unchanged since 2005, which is the year of first grant to the CEO (taking into account the two-for-one share split on July 17, 2014).

These 2018-B shares represent 5.80% of the overall amount approved by the General Meeting of September 4, 2015.

The shares allocated to the CEO will be vested on May 22, 2021 provided, per the requirements of the AFEP-MEDEF Code, the beneficiary remains with the Company and fulfills the performance condition. These conditions are identical to those of the 2018-A performance shares plan for certain employees of the Company. The performance condition is based on the Company's intrinsic performance as measured by the increase in EPS (neutralized from currency effects) between 2017 and 2020. The increase must be at least equal to a threshold (expressed as a percentage) set by the Board that allocated the shares in question.

As mentioned in paragraph 5.1.3.2 of the 2017 Annual Report and during the General Meeting of Shareholders of May 22, 2018, the Board decided on September 25, 2018 to allocate performance shares (plan 2019) to several managers and employees of the Company in anticipation of the allocation considered for 2019 (performance shares are generally granted in May at the end of the General Meeting of Shareholders) in order to benefit from the legal regime of the authorization of the General Meeting of September 4, 2015 which was to expire on November 4, 2018. The Board specified that the allocation that would be made in 2019 would not apply to the beneficiaries of this anticipation. Thus, the Board of September 25, 2018 used this authorization to grant by anticipation 300,000 shares named "2019-B" to Mr. Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer, as part of the gradual process of associating him with the Company's capital that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30 years with the Company and providing

him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world.

As part of the review of all components of Mr. Bernard Charlès' compensation for 2019, the Compensation and Nomination Committee confirmed on March 20, 2019 that no performance shares will be granted to Mr. Bernard Charlès in 2019, taking into account the share grant of 300,000 2019-B shares from which he benefited on September 25, 2018 by anticipation.

These 2019-B shares represent 5.71% of the global allocation decided by the General Meeting of September 4, 2015.

The 2019-B shares granted to the Chief Executive Officer will vest on May 23, 2022, subject, in accordance with the AFEP-MEDEF Code, to the satisfaction of a presence condition and a performance condition. These conditions are identical to those provided for under the 2019-A share plan for certain Company employees. The performance condition is based on the intrinsic performance of the Company as measured by the growth of the EPS (neutralized from currency effects) achieved in 2021 compared to the EPS in 2018, growth that should be at least equal to a threshold (expressed in percentage) set by the Board which granted these shares.

In accordance with the AFEP-MEDEF Code and AMF recommendations, the Board meeting of May 22, 2018 resolved that the Vice-Chairman of the Board and CEO shall maintain at least 15% of the total amount of the shares vested to him under the 2018-B grant; and the Board meeting of September 25, 2018 resolved that the Vice-Chairman of the Board and CEO shall maintain at least 15% of the total amount of the shares vested to him under the 2019-B grant. This percentage is calculated after deduction of the number of shares, which would be necessary to sell to pay taxes due, social charges and expenses related to the sale of the total number of shares vested.

Thus, the Vice-Chairman of the Board and CEO shall maintain under registered form, until the end of his functions as CEO, 15% of the total number of shares acquired under all grants of performance shares to his profit since 2007, calculated after deduction of the number of shares which would be necessary to sell to pay taxes due, social charges and expenses related to the sale of the total number of shares vested.

Mr. Bernard Charlès also formally agreed not to use forward contracts in order to secure a capital gain in connection with the sale of performance shares or the exercise of stock options, until the expiry of the legal holding period. The Dassault Systèmes' insider trading rules already impose such restriction.

Further information concerning share subscription options and performance shares is provided in paragraph 5.1.4 "Summary of compensation and benefits due to corporate officers". Aside from Dassault Systèmes SE, no other Group company granted shares or options to corporate officers in 2018.

5.1.3.3 Indemnity due in the event of the imposed departure of Mr. Bernard Charlès

In accordance with the French Commercial Code and the AFEP-MEDEF Code, the principle and the amount of the indemnity paid to the Chief Executive Officer upon the termination of his functions are subject to conditions, in particular performance conditions. Thus the indemnity would be due in case of a change in control or strategy duly acknowledged by the Board of Directors, which results in an imposed departure (*départ contraint*) in the subsequent 12 months. The indemnity may also be paid if the imposed departure is not linked to poor results of the Company or to mismanagement by the Chief Executive Officer, the Board of Directors being entitled to decide to pay all or part of the indemnity.

However, the indemnity would not be due in the event the Chief Executive Officer were to leave the Company on his own initiative to take a new position elsewhere, or were to be assigned a new position within the Company, or if he were to receive retirement benefits shortly after leaving. Furthermore, in the event of exceptional circumstances seriously damaging the image or results of the Company and significantly reducing, in the opinion of the Board, the market price of the Company's shares or in the event of misconduct other than in connection with his corporate functions (*faute séparable de ses fonctions*) and incompatible with the normal performance of his mandate, the Board may decide that the indemnity payment is not due.

The amount of the indemnity due to the Chief Executive Officer in the event of the termination of his functions will be equivalent to a maximum of two years of compensation as Chief Executive Officer and will depend on satisfying the performance conditions established for calculating his variable compensation. The amount paid would be calculated pro rata with respect to the percentage of variable compensation which was paid during the three years preceding his departure as compared to the targeted variable compensation for such years. The amount due would be calculated by using the following formula:

- the aggregate gross compensation (including variable compensation but excluding compensation in kind and directors' fees) due in connection with his position for the two years ended prior to the date of departure;
- multiplied by the quotient of (i) the amount of variable compensation actually paid during the three fiscal years completed prior to the date of departure with regard to their respective years of reference (numerator), divided by (ii) the amount of target variable compensation determined for each of these years by the Board of Directors on the basis of achievement of the objectives set for the Group (denominator).

The indemnity is thus subject to performance conditions related to achieving targets fixed for the variable compensation.

5.1.3.4 Directors' fees

As Chairman of the Board and director respectively, Mr. Charles Edelstenne and Mr. Bernard Charlès receive directors' fees (see paragraph 5.1.4 "Summary of the Compensation and Benefits Due to Corporate Officers (mandataires sociaux)").

The General Meeting of May 23, 2017 set the maximum annual amount of directors' fees at €500,000 for the current and future fiscal years, until a further decision by the General Meeting on this issue.

For 2018, the amount of the directors' fees actually granted to the Dassault Systèmes SE directors was €484,181, of which €228,981 was for their positions (fixed portion) and €255,200 was for attendance of meetings of the Board of Directors and its committees (variable portion). In accordance with the

AFEP-MEDEF Code, the variable portion of the directors' fees is structurally greater.

The distribution of the directors' fees among the directors for 2018 is based on the following principles, which were set by the Board of Directors at its meeting on May 22, 2018: €16,500 per director, an additional €16,500 for the Chairman of the Board and an extra €4,400 for the Chairman of the Audit Committee (these amounts are prorated for the actual time served in those posts during the year); €2,200 per director for actual attendance at a Board meeting; €4,400 per member of the Audit Committee for actual attendance at a committee meeting; €2,200 per member of the Compensation and Nomination Committee or Scientific Committee, for actual attendance at a committee meeting; €1,100 for each attendance via conference call or videoconference at a meeting of the Board of Directors or one of its committees.

5.1.4 Summary of the Compensation and Benefits due to Corporate Officers (*mandataires sociaux*)

5.1.4.1 Compensation of the Corporate Officers (*mandataires sociaux*)

The tables below provide a summary, in accordance with the recommendations of the AMF and the AFEP-MEDEF Code, of the compensation and benefits paid to the corporate officers

of Dassault Systèmes SE, pursuant to Article L. 225-37-3 of the French Commercial Code (see also paragraphs 5.1.3 "Principles established by the Board of Directors pertaining to compensation of the executive officers and directors", 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE").

TABLE 1: SUMMARY OF COMPENSATION AND OPTIONS AND SHARES GRANTED TO EACH EXECUTIVE OFFICER

<i>(in euros)</i>	2018	2017
Charles Edelstenne, Chairman of the Board		
Compensation due for the year (detailed in Table 2) ⁽¹⁾	1,027,100	1,027,100
Value of the variable multi-year compensation granted during the year	N/A	N/A
Value of the stock options granted during the year (detailed in Table 4)	N/A	N/A
Value of the performance shares granted during the year (detailed in Table 6)	N/A	N/A
Value of the other long-term compensation plans	N/A	N/A
Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer		
Compensation due for the year (detailed in Table 2) ⁽¹⁾	2,944,726	2,783,284
Value of the variable multi-year compensation granted during the year	N/A	N/A
Value of the stock options granted during the year (detailed in Table 4)	N/A	N/A
Value of the performance shares granted during the year (detailed in Table 6)	N/A	N/A
Value of the other long-term compensation plans	See below	See below

(1) All compensation paid by the Company to Mr. Charles Edelstenne and Mr. Bernard Charlès is paid by Dassault Systèmes SE, a company incorporated under the laws of France

VALUE OF THE SHARES GRANTED TO BERNARD CHARLÈS, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AS PART OF THE GRADUAL PROCESS OF ASSOCIATING HIM WITH THE COMPANY'S CAPITAL

These shares are granted to Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer as part of the gradual process of associating him with the Company's capital that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30

years with the Company and providing him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world.

<i>(in euros)</i>	2018	2017
Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer		
Value of the shares granted during the year (detailed in Table 6-A) ⁽¹⁾	19,950,608 ⁽²⁾	13,004,841 ⁽²⁾

(1) Value based on the method chosen for the consolidated financial statements before the spreading of the expense and taking into account the performance criteria.

(2) i.e. 300,000 2018-B shares granted in 2018.

(3) i.e. 300,000 2017-B shares granted in 2017.

As mentioned in paragraph 5.1.3.2 of the 2017 Annual Report and during the General Meeting of Shareholders of May 22, 2018, on September 25, 2018, the Board decided to allocate performance shares (plan 2019) to several managers and employees of the Company (including Mr. Bernard Charlès) in order to benefit from the legal regime of the authorization of the General Meeting of September 4, 2015 which was to expire on

November 4, 2018. The Board thus proceeded by anticipation to the allocation considered for 2019 (performance shares are generally granted in May at the end of the General Meeting of Shareholders). In 2019, no performance shares will be granted to Mr. Bernard Charlès.

<i>(in euros)</i>	2019 (in advance)	2018
Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer		
Value of the shares granted during the year (detailed in Table 6-B) ⁽¹⁾	21,734,506 ⁽²⁾	19,950,608 ⁽³⁾

(1) Value based on the method chosen for the consolidated financial statements before the spreading of the expense and taking into account the performance criteria.

(2) i.e. 300,000 2019-B shares granted in advance in 2018.

(3) i.e. 300,000 2018-B shares granted in 2018.

TABLE 2: SUMMARY OF THE COMPENSATION OF EACH EXECUTIVE OFFICER

The gross compensation before tax of the executive officers (*dirigeants mandataires sociaux*) is set forth in the table below. All compensation paid by the Company to the executive officers is paid by Dassault Systèmes SE, a company incorporated under the laws of France.

They do not receive any compensation from the Company other than the fees shown in the table below.

(in euros)	2018		2017	
	Amounts due for the year	Amount paid in 2018	Amounts due for the year	Amount paid in 2017
Charles Edelstenne, Chairman of the Board				
Fixed compensation ⁽¹⁾	982,000	982,000	982,000	982,000
Annual variable compensation	N/A	N/A	N/A	N/A
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' fees ⁽²⁾	45,100	45,100	45,100	45,100
Benefits in kind ⁽³⁾	N/A	N/A	N/A	N/A
TOTAL	1,027,100	1,027,100	1,027,100	1,027,100
Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer⁽⁴⁾				
Fixed compensation	1,390,000	1,390,000	1,325,000	1,325,000
Annual variable compensation ⁽⁵⁾	1,506,760 ⁽⁶⁾	1,417,750 ⁽⁷⁾	1,417,750 ⁽⁷⁾	1,378,000 ⁽⁸⁾
Multi-year variable compensation	N/A	N/A	N/A	N/A
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' fees	28,600	28,600	28,600	27,500
Benefits in kind ⁽⁹⁾	19,366	19,366	11,934	11,934
TOTAL	2,944,726	2,855,716	2,783,284	2,742,434

(1) GIMD paid Mr. Charles Edelstenne, first as GIMD's Chief Executive Officer until May 28, 2018, and then as GIMD's Chairman from May 29, 2018, a gross compensation of €804,828 in 2018 and 2017.

(2) GIMD paid Mr. Charles Edelstenne, as a member of GIMD's Supervisory Board, directors' fees of €27,286 in 2018 and €28,137 in 2017.

(3) GIMD granted benefits in kind relating to the use of a car for Mr. Charles Edelstenne, valued at €10,440 in 2018 and €10,411 in 2017.

(4) With the exception of directors' fees, Dassault Systèmes has paid Bernard Charlès each of the compensation elements referred to in the table above in respect of his office as Chief Executive Officer of Dassault Systèmes. In 2018, Mr. Charlès did not receive any compensation in consideration of his office as Vice-Chairman of the Board.

(5) The rules governing the determination of variable compensation of the Chief Executive Officer are described in paragraph 5.1.3 "Principles established by the Board of Directors pertaining to compensation of the Executive Officers and directors".

(6) Variable portion due for 2018 and paid in 2019.

(7) Variable portion due for 2017 and paid in 2018.

(8) Variable portion due for 2016 and paid in 2017.

(9) These benefits in kind are linked to the use of a vehicle made available to Bernard Charlès by Dassault Systèmes SE.

TABLE 3: GROSS DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE DIRECTORS

The directors do not receive any compensation from the Company other than the fees shown in the table below, except Charles Edelstenne and Bernard Charlès, whose compensation is detailed in Table 2 above, and Thibault de Tersant, director and General Secretary, and Tanneguy de Fromont de Bouaille (director representing the employees), whose compensation is detailed in the tables below.

All compensation paid by the Company to the non-executive directors is paid by Dassault Systèmes SE, a company incorporated under the laws of France.

<i>(in euros)</i>	Directors' fees paid in 2018 for fiscal year 2017	Directors' fees paid in 2017 for fiscal year 2016
NON-EXECUTIVE DIRECTORS (MANDATAIRES SOCIAUX NON-DIRIGEANTS)		
Thibault de Tersant*	28,600	28,600
Jean-Pierre Chahid-Nourai	58,300	57,200
Catherine Dassault (director since July 20, 2016)	28,600	11,793
Nicole Dassault (director until May 27, 2016)⁽¹⁾	-	6,627
Arnoud De Meyer	38,500	38,500
Odile Desforges	47,300	42,900
Soumitra Dutta (director since May 23, 2017)	16,681	-
Tanneguy de Fromont de Bouaille*⁽²⁾ (director representing the employees since June 24, 2016)	28,600 ⁽²⁾	14,111 ⁽²⁾
Marie-Hélène Habert-Dassault⁽³⁾	28,600	27,500
Laurence Lescourret (director since May 26, 2016)	47,300	25,318
Toshiko Mori	33,000	28,600
Xavier Cauchois (director since May 22, 2018)	-	-
TOTAL	355,481	281,149

(1) In 2018 and 2017, GIMD paid Nicole Dassault directors' fees of €4,858 and €11,667, respectively, for her role as member of the Supervisory Board of GIMD.

(2) The director fees due to Mr. de Fromont de Bouaille, the director representing employees, were paid to the CFE-CGC.

(3) In 2018 and 2017, GIMD paid Marie-Hélène Habert-Dassault directors' fees of €27,286 and €28,137, respectively, for her role as member of the Supervisory Board of GIMD, and compensation of €349,548 and €347,495 for her role as Director of Communication and Patronage, Dassault Group. GIMD also granted her a bonus in an amount of €10,000 and €10,000 and benefits in kind relating to the use of a car, valued at €3,324 and €3,314. In 2018, GIMD also paid Marie-Hélène Habert-Dassault, for her role as Chairman of the Supervisory Board of GIMD, €10,000.

* The overall compensation received by Thibault de Tersant and Tanneguy de Fromont de Bouaille in 2018 and 2017 is set out below:

	Compensation paid in 2018	Compensation paid in 2017
Thibault de Tersant, Director, Senior Executive Vice-President and General Secretary		
Fixed compensation	490 000	490 000
Annual variable compensation	253 000 ⁽¹⁾	250 000 ⁽²⁾
Multi-year variable compensation	-	-
Extraordinary compensation ⁽³⁾	3 295	2 119
Directors' fees	28 600	28 600
Benefits in kind ⁽⁴⁾	9 056	9 867
TOTAL	783 951	780 586

(1) Variable portion due for 2017. Thibault de Tersant also received €36,926 in respect of mandatory and contractual profit-sharing for 2017.

(2) Variable portion due for 2016. Thibault de Tersant also received €37,135 in respect of mandatory and contractual profit-sharing for 2016.

(3) The extraordinary compensation relates to an adjustment paid in connection with the computation of paid leave indemnities.

(4) These benefits in kind relate to the use of a car provided by Dassault Systèmes SE.

	Compensation paid in 2018	Compensation paid in 2017
Tanneguy de Fromont de Bouaille, director representing the employees⁽¹⁾		
Fixed compensation	119,851	118,350
Annual variable compensation	26,221 ⁽²⁾	25,376 ⁽³⁾
Multi-year variable compensation	-	-
Extraordinary compensation ⁽⁴⁾	797	1,246
Directors' fees	-	-
Benefits in kind	-	-
TOTAL	146,869	144,972

(1) Dassault Systèmes SE has paid to Tanneguy de Fromont de Bouaille each of the compensation elements referred to in the table above with respect to his employment contract as Consumer Goods and Retail Industry Sales Director. Mr. de Fromont de Bouaille did not receive any directors' fees in respect of his office as Dassault Systèmes SE in 2018 and 2019 paid the directors' fees due for 2017 and 2018, directly to the CFE-CGC for the director representing employees.

(2) Variable portion due for 2017. Tanneguy de Fromont de Bouaille also received €31,630 in respect of mandatory and contractual profit-sharing for 2017.

(3) Variable portion due for 2016. Tanneguy de Fromont de Bouaille also received €32,789 in respect of mandatory and contractual profit-sharing for 2016.

(4) The extraordinary compensation relates to (i) an adjustment paid in connection with the computation of paid leave indemnities and (ii) fees paid in connection with professional travels.

Other elements relating to the compensation of the directors are described in paragraph 5.1.3.4 "Directors' Fees".

TABLE 4: SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED IN 2018 TO EACH EXECUTIVE OFFICER BY THE ISSUER AND BY ANY OF THE GROUP COMPANIES

(in euros)	No. and date of the plan	Type of options (purchase or subscription)	Value of the options	Number of options granted in 2018	Exercise price	Exercise period
Charles Edelstenne	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-
Bernard Charlès	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

TABLE 5: SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING 2018 BY EACH EXECUTIVE OFFICER

(in euros)	No. and date of the plan	Number of options exercised in 2018	Exercise price
Charles Edelstenne	-	-	-
Bernard Charlès	2010-01*	100,000	€23.50
TOTAL		100,000	

* The 2010-01 plan was granted on May 27, 2010 and expired on May 26, 2018. On April 27, 2018, Mr. Bernard Charlès exercised all of the share subscription options granted to him in 2010. In 2018, Mr. Bernard Charlès retained all of the 100,000 shares resulting from this exercise.

From a general perspective, Mr. Bernard Charlès retains the Dassault Systèmes' shares acquired upon the exercise of the share subscription options.

On December 31, 2018, Mr. Bernard Charlès held 3,840,441 shares, representing 1.46% of Dassault Systèmes' share capital. On December 31, 2017, Mr. Bernard Charlès held 3,290,441 shares, representing 1.26% of Dassault Systèmes' share capital.

TABLE 6-A: 2018 SHARES GRANTED DURING 2018 TO EACH EXECUTIVE OFFICER BY THE ISSUER AND BY ANY OF THE GROUP COMPANIES

	No. and date of the plan	Number of performance shares granted in 2018	Value of the shares (in euros) ⁽¹⁾	Date of acquisition	Date of availability	Performance conditions
Charles Edelstenne	–	N/A	–	–	–	–
Bernard Charlès	2018-B 05/22/2018	300,000 ⁽²⁾	19,950,608	05/22/2021	05/23/2021	Yes
TOTAL		300,000				

(1) Value based on the method chosen for the consolidated financial statements before the spreading of the expense and taking into account the performance criteria.

(2) Such shares are granted to Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, as part of the gradual process of associating him with the Company's capital that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30 years with the Group and providing him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world.

TABLE 6-B: 2019 SHARES GRANTED IN ADVANCE DURING 2018 TO EACH EXECUTIVE OFFICER BY THE ISSUER AND BY ANY OF THE GROUP COMPANIES

As mentioned in paragraph 5.1.3.2 of the 2017 Annual Report and during the General Meeting of Shareholders of May 22, 2018, on September 25, 2018, the Board decided to allocate performance shares (plan 2019) to several managers and employees of the Company (including Mr. Bernard Charlès) in order to benefit from the legal regime of the

authorization of the General Meeting of September 4, 2015 which was to expire on November 4, 2018. The Board thus proceeded by anticipation to the allocation considered for 2019 (performance shares are generally granted in May at the end of the General Meeting of Shareholders).

In 2019, no performance shares will be granted to Mr. Bernard Charlès.

	No. and date of the plan	Number of performance shares granted in 2018	Value of the shares (in euros) ⁽¹⁾	Date of acquisition	Date of availability	Performance conditions
Charles Edelstenne	–	N/A	–	–	–	–
Bernard Charlès	2019-B 09/25/2018	300,000 ⁽²⁾	21,734,506	05/23/2022	05/23/2022	Yes
TOTAL		300,000				

(1) Value based on the method chosen for the consolidated financial statements before the spreading of the expense and taking into account the performance criteria.

(2) These shares were granted to Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, in advance of 2019, as part of the gradual process of associating him with the Company's capital that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30 years with the Company and providing him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world. In 2019, no performance share will be granted Mr. Bernard Charlès.

TABLE 7: SHARES THAT BECAME AVAILABLE DURING 2018 FOR EACH EXECUTIVE OFFICER

	No. and date of the plan	Number of shares that became available in 2018	Vesting conditions ⁽¹⁾
Bernard Charlès	2014-B 02/21/2014	300,000 ⁽²⁾	
	2016-B (Tranche 1) 05/26/2016	150,000	
TOTAL		450,000	

(1) Such shares have been granted to Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, as part of the gradual process of associating him with the Company's capital that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30 years with the Company and providing him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world. In accordance with law, a portion of such shares is subject to lock-up (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options").

(2) The quantity of 300,000 shares reflects the Dassault Systèmes two-for-one stock split on July 17, 2014, and the resulting increase in the number of shares available.

From a general perspective, Mr. Bernard Charlès retains the Dassault Systèmes' shares acquired at the end of the vesting period for the allocated shares.

In 2018, Mr. Bernard Charlès retained the 300,000 shares acquired in February 2018 (2014-B plan allocated in 2014) and the 150,000 shares acquired in May 2018 (2016-B plan Tranche 1 allocated in 2016).

On December 31, 2018, Mr. Bernard Charlès held 3,840,441 shares, representing 1.46% of Dassault Systèmes' share capital. On December 31, 2017, Mr. Bernard Charlès held 3,290,441 shares, representing 1.26% of Dassault Systèmes' share capital.

TABLE 8: HISTORY OF SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED

See paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE" below.

TABLE 9: SHARE SUBSCRIPTION OPTIONS GRANTED TO THE TOP TEN EMPLOYEES WHO ARE NOT EXECUTIVE DIRECTORS, AND OPTIONS EXERCISED BY THESE EMPLOYEES

See paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE" below.

TABLE 10: HISTORY OF PERFORMANCE SHARES GRANTED

See paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE" below.

TABLE 11: MONITORING OF THE AFEP-MEDEF'S RECOMMENDATIONS

As indicated in the table below, Dassault Systèmes SE complies with the main recommendations of the AFEP-MEDEF Code regarding compensation and benefits granted to executive officers (*dirigeants mandataires sociaux*).

Executive officers	Employment agreement		Additional retirement plan		Indemnities or benefits due or which may become due in the event of termination of or change in functions		Indemnities related to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Charles Edelstenne Chairman of the Board Director since (1 st appointment): 04/08/1993 Term: until the annual General Meeting to be held in 2022		X		X		X		X
Bernard Charlès Vice-Chairman of the Board and Chief Executive Officer 1 st appointment as CEO: 04/08/1993 Term: until the annual General Meeting to be held in 2022		X		X	X*			X

* The conditions for payment and the amount of the indemnities owed are described in paragraph 5.1.3.3 "Indemnities due in the event of the imposed departure of Mr. Bernard Charlès".

There is no specific additional retirement plan (*régime complémentaire de retraite*) for the executive officers. The companies controlled by Dassault Systèmes SE have not paid any compensation or granted any other benefits in kind to the executive officers (*dirigeants mandataires sociaux*) mentioned above.

The Table 10 "Summary of variable multi-annual compensations for each executive officer (*dirigeant mandataire social*)" recommended by the AFEP-MEDEF Code is not relevant as no such variable multi-annual compensations have been granted to any executive officer (*dirigeant mandataire social*) of Dassault Systèmes SE.

5.1.4.2 Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE

Dassault Systèmes share subscription options

As of December 31, 2018, there were five active share subscription options plans for the benefit of certain Group managers and employees. The exercise price of share subscription options, for all the plans, was fixed without a discount.

The General Meeting of May 26, 2016 authorized the Board of Directors to grant options to subscribe or to purchase Company shares for a period of 38 months, provided that the total of all outstanding stock options does not give a right to

more than 5% of Dassault Systèmes SE's share capital. At its meeting on May 22, 2018, the Board of Directors used this authorization to grant to 989 beneficiaries 1,985,201 share subscription options (the "2018-01 options"), the exercise of which is subject to them remaining with the Company and performance conditions for each reference year 2018, 2019 and 2020.

The new shares created by the exercise of options between January 1 and the date of the Annual General Meeting deciding on the allocation of profit related to the most recently completed fiscal year are entitled to receive the dividend distributed with respect to that year. As a result, the new shares are traded on the same line as the previously existing shares.

However, the new shares created as from the day after this Annual General Meeting do not have a right to receive this dividend. Those shares are temporarily listed on a second trading line until the date the shares trade ex-dividend (i.e. without the right to receive the dividend to be distributed on Dassault Systèmes shares).

The following table provides certain information on the stock options plans in effect during 2018.

HISTORY OF SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED

(Corresponding to Table 8 of the AMF Position-Recommendation No. 2009-16)

For all the grants prior to July 17, 2014, the figures in this table (options, shares and exercise price) reflect the two-for-one split of the Dassault Systèmes share effective on July 17, 2014 and the correlative multiplication of the number of shares that may be exercised.

Stock option plan	2010-01	2014-01	2015-01	2016-01	2017-01	2018-01	Total
General Meeting	05/27/2010	05/30/2013	05/30/2013	05/26/2016	05/26/2016	05/26/2016	
Board of Directors	05/27/2010	05/26/2014	09/04/2015	05/26/2016	05/23/2017	05/22/2018	
Total Number of shares to be subscribed pursuant to options exercise	2,480,000	624,450	1,965,555	1,947,785	2,050,370	1,985,201	11,053,361
• by corporate officers (mandataires sociaux)							
Bernard Charlès	220,000	N/A	N/A	N/A	N/A	N/A	220,000
Bernard Charlès	100,000 ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	100,000
Thibault de Tersant	120,000	N/A	N/A	N/A	N/A	N/A	120,000
Starting point for exercising the options	05/27/2014	02/21/2016	09/04/2016	05/26/2017	05/23/2018	05/22/2019	
Expiry date	05/26/2018	05/25/2022	09/03/2025	05/25/2026	05/22/2027	05/21/2028	
Exercise price (in euros)	23.50	45.50	62.00	69.00	82.00	110.00	
Terms of exercise		See note ⁽²⁾	See note ⁽³⁾	See note ⁽⁴⁾	See note ⁽⁵⁾	See note ⁽⁶⁾	
Total number of shares subscribed pursuant to options exercised as of 12/31/2018	2,271,400	180,780	701,108	455,166	173,450	0	3,781,904
Cumulative number of options canceled or lapsed as at 12/31/2018	208,600	376,176	343,985	311,531	285,635	56,210	1,582,137
Number of options outstanding as of 12/31/2018	0	67,494	920,462	1,181,088	1,591,285	1,928,991	5,689,320
Number of shares subscribed pursuant to options exercised between 01/01/2019 and 02/28/2019	0	4,869	130,121	34,132	29,905	0	199,027
Number of options canceled or null and void between 01/01/2019 and 02/28/2019	0	0	3,641	15,349	20,129	29,050	68,169
Number of options outstanding as of 02/28/2019	0	62,625	786,700	1,131,607	1,545,251	1,899,941	5,426,124
Total number of shares subscribed pursuant to options exercised as of 02/28/2019	2,271,400	185,649	831,226	489,298	199,355	0	3,976,928

(1) The options granted to the Chief Executive Officer are subject to performance conditions related to his variable compensation actually paid out over three years, the amount of which is itself dependent upon the satisfaction of the performance criteria defined by the Board of Directors of Dassault Systèmes SE.

(2) The 2014-01 options are exercisable by one-third tranches as from February 21, 2016, 2017 and 2018, respectively, provided that the beneficiary remains with the Company and fulfills the performance conditions related to the target for his or her respective brand.

(3) The 2015-01 options are exercisable by one-third tranches as from September 4, 2016, 2017 and 2018, respectively, provided that the beneficiary remains with the Company and fulfills the performance condition relating to the diluted net earnings per share on a non-IFRS consolidated basis (hereinafter referred to as the "EPS"), and/or the achievement of the target for his or her respective brand.

(4) The 2016-01 options are exercisable by one-third tranches as from May 26, 2017, 2018 and 2019, respectively, provided that the beneficiary remains with the Company and fulfills the performance condition relating to the EPS (neutralized from currency effects), and/or the achievement of the target for his or her respective brand.

(5) The 2017-01 options are exercisable by one-third tranches as from May 23, 2018, 2019 and 2020, respectively, provided that the beneficiary remains with the Company and fulfills the performance condition relating to the EPS (neutralized from currency effects), and/or the achievement of the target for his or her respective brand.

(6) The 2018-01 options are exercisable by one-third tranches as from May 22, 2019, 2020 and 2021, respectively, provided that the beneficiary remains with the Company and fulfills the performance condition relating to the EPS (neutralized from currency effects), and/or the achievement of the target for his or her respective brand.

For information regarding the dilutive effect on share capital by the exercise of options, see also paragraph 6.2.1 "Share Capital at February 28, 2019".

As of December 31, 2018, no director held share subscription options.

For information regarding the equity interests in Dassault Systèmes SE of the corporate officers (mandataires sociaux), see paragraphs 5.1.1 "Composition and Practices of the Board of Directors" and 6.3 "Information about the Shareholders" in this Annual Report (*Document de référence*).

SHARE SUBSCRIPTION AND PURCHASE OPTIONS OF THE TOP TEN EMPLOYEES OF DASSAULT SYSTÈMES WHO ARE NOT EXECUTIVE OFFICERS AND THE OPTIONS THEY EXERCISED DURING 2018

(Corresponding to Table 9 of the AMF Position-Recommendation No. 2009-16)

The following table shows, on aggregate, the total number and weighted average exercise price of options granted to, and options exercised by, the ten Group employees who obtained or exercised the largest number of Dassault Systèmes stock options during 2018 and who are not corporate officers of Dassault Systèmes SE.

	Total number of options	Weighted average price per option	Plan no. 2010-01	Plan no. 2014-01	Plan no. 2015-01	Plan no. 2016-01	Plan no. 2017-01	Plan no. 2018-01
Stock options granted in 2018 to the ten employees who received the largest number of stock options	292,250	€110.00	N/A	N/A	N/A	N/A	N/A	292,250
Stock options exercised in 2018 by the ten employees who subscribed for the largest number of stock options*	325,691	€48.49	298,100	18,332	14,583	14,583	N/A	N/A

* For all the grants prior to July 17, 2014, the figures in this table (options and exercise price) reflect the two-for-one split of the Dassault Systèmes share effective on July 17, 2014 and the correlative multiplication of the number of shares that may be exercised.

Performance shares

The General Meeting of September 4, 2015 authorized the Board of Directors to grant Dassault Systèmes shares for up to a maximum of 2% of Dassault Systèmes SE's capital at the date of the grant by the Board (i.e. 5,210,131 shares as at May 22, 2018 and 5,230,822 shares as at September 25, 2018). This authorization is valid for a 38-month period.

The Board meeting of May 22, 2018 used this authorization to grant 815,730 "2018-A" performance shares to 729 beneficiaries, and 300,000 "2018-B" shares to Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options"). This "2018-B" grant is compliant with the resolution of the General Meeting, which limited the portion of shares that could be granted to Bernard Charlès to 35% of the overall amount of shares as of the date of the grant (i.e. 1,823,545 shares as at May 22, 2018).

As mentioned in paragraph 5.1.3.2 of the 2017 Annual Report and during the General Meeting of Shareholders of May 22, 2018, on September 25, 2018, the Board decided to allocate performance shares (plan 2019) to several managers and employees of the Company in anticipation of

the allocation considered for 2019 (performance shares are generally granted in May at the end of the General Meeting of Shareholders) in order to benefit from the legal regime of the authorization of the General Meeting of September 4, 2015 which was to expire on November 4, 2018. Therefore, the Board meeting of September 25, 2018 used this authorization to grant 496,700 "2019-A" performance shares in advance to 62 beneficiaries, and 300,000 "2019-B" shares to Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options"). This "2019-B" advance grant is compliant with the resolution of the General Meeting, which limited the portion of shares that could be granted to Bernard Charlès to 35% of the overall amount of shares as of the date of the grant (i.e. 1,830,787 shares as at September 25, 2018). The allocation that would be made in 2019 to several managers and employees of the Company would not apply to the beneficiaries of this allocation of September 25, 2018; in 2019, no performance shares will therefore be granted to M. Bernard Charlès.

The following table provides certain information on the stock options plans in effect during 2018.

HISTORY OF PERFORMANCE SHARES GRANTED

(Corresponding to Table 10 of the AMF Position-Recommendation No. 2009-16)

For all the grants prior to July 17, 2014, the figures in this table reflect the two-for-one split of the Dassault Systèmes share effective on July 17, 2014 and the correlative multiplication of the number of shares.

Plan Number	2014-A	2016-A	2017-A	2018-A	2019-A	Total
General Meeting	05/30/2013	09/04/2015	09/04/2015	09/04/2015	09/04/2015	
Date of the Board meeting	02/21/2014	05/26/2016	05/23/2017	05/22/2018	09/25/2018	
Total number of shares granted including the number granted to:	1,059,880	782,950	801,700	815,730	496,700	3,956,960
• to corporate officers (mandataires sociaux)	40,000	40,000	40,000	40,000	30,000	190,000
Bernard Charlès	-	-	-	-	-	-
Thibault de Tersant	40,000	40,000	40,000	40,000	30,000	190,000
Vesting date of shares	02/21/2018	05/26/2018 (Tranche 1) and 05/26/2019 (Tranche 2)	05/23/2020	05/22/2021	05/23/2022	
Date of end of holding period	N/A	N/A	N/A	N/A	N/A	
Performance conditions	Yes ⁽¹⁾	Yes ⁽²⁾	Yes ⁽³⁾	Yes ⁽⁴⁾	Yes ⁽⁵⁾	
Number of shares vested as at 02/28/2019	959,920	371,225	-	-		1,331,145
Cumulative number of shares canceled or lapsed as at 12/31/2018	99,960	57,325	70,300	39,750	-	267,335
Performance shares remaining at the end of fiscal year	-	354,400	731,400	775,980	496,700	2,358,480

(1) The 2014-A shares will be fully vested at the end of the vesting period, provided that the beneficiary remains with the Company and, each year for three years, fulfills at least one of the following performance conditions: growth in the EPS compared to 2014, and such growth must be at least equal to the percentage fixed at the Board meeting at which the shares were granted, or the Dassault Systèmes share must outperform the CAC 40 index by a minimum percentage fixed at the same Board meeting.

(2) The 2016-A shares will be fully vested at the end of the vesting period, provided that the beneficiary remains with the Company and fulfills at least one of the following performance conditions (based on alternative or cumulative criteria, depending on the tranche in question), the achievement of which will be measured in 2018 and 2019: growth in EPS relative to 2015, such growth having to be at least equal to the percentage set at the Board meeting at which the shares were granted, and/or Dassault Systèmes shares outperforming the CAC 40 index by a minimum percentage set at the same Board meeting.

(3) The 2017-A shares will be fully vested at the end of the vesting period, provided that the beneficiary remains with the Company and fulfills at least one of the following performance conditions, the achievement of which will be measured in 2020: growth in the EPS compared to 2016, and such growth must be at least equal to the percentage fixed at the Board meeting at which the shares were granted.

(4) The 2018-A shares will be fully vested at the end of the vesting period, provided that the beneficiary remains with the Company and fulfills at least one of the following performance conditions, the achievement of which will be measured in 2021: growth in the EPS compared to 2017, and such growth must be at least equal to the percentage fixed at the Board meeting at which the shares were granted.

(5) The 2019-A shares will be fully vested at the end of the vesting period, provided that the beneficiary remains with the Company and fulfills at least one of the following performance conditions, the achievement of which will be measured in 2022: growth in the EPS compared to 2018, and such growth must be at least equal to the percentage fixed at the Board meeting at which the shares were granted.

HISTORY OF SHARE GRANTS TO BERNARD CHARLÈS, VICE-CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, IN RESPECT OF THE GRADUAL PROCESS OF ASSOCIATING BERNARD CHARLÈS WITH THE COMPANY'S SHARE CAPITAL.

(See also paragraph 5.1.3.2 "Performance Shares and Share Subscription Options")

For all the grants prior to July 17, 2014, the figures in this table reflect the two-for-one split of the Dassault Systèmes share effective on July 17, 2014 and the correlative multiplication of the number of shares.

Plan Details	2009	2010	2010-03	2010-05	2014-B	2015-B	2016-B	2017-B	2018-B	2019-B
General Meeting	06/06/ 2007	05/27/ 2010	05/27/ 2010	05/27/ 2010	05/30/ 2013	09/04/ 2015	09/04/ 2015	09/04/ 2015	09/04/ 2015	09/04/ 2015
Board of Directors	11/27/ 2009	05/27/ 2010	09/29/ 2011	09/07/ 2012	02/21/ 2014	09/04/ 2015	05/26/ 2016	05/23/ 2017	05/22/ 2018	09/25/ 2018
Total number of shares granted to Bernard Charlès	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Vesting date of shares	11/27/ 2011	05/27/ 2012	09/29/ 2013	09/07/ 2014	02/21/ 2018	09/04/ 2017	05/26/2018 (Tranche 1) and 05/26/2019 (Tranche 2)	05/23/ 2020	05/22/ 2021	05/23/ 2022
Date of end of holding period ⁽¹⁾	11/27/ 2013	05/27/ 2014	09/29/ 2015	09/07/ 2016	N/A	N/A	N/A	N/A	N/A	N/A
Performance conditions	See note ⁽²⁾	See note ⁽³⁾	See note ⁽⁴⁾	See note ⁽⁵⁾	See note ⁽⁶⁾	See note ⁽⁷⁾	See note ⁽⁸⁾	See note ⁽⁹⁾	See note ⁽¹⁰⁾	See note ⁽¹¹⁾
Number of shares acquired by Bernard Charlès as at 02/28/2019	300,000	300,000	300,000	300,000	300,000 ⁽¹²⁾	300,000	150,000 ⁽¹²⁾	–	–	–

(1) Non applicable to the shares subject to the legal lock-up commitment set by the Board of Directors (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options").

(2) Performance condition related to variable compensation actually paid to the Chief Executive Officer in respect of the 2009 and 2010 fiscal years, the amount of which is itself dependent on achieving performance criteria previously established by the Board.

(3) Performance condition related to variable compensation actually paid to the Chief Executive Officer in respect of the 2010 and 2011 fiscal years, the amount of which is itself dependent on achieving performance criteria previously established by the Board.

(4) Performance condition related to variable compensation actually paid to the Chief Executive Officer in respect of the 2011 and 2012 fiscal years, the amount of which is itself dependent on achieving performance criteria previously established by the Board.

(5) Performance condition related to variable compensation actually paid to the Chief Executive Officer in respect of the 2012 and 2013 fiscal years, the amount of which is itself dependent on achieving performance criteria previously established by the Board.

(6) The same performance condition as that stipulated for the 2014-A performance shares granted by the Board on the same day to certain employees of the Group.

(7) Performance condition (i) identical to the one stipulated for the 2015-A performance shares and (ii) an additional condition tied to the variable compensation actually paid to the Chief Executive Officer with respect to the 2015 and 2016 fiscal years, the amount of which is itself dependent on the achievement of performance criteria previously established by the Board.

(8) Performance condition (i) identical to the one stipulated for the 2016-A performance shares and (ii) an additional condition tied to the variable compensation actually paid to the Chief Executive Officer with respect to the 2016, 2017 and 2018 fiscal years, the amount of which is itself dependent on the achievement of performance criteria previously established by the Board (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options").

(9) The same performance condition as that stipulated for the 2017-A performance shares granted by the Board on the same day to certain employees of the Group.

(10) Performance condition identical to the one stipulated for the 2018-A performance shares (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options").

(11) Performance condition identical to the one stipulated for the 2019-A performance shares (see paragraph 5.1.3.2 "Performance Shares and Share Subscription Options").

(12) From a general perspective, Mr. Bernard Charlès retains the Dassault Systèmes' shares acquired at the end of the vesting period for the allocated shares. In 2018, Mr. Bernard Charlès retained the 300,000 shares acquired in February 2018 (2014-B plan allocated in 2014) and the 150,000 shares acquired in May 2018 (2016-B plan Tranche 1 allocated in 2016). On December 31, 2018, Mr. Bernard Charlès held 3,840,441 shares, representing 1.46% of Dassault Systèmes' share capital. On December 31, 2017, Mr. Bernard Charlès held 3,290,441 shares, representing 1.26% of Dassault Systèmes' share capital.

5.1.5 Application of the AFEP-MEDEF Code

Dassault Systèmes refers to the recommendations of the AFEP-MEDEF Code (revised in June 2018) and reviews its corporate governance practices on a regular basis in order to achieve continual improvement in this area.

As permitted by such Code and the law, Dassault Systèmes SE has not adopted all of the Code's recommendations, or has adopted certain provisions in modified form, in view of its particular situation or due to its compliance with other provisions of the Code. These are summarized in the table below, together with the reasons for their exclusion/modification.

Recommendations of the AFEP-MEDEF Code	Explanation
Proportion of performance shares in the compensation of executive officers (dirigeants mandataires sociaux) (Article 24.3.3)	A significant portion of the shares granted to Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, form part of the gradual process of associating him with the Company's capital, which began several years ago, with the goal of recognizing his entrepreneurial role during more than 30 years with the Group and providing him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world.
Appointment of the director representing employees to the Compensation and Nomination Committee (Article 17.1)	The Board of Directors did not wish to alter the composition of the Compensation and Nomination Committee and considers that its current composition – 100% independent directors – is the best guarantee of its effectiveness. The Compensation and Nomination Committee's discussions are carefully reported and the Committee's recommendations are debated during the Board of Directors' meetings. All directors, including the director representing the employees, have the opportunity to express their opinions on the subjects dealt with by the Committee.
Loss of independent director status on the 12th anniversary of the appointment as director (Article 8.5.6)	Messrs. De Meyer and Chahid-Nourai are deemed independent by the Board despite the length of their mandates as Dassault Systèmes SE directors. Their mandates were renewed on May 28, 2015 for a period of four years, while both had been company directors for ten years on the basis of the current AFEP-MEDEF Code then in force, which stipulates that a director loses independent status at the end of the mandate during which their term of office exceeds 12 years (Article 9.4, Note 10). Accordingly, Messrs. De Meyer and Chahid-Nourai should lose their independent status at the end of their term of office following the General Meeting held to approve the 2018 financial statements. However, the November 2016 revision of the Code now stipulates that a director loses independent status on their 12th anniversary. Based on this version of the Code, Messrs. De Meyer and Chahid-Nourai should have lost their independent status in 2018. The Board therefore considers it appropriate to apply the recommendation of the Code in force on the date of renewal of the two directors' mandates, whereby the loss of independence occurs at the end of the mandate during which the term of office exceeds 12 years, i.e. 2020. Nevertheless, because it is committed to the best possible corporate governance standards, the Board has decided to evolve the composition of the Compensation and Nomination Committee as follows: <ul style="list-style-type: none"> • at the end of the Board meeting of December 8, 2017, appointment of Ms. Lescourret and Mr. Dutta as members of the Committee; and • at the end of the Board meeting on March 15, 2018, departure of Messrs. De Meyer and Chahid-Nourai and appointment of Ms. Laurence Lescourret as Committee Chair. In addition, on May 22, 2018, Xavier Cauchois was appointed to the Board and became a member of the Audit Committee. As a reminder, the terms of office of Mr. De Meyer and Mr. Chahid-Nourai expire on May 23, 2019. They will not be re-appointed.
Number of shares that the executive officers are required to hold in registered form (Article 22)	Due to Mr. Edelstenne's role as founder, and his shareholding (more than 8% of the voting rights), the Board considered that it was unnecessary to set a minimum quantity of shares to be held in registered form.

5.1.6 Other information required by Articles L. 225-37 *et seq.* of the French Commercial Code

No agreement was entered into directly or indirectly between, on the one hand, one of Dassault Systèmes SE's corporate officers (*mandataires sociaux*) or shareholders owning more than 10% of voting rights and, on the other hand, another company in which Dassault Systèmes SE owns more than 50% of the share capital.

5.1.6.1 Specific conditions related to shareholder participation in the General Meeting

Shareholders participate in the General Meetings of the Company in accordance with applicable law and the Company's by-laws (Articles 24 to 33). Thus, every shareholder has the right to participate in General Meetings and deliberations either personally or via a proxy, regardless of the number of shares held, according to the conditions specified by Article

27 of the by-laws of Dassault Systèmes (see paragraph 6.1.2 "Memorandum and Specific By-Laws Provisions").

In the case of the separation of the ownership of the shares, the voting right belongs to the bare owner (*nu-propriétaire*), except for decisions relating to the allocation of profits, where it belongs to the beneficial owner (*usufruitier*).

5.1.6.2 Table summarizing the current delegations granted by the General Meeting in respect of capital increases

The following table summarizes the delegations and authorizations granted by the General Meeting to the Board of Directors and with effect during the 2018 fiscal year and as of the date of this Annual Report (*Document de référence*). It includes authorizations to increase share capital and to repurchase and cancel the Company's own shares.

Resolutions and General Meetings ("GM")	Description of the delegation of authority granted to the Board of Directors	Utilization in the fiscal year
SHARES BUYBACK AND CANCELLATION OF SHARES		
15 th resolution GM of 05/22/2018	Authorization: purchase Dassault Systèmes shares. Duration: approximately 12 months (expiring at the GM approving the financial statements for the fiscal year ended on 12/31/2018). Cap: 10 million shares within the limit of €500 million and a maximum price per share of €150.	See paragraph 6.2.4 "Stock repurchase programs"
16 th resolution GM of 05/22/2018	Authorization: cancel shares purchased under the buyback program. Duration: approximately 12 months (expiring at the GM approving the financial statements for the fiscal year ended on 12/31/2018). Cap: 10% of share capital in a 24-month period.	See paragraph 6.2.4 "Stock repurchase programs"
ISSUANCE OF SECURITIES		
17 th resolution GM of 05/23/2017	Authorization: increase the share capital by issuance of shares or securities giving right to shares of Dassault Systèmes SE and issue securities giving right to debt securities, with preemptive right of shareholders. Duration: 26 months, i.e. until 07/23/2019. Cap: For a maximum nominal amount of €12 million for shares or securities – For a maximum nominal amount of €750 million for debt securities.	None
18 th resolution GM of 05/23/2017	Authorization: increase the share capital by issuing shares or securities giving right to shares of Dassault Systèmes SE or the right to receive debt securities and issuing securities giving the right to future equity securities, with a waiver of the preemptive right of shareholders, by way of a public offering. Duration: 26 months, i.e. until 07/23/2019. Cap: For a maximum nominal amount of €12 million for shares or securities. For a maximum nominal amount of €750 million for debt securities (to be deducted from the caps set out in the 17th resolution).	None

Resolutions and General Meetings ("GM")	Description of the delegation of authority granted to the Board of Directors	Utilization in the fiscal year
19 th resolution GM of 05/23/2017	Authorization: increase the share capital and issue securities giving right to debt securities, without preemptive rights of shareholders, under the delegation referred to in the previous line, by a private placement, under section II of the Article L. 411-2 of the French Monetary and Financial Code. Duration: 26 months, i.e. until 07/23/2019. Cap: For a maximum nominal amount of €12 million (to be deducted from the cap set out in the 17 th resolution).	None
20 th resolution GM of 05/23/2017	Authorization: increase the share capital by incorporation of reserves, profits or premiums. Duration: 26 months, i.e. until 07/23/2019. Cap: For a maximum nominal amount of €12 million (to be deducted from the cap set out in the 17 th resolution).	None
21 st resolution GM of 05/23/2017	Authorization: increase the share capital to remunerate contributions in kind of shares or equity-linked securities. Duration: 26 months, i.e. until 07/23/2019. Cap: 10% of share capital.	None
ISSUANCE FOR THE BENEFIT OF EMPLOYEES AND EXECUTIVE OFFICERS		
17 th resolution GM of 05/22/2018	Authorization: grant free shares, existing or to be issued, for the benefit of certain employees and/or corporate officers of the Company and its affiliated entities as defined in Article L. 225-197-2 of the French Commercial Code. Duration: 38 months, i.e. until 07/22/2021. Cap: 2% of share capital.	None
1 st resolution GM of 09/04/2015	Authorization: grant free shares, existing or to be issued, for the benefit of certain employees and/or corporate officers of the Company and its affiliated entities as defined in Article L. 225-197-2 of the French Commercial Code. Duration: 38 months, i.e. until 11/04/2018. Cap: 2% of share capital.	Described in paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE"
15 th resolution GM of 05/26/2016	Authorization: grant stock options giving right to subscribe to new shares or purchase existing shares for the benefit of certain employees and/or corporate officers of Dassault Systèmes SE and its affiliated entities as defined in Article L. 225-180 of the French Commercial Code. Duration: 38 months, i.e. until 07/26/2019. Cap: 5% of share capital.	Described in paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE"
18 th resolution GM of 05/22/2018	Authorization: increase the share capital for the benefit of members of a corporate savings plan of Dassault Systèmes SE and its affiliated entities. Duration: 26 months, i.e. until 07/22/2020. Cap: For a maximum nominal amount of €5 million (to be deducted from the cap set out in the 17 th resolution of the General Meeting on 05/23/2017).	None

The authorizations to purchase Dassault Systèmes shares and to cancel these purchased shares expire at the end of the General Meeting to be held on May 23, 2019. It is thus proposed to this General Meeting to renew these authorizations (see paragraph 6.2.4.2 "Description of the Share Repurchase Program Proposed to the General Meeting on May 23, 2019"). It will also be proposed that the General

Meeting renew the delegations relating to the issuance of Dassault Systèmes securities and the delegation to issue Dassault Systèmes share subscription options, which expire in July 2019 (see paragraph 7.1. "Presentation of the resolutions proposed by the Board of Directors to the General Meeting on May 23, 2019").

5.1.6.3 Draft resolutions prepared by the Board pursuant to the General Meeting vote on the compensation policy

The draft resolutions in respect of the vote on the compensation policy are set out in paragraph 7.2 "Draft Resolutions Proposed by the Board of Directors to the General Meeting on May 23, 2019".

5.1.6.4 Possible consequences in case of a public tender offer

The information required by Article L. 225-37-5 of the French Commercial Code is indicated in paragraphs 6.3 "Information about the Shareholders" (concerning control of GIMD), 5.1.6.2 "Table summarizing the current delegations granted by the General Meeting in respect of capital increases", 6.2.4 "Stock Repurchase Programs" (concerning acquisition by Dassault Systèmes SE of its treasury shares), 6.1.2.2 "General Meetings" (concerning the conditions for exercising voting rights) and 5.1.3.3 "Indemnities Due in the Event of the Imposed Departure (*départ contraint*) of Mr. Bernard Charlès" in this 2018 Annual Report (*Document de référence*).

The Annual Report (*Document de référence*) is available on the AMF website (www.amf-france.org) and on the Dassault Systèmes website (www.3ds.com). A press release is issued to announce when the Annual Report (*Document de référence*) becomes available.

5.1.6.5 Gender equality within the Executive Committee and top positions of responsibility

Dassault Systèmes has a strong ambition in terms of gender equality, including within the Executive Committee and positions of responsibility.

Initiatives are thus spearheaded within the Company in favour of women's recruitment, the ability to hire more female engineers being however very limited as they are under represented in engineering schools and the High-tech sector.

Initiatives are also spearheaded in order to understand their specific needs and in favour of various professional experiences as well as to support women gaining responsibility in a successful manner.

The 3DS WIN (Women Initiative) Internal community, launched in 2012, continues to foster a network of women and men determined to encourage, inspire and mentor women to develop their careers within Dassault Systèmes. In 2018, numerous initiatives were set up with the aim of promoting and reinforcing female leadership, for instance the participation to the Women's Forum or the organization of events locally. At the level of Dassault Systèmes SE, the proportion of women in the top 10% of positions with responsibility is monitored on the basis of targets assessed annually. As of today, the proportion of women in those positions equals to 30%

Charles Edelstenne
Chairman of the Board

5.2 Internal Control Procedures and Risk Management

As Dassault Systèmes was listed on the stock market in the United States until the end of 2008, Dassault Systèmes defined and implemented an internal control procedure based mainly on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, as well as on the AMF's suggested reference framework regarding internal control updated on July 22, 2010.

This report on internal control procedures applies to Dassault Systèmes SE and its consolidated subsidiaries.

5.2.1 Definition and objectives of internal control

According to the COSO accounting basis, internal control is a process implemented by the Board of Directors, managers and employees, aimed at providing a reasonable guarantee with regard to achieving the following objectives: performing and optimizing operations, the reliability of financial and accounting information, and compliance with the laws and regulations in force.

The internal control procedures within the Company, whether at the level of Dassault Systèmes SE or its subsidiaries, are designed to:

- improve the performance and efficiency of operations through optimized use of available resources (an objective inspired by the COSO framework);
- ensure the reliability, quality and availability of financial data (an objective inspired by the COSO and AMF frameworks);
- ensure that operations comply with legislation in effect and the Company's internal procedures (an objective inspired by the COSO and AMF frameworks);
- guarantee the security of assets, particularly intellectual property, the human and financial resources and the image of the Company (an objective inspired by the AMF framework);
- prevent risks of error or fraud (an objective inspired by the COSO and AMF frameworks).

5.2.2 Internal Control Participants and Organization

All corporate governance bodies participate in the implementation of the internal control processes.

The Board of Directors, concerned with the issue of internal control, created in 1996 an Audit Committee, with the mission described above (see paragraph 5.1.1.3 "Composition, Practices and Activities of the Board Committees").

In parallel, the Company's management has established the following bodies:

- a Disclosure Committee, responsible for deciding whether an information is considered as inside information, and if the publication of such information may be deferred, ensuring compliance with the conditions allowing a deferral of publication, documenting the process and informing the AMF at the time of publication;
- an Insider Committee responsible for setting and applying the rules aimed at preventing insider trading. In particular, this Committee informs all interested parties (employees, directors, consultants, etc.) of the periods in which they are prohibited from buying or selling Dassault Systèmes securities. These blackout periods are longer than those set forth by law. In addition, as they have regular access to privileged and insider information in relation to their roles, the Group managers must obtain the Insider Committee's prior approval for any transactions involving the Company's securities (as defined in the Group's Insider Trading Rules). The Company complies with laws and regulations regarding the prevention of insider trading on a general basis;
- an Internal Audit department reporting to the General Secretary and to the Group Financial Officer on the one hand and to the Audit Committee on the other hand, one of its main missions is to evaluate the relevance of Dassault Systèmes' internal control processes, to alert the management and the Audit Committee regarding

possible deficiencies or risks, and to propose measures that will limit the risks and improve the efficiency of operations. The Internal Audit department also has the responsibility for the annual assessment, on behalf of the management, of the internal control mechanisms related to financial reporting;

- a Compliance department reporting to the General Secretary and to the Chief Executive Officer, responsible for ensuring the implementation and respect of the Code of Business Conduct, as well as the Company's specific policies, recommendations and procedures regarding ethics and compliance. This department is supported by an Ethics Committee which meets every month and investigates any alleged non-conformities brought to its knowledge, in particular through the whistleblowing procedure.

The internal control is also based on the principle of giving responsibility to each of the departments and subsidiaries of the Company in its respective area of expertise, and on delegations of powers to certain members of the Executive

Committee of the Company, such delegations having specific fields of application.

Moreover, the subsidiaries' local chief executive and financial officers are responsible for preparing the subsidiaries' financial statements which are included in the Company's consolidated financial statements, and the annual financial statements and management reports for each of their respective subsidiaries, whether the accounts are prepared by their own financial teams or by shared internal financial and accounting services centers located particularly in Malaysia, Japan, the United States and France.

The Company's Financial Planning and Analysis department is responsible for directing the financial objectives of the Company in accordance with budget monitoring procedures and, in this respect, performs specific controls and analyzes of the quarterly accounts. It is also responsible for identifying, analyzing and warning of any differences from the previous year, the previous quarter and the Company's budget objectives, which are subject to a quarterly update.

5.2.3 Internal Control and Risk Management Procedures

The internal control mechanisms developed by the Company promote internal control in the following areas:

- control report: The professional ethics of the Company are set forth in the Code of Business Conduct, which describes the manner in which Dassault Systèmes expects its business to be conducted and which may serve as a reference tool for all Group employees to help guide their behavior and their interactions in their professional work. The Code of Business Conduct, which applies to all employees of Dassault Systèmes and is available on the Group's internet site and online community platform, addresses, in particular (i) compliance with regulations applicable to the Company's business, (ii) individual interactions within the Company and with its ecosystem, and (iii) protecting the Company's assets (in particular, the Company's intellectual property and that of its clients and partners). The Code also includes specific policies on the fight against corruption and influence-peddling, conflicts of interest and insider trading. The distribution of these policies is accompanied by training, which is specifically provided to any new employee and to employees joining the Group as part of the integration process for such acquisitions;
- risk analysis: The main risks which may impact the performance of the Company are identified, assessed and regularly reviewed by the management of the Company. These risks are described in paragraph 1.7.1 "Risks Related to the Company's Business". This paragraph specifies the measures taken by the Group to manage or limit these risks whenever possible.

Operational risks are essentially managed by subsidiaries. Certain risks, particularly in the area of IP protection, ethics and financial risks are specifically monitored by Dassault Systèmes SE as well as locally monitored;

- protection and monitoring activities:
 - 1) protecting its intellectual property is an on-going concern for the Group. This protection is ensured by implementing and monitoring corporate processes designed to verify the Company's rights before it markets its software products. The Company also protects its inventions through a reasonable and well-considered approach to filing patents in several jurisdictions. The Company's principal brands are also registered in a large number of countries. The Group is continuing to actively develop its program designed to fight against infringement concerning its products,
 - 2) information systems security, which is critical to ensuring the protection of the source codes for the Company's applications, is continually evaluated, tested and strengthened in the areas of network access or performance, anti-virus protection, and the physical security of servers and other information system facilities,
 - 3) the implementation of place internal preventive measures to continue operations and limit the impact of a major damage. As a result, several secured computer systems protect source codes and all electronic data stored on the servers, work stations and laptop computers used in the different entities of the Company. The computer protection systems are maintained in different sites.

- 4) the internal control policies related to the main processes within the Company (information technology security, sales administration, human resources, protection of intellectual property, closing and publication of financial statements, treasury management, client credit risk management) are formalized and updated at the level of both Dassault Systèmes SE and its main subsidiaries or the related shared services centers,
- 5) key control points making it possible to prevent or detect risks impacting the financial information in the Group's significant entities are documented;
- monitoring: The Company has deployed processes to monitor, review and analyze on a regular basis its performance at the level of its main entities, brands, distribution channels and geographical areas (governance, budget reviews, activity reviews). In addition, quarterly communication meetings are also held to ensure a better dissemination of the Group's strategy to all its employees and discussions facilitating its implementation;
- audit missions: In 2018, the Internal Audit department carried out different missions within the Company's subsidiaries to verify compliance of the local internal control procedures with the Company objectives. These missions, authorized by the Audit Committee, result in the issuance of recommendations to the local management teams and the implementation of action plans when deemed necessary to reinforce the audited processes and organizations. The Internal Audit department carries out a review of the implementation of these plans.

5.2.4 Internal Control Procedures Relating to the Preparation and Treatment of Financial and Accounting Information

With respect to the internal control processes related to the preparation of financial and accounting information, the Company's focus has been to:

- implement a quarterly control system to update budget objectives and identify and analyze any variation from the objectives set by the Financial department of the Company and from the previous quarter and fiscal year.

Thus, each of the subsidiaries prepares a detailed and documented presentation of its sales activity for the past quarter and the year, and performs a comparative analysis of its financial results (revenues and costs) in comparison with the budget targets of the current year and compared to the same quarter for the previous year.

Budget projections are reviewed, analyzed and updated each quarter by the teams of the Financial department to take into account all changes in the market and the economic environment, particularly as regards exchange rates, and to present realistic objectives to shareholders and financial markets;

- improve the reliability of its consolidation tools and processes in order to establish and publish required financial information every quarter as soon as possible. The consolidation procedure as defined by Dassault Systèmes SE is based on:

- 1) giving responsibility to the chief financial officers in the subsidiaries, who are required to certify the quarterly statements transmitted to Dassault Systèmes SE and to provide detailed business reviews and analyses before the accounts are consolidated,

- 2) the use of consolidation tools that make data transmission and processing secure and allow the elimination of intra-group transactions,
- 3) standardization of processes and information systems, particularly with respect to centralizing and recording most of the transactions at shared service centers,
- 4) the implementation of an annual process to monitor off-balance sheet commitments and related-party agreements (*conventions réglementées*),
- 5) a detailed review by the Group's financial division of the quarterly accounts of Dassault Systèmes SE and its subsidiaries,
- 6) the detailed analysis by the Company's accounting department of all the material software license and/or service transactions in order to validate their correct accounting recognition;
- systematize the processes by which the Audit Committee and the Board of Directors review financial information prior to publication;
- structure its financial communications to ensure simultaneous and equivalent publication of information on its principal markets of financial results or any other information that could have an impact on the price of its shares.

5.2.5 Evaluation of Internal Control

Since its voluntary delisting from the NASDAQ in October 2008, Dassault Systèmes SE is no longer subject to the requirements of the U.S. Sarbanes-Oxley Act with regard to the assessment of its internal control procedures. The Company therefore evaluates the internal control procedures applicable to its principal processes and subsidiaries in accordance with European Regulations.

As the Company management aims to maintain a high level of internal control within the Company, detailed assessment work (particularly on key performance indicators) was again

performed in 2018, as part of the process of achieving continuous improvement and for the purpose of preparing targeted action plans and audits. In this respect, the scope of Group entities subjected to internal control evaluations, in the form of self-evaluation questionnaires and internal control reviews conducted in the months immediately following acquisition may be expanded to entities that had previously been considered immaterial and to newly acquired companies. The results of the evaluation of the internal control are presented to the Audit Committee. In addition, Internal Control's efficiency is assessed by the Statutory Auditors.

5.2.6 Limitations of Internal Control

The internal control system cannot provide an absolute guarantee that the Company's objectives in this area will be achieved. Inherent limitations apply to all internal control systems, related in particular to the exercise of individual

judgments, or dysfunctions which may occur as a result of human failure or simple error or uncertainties in relation to the external environment.

5.3 Transactions in Dassault Systèmes shares by the Management of the Company

Pursuant to Article 223-26 of the AMF General Regulations, the table below shows transactions involving securities issued by Dassault Systèmes carried out in 2018 by directors or members of the Group Executive Committee, or by persons related to them (according to Article L. 621-18-2 of the French Monetary and Financial Code) on the basis of the declarations made by the relevant parties to the AMF, available on www.amf-france.org.

Date Place	Person concerned	Nature of the transaction	Unit price (in euros)	Volume
02/08/2018 Euronext Paris	Thibault de Tersant	Sale of shares	95.8947	10,000
02/13/2018 Euronext Paris	Laurence Baucher	Sale of shares	98.3300	3,480
02/14/2018 Euronext Paris	Laurence Baucher	Sale of shares	99.7971	4,620
02/15/2018 Euronext Paris	Laurence Baucher	Sale of shares	100.7750	1,900
02/21/2018 Euronext Paris	Laurence Baucher	Acquisition of shares	0.0000	14,000
02/21/2018 Euronext Paris	Bernard Charlès	Acquisition of shares	0.0000	300,000
02/21/2018 Euronext Paris	Thibault de Tersant	Acquisition of shares	0.0000	40,000
02/21/2018 Euronext Paris	Dominique Florack	Acquisition of shares	0.0000	60,000
02/21/2018 Euronext Paris	Bruno Latchague	Acquisition of shares	0.0000	40,000
02/21/2018 Euronext Paris	Pascal Daloz	Acquisition of shares	0.0000	34,000
02/21/2018 Euronext Paris	Sylvain Laurent	Acquisition of shares	0.0000	26,000
02/21/2018 Euronext Paris	Philippe Forestier	Acquisition of shares	0.0000	8,000
02/21/2018 Euronext Paris	Individual related to Philippe Forestier	Acquisition of shares	0.0000	1,600
02/21/2018 Euronext Paris	Monica Menghini	Acquisition of shares	0.0000	36,000
02/22/2018 Euronext Paris	Laurence Baucher	Sale of shares	103.8500	800
02/23/2018 Euronext Paris	Laurence Baucher	Sale of shares	104.4500	900
02/26/2018 Euronext Paris	Laurence Baucher	Sale of shares	105.3000	1,800
02/27/2018 Euronext Paris	Thibault de Tersant	Sale of shares	105.4246	10,000
02/27/2018 Euronext Paris	Laurence Baucher	Sale of shares	105.9500	900
03/06/2018 Over the counter market	Sylvain Laurent	Sale of shares	105.9000	26,000
04/26/2018 Euronext Paris	Dominique Florack	Exercise of purchase option	23.5000	200,000

Date Place	Person concerned	Nature of the transaction	Unit price (in euros)	Volume
04/27/2018 Euronext Paris	Bernard Charlès	Exercise of purchase option	23.5000	100,000
04/27/2018 Euronext Paris	Bernard Charlès	Pledge following finance raised	23.5000	29,520
05/02/2018 Euronext Paris	Thibault de Tersant	Sale of shares	108.0931	10,000
05/14/2018 Euronext Paris	Bruno Latchague	Sale of shares	110.1505	29,000
05/15/2018 Euronext Paris	Bruno Latchague	Sale of shares	110.1064	8,603
05/16/2018 Euronext Paris	Bruno Latchague	Sale of shares	110.0000	2,397
05/18/2018 Euronext Paris	Laurence Baucher-Barthès	Sale of shares	111.8500	900
05/22/2018 Euronext Paris	Laurence Baucher-Barthès	Sale of shares	112.6500	1,800
05/23/2018 Over the counter market	Bruno Latchague	Exercisability of stock options	0.0000	46,666
05/24/2018 Euronext Paris	Laurence Baucher-Barthès	Sale of shares	113.4500	900
05/26/2018 Over the counter market	Bruno Latchague	Exercisability of stock options	0.0000	46,666
05/26/2018 Euronext Paris	Bernard Charlès	Acquisition of shares	0.0000	150,000
05/26/2018 Euronext Paris	Laurence Baucher-Barthès	Acquisition of shares	0.0000	9,000
05/26/2018 Euronext Paris	Thibault de Tersant	Acquisition of shares	0.0000	20,000
05/26/2018 Euronext Paris	Dominique Florack	Acquisition of shares	0.0000	32,500
05/26/2018 Euronext Paris	Pascal Daloz	Acquisition of shares	0.0000	25,000
05/26/2018 Euronext Paris	Sylvain Laurent	Acquisition of shares	0.0000	13,000
05/26/2018 Euronext Paris	Laurent Blanchard	Acquisition of shares	0.0000	13,000
05/31/2018 Over the counter market	Sylvain Laurent	Sale of shares	119.1000	13,000
06/06/2018 Euronext Paris	Legal entity related to Charles Edelstenne (GIMD)	Sale of shares	121.6640	280,000
06/19/2018 Euronext Paris	Thibault de Tersant	Reinvestment of dividends in shares	108.5800	538
06/19/2018 Euronext Paris	Jean-Pierre Chahid-Nourai	Reinvestment of dividends in shares	108.5800	7
06/19/2018 Euronext Paris	Dominique Florack	Reinvestment of dividends in shares	108.5800	159
06/19/2018 Euronext Paris	Pascal Daloz	Reinvestment of dividends in shares	108.5800	120
06/19/2018 Euronext Paris	Laurence Baucher-Barthès	Reinvestment of dividends in shares	108.5800	155
06/19/2018 Euronext Paris	Individual related to Laurence Baucher-Barthès	Reinvestment of dividends in shares	108.5800	2
06/19/2018 Euronext Paris	Charles Edelstenne	Reinvestment of dividends in shares	108.5800	2,665

Date Place	Person concerned	Nature of the transaction	Unit price (in euros)	Volume
06/19/2018 Euronext Paris	Charles Edelstenne	Reinvestment of dividends in shares	108.5800	21,242
06/19/2018 Euronext Paris	Individual related to Charles Edelstenne	Reinvestment of dividends in shares	108.5800	31,566
06/19/2018 Euronext Paris	Legal entity related to Charles Edelstenne	Reinvestment of dividends in shares	108.5800	9
06/19/2018 Euronext Paris	Legal entity related to Charles Edelstenne	Reinvestment of dividends in shares	108.5800	9
06/19/2018 Euronext Paris	Legal entity related to Charles Edelstenne (GIMD)	Reinvestment of dividends in shares	108.5800	569,639
06/19/2018 Euronext Paris	Individual related to Bernard Charlès	Reinvestment of dividends in shares	108.5800	814
06/19/2018 Euronext Paris	Bernard Charlès	Reinvestment of dividends in shares	108.5800	10,278
06/19/2018 Euronext Paris	Bernard Charlès	Reinvestment of dividends in shares	108.5800	3,844
07/27/2018 Euronext Paris	Thibault de Tersant	Sale of shares	129.8379	10,000
08/13/2018 Euronext Paris	Bernard Charlès	Sale of shares ⁽¹⁾	130.0624	10,278
08/13/2018 Euronext Paris	Bernard Charlès	Sale of shares ⁽¹⁾	130.000	3,844
09/04/2018 Over the counter market	Bruno Latchague	Exercisability of stock options	0.0000	46,666
10/25/2018 Euronext Paris	Sylvain Laurent	Sale of shares	110.6256	5,880
10/26/2018 Over the counter market	Sylvain Laurent	Sale of shares	110.4500	22,120
10/30/2018 Euronext Paris	Thibault de Tersant	Sale of shares	105.4359	10,000
12/05/2018 Euronext Paris	Xavier Cauchois	Acquisition of shares	106.8000	300

(1) Shares resulting from the 2018 dividend payment sold in order to finance the exercise, in 2018, of the 100,000 Dassault Systèmes' stock options granted in 2010.

From a general perspective, Mr. Bernard Charlès retains the Dassault Systèmes' shares acquired either from the exercise of share subscription options or at the end of the vesting period for the allocated shares.

In 2018, Mr. Bernard Charlès retained the 100,000 shares subscribed in April 2018 as part of the exercise of all share subscription options, which expired on May 26, 2018 (allocated in 2010), the 300,000 shares acquired in February 2018 (allocated in 2014) and the 150,000 shares acquired in May 2018 (allocated in 2016).

On December 31, 2018, Mr. Bernard Charlès held 3,840,441 shares, representing 1.46% of Dassault Systèmes' share capital. On December 31, 2017, Mr. Bernard Charlès held 3,290,441 shares, representing 1.26% of Dassault Systèmes' share capital.

TRANSACTIONS CARRIED OUT BY GIMD, A LEGAL ENTITY RELATED TO CHARLES EDELSTENNE, CHAIRMAN OF THE BOARD OF DIRECTORS, AND TO MARIE-HÉLÈNE HABERT-DASSAULT, DIRECTOR

Date Place	Nature of the transaction	Unit price (in euros)	Volume
06/06/2018 Euronext Paris	Sale of shares	121.6640	280,000
06/19/2018 Euronext Paris	Reinvestment of dividends in shares	108.5800	569,639

5.4 Statutory Auditors

Principal Statutory Auditors

PricewaterhouseCoopers Audit, member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*, 63, rue de Villiers – 92200 Neuilly-sur-Seine, represented by Thierry Leroux, whose first mandate began on June 8, 2005 and was renewed on May 23, 2017 for a period of six fiscal years expiring at the General Meeting of Shareholders approving the financial statements for the fiscal year ending on December 31, 2022.

Ernst & Young et Autres, member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*, 1/2, place des Saisons – 92400 Courbevoie – Paris La Défense 1, represented by Nour-Eddine Zanouda, whose first mandate began on May 27, 2010 was renewed on May 26, 2016 for a period of

six fiscal years expiring at the General Meeting of Shareholders approving the financial statements for the fiscal year ending on December 31, 2021.

Deputy Statutory Auditors

The company Auditex, whose registered office is at 1/2, place des Saisons – 92400 Courbevoie – Paris La -Défense 1, whose mandate was renewed on May 26, 2016 and will expire at the General Meeting of Shareholders approving the financial statements for the fiscal year ending on December 31, 2021.

Principal Auditors' fees and services

See Note 27 to the consolidated financial statements.

5.5 Declarations regarding the administrative Bodies and Senior Management

To Dassault Systèmes SE's knowledge:

- there is no family relationship between the directors, or between a director and a member of the Executive Committee (see paragraph 5.1.2 above for the list of members) with the exception of Ms. Marie-Hélène Habert-Dassault and her sister-in-law Ms. Catherine Dassault;
- in the past five years, none of the directors or members of the Group's Executive Committee has been convicted of fraud, been declared bankrupt or their property impounded or liquidated, been subject to an official accusation and/or penalty delivered by legal or regulatory authorities, or been prohibited by a court from becoming a member of an administrative, management or supervisory body of a company, or from being involved in the management or direction of the affairs of a company;
- there are no potential conflicts of interest between the duties to the Company of the members of the Board of Directors and their private interests and/or other duties, and no director or member of the Group's Executive Committee has been named to the Board or to an administrative, management or supervisory body as a result of an agreement between the Company's main shareholders, customers, suppliers or any other persons;
- no director or member of the Group's Executive Committee is party to a service contract with Dassault Systèmes SE, or one of its subsidiaries, which provides him or her with a personal benefit.

6

INFORMATION ABOUT DASSAULT SYSTÈMES SE, THE SHARE CAPITAL AND THE OWNERSHIP STRUCTURE

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6.1 Information about Dassault Systèmes SE

6.1.1 General Information

6.1.1.1 Commercial Name and Registered Office

Dassault Systèmes

10, rue Marcel Dassault – 78140 Vélizy-Villacoublay, France

Telephone: +33 (0)1 61 62 61 62

6.1.1.2 Legal form – Applicable Law – Place of Registration and Registration Number – APE code

Dassault Systèmes SE is a European company (*Societas Europaea*) incorporated and registered under French law, governed by the provisions of Council Regulation (EC) no. 2157/2001 as well as by French provisions in force at any time (hereinafter the “Law”). The Company is registered with the Versailles trade and companies registry under number 322 306 440. The Company’s APE code is 5829 C.

Dassault Systèmes SE is governed by a Board of Directors.

6.1.1.3 Date of Incorporation and Term

Dassault Systèmes SE was incorporated as a limited liability company (*société à responsabilité limitée*) on June 9, 1981 for a 99-year term starting on the date of its registration (until August 4, 2080). The Company was transformed into a public limited liability company (*société anonyme*) on April 8, 1993 and then into a European company (*Societas Europaea*) on June 15, 2015.

6.1.1.4 Corporate Purpose

Pursuant to Article 2 of the Company’s by-laws, Dassault Systèmes SE’s corporate purpose, in France and abroad, is:

- the design, development, production, marketing, purchase, sale, brokerage, rental, maintenance and the provision of after-sale services of software, digital content and/or computer hardware;
 - the supply and providing of services of data centers, including the supply of online software services as a service and the operation and supply of the corresponding infrastructures;
 - the supply and providing of services to users notably in the area of training, demonstration, methodology, display and utilization; and
 - the supply and sale of computer resources, together or separate from the supply or sale of software or services, notably in the areas of 3D design, solutions, modeling, simulation, manufacturing, operations planning, collaboration, lifecycle management, business intelligence, marketing or 3D for public at large in the domains of products, nature and life.
- The purpose of the Company shall also be:
- the creation, acquisition, rental and management-lease of any on-going business, signing leases, and the establishment and operation of any facilities;
 - the acquisition, operation or sale of any industrial or intellectual property rights as well as any knowhow in the field of computers; and
 - more generally, taking an interest in any business or company created or to be created as well as in any legal, economic, financial, industrial, civil commercial, personal or real property enterprise connected directly or indirectly, in whole or in part, with the purposes above or any similar or related purposes.

6.1.1.5 Fiscal Year

The 12-month fiscal year covers the period from January 1 to December 31 of each year.

6.1.1.6 Branches, Secondary establishments

Dassault Systèmes SE has no branch. Dassault Systèmes SE has 13 secondary establishments as of February 28, 2019, located at the following addresses:

- 76 Route de la Demi-Lune – Les collines de l’Arche, Le Madeleine Puteaux – 92057 Paris La Défense
- ZAC du Bois de Côtes – 304 Route National 6 – 69760 Limonest
- 5 rue de l’Halbrane, Technocampus Océan, ZAC Croix Rouge – 44340 Bouguenais
- 15 rue Claude Chappe, bâtiment B – Zac des Champs blancs – 35510 Cesson-Sevigné
- Rue Evariste Galois, ZAC St-Philippe II, lot 24, Quartier des Lucioles – 06410 Biot
- 10 Place de la Madeleine – 75008 Paris
- 20 Boulevard Eugène Deruelle, bâtiment A, Immeuble Le Britannia – 69003 Lyon

- 35 rue Haroun Tazieff, Immeuble Ecoparc Océanis 1 B – 54320 Maxeville
- 53 avenue de l'Europe – 13090 Aix-en-Provence
- 1-3 rue Jeanne Braconnier, Immeuble Terre Europa – 92360 Meudon
- 120 rue René Descartes – 29280 Plouzané
- 37 Chemin des Ramassiers, ZAC des Ramassiers – 31770 Colomiers
- 1 Allée Lavoisier – 59650 Villeneuve d'Ascq

6.1.1.7 Documents on Display

Dassault Systèmes SE's by-laws, minutes of the General Meetings and Board of Directors' reports to the General Meetings, reports of the Statutory Auditors, financial statements for the last three years and, more generally, all documents provided or made available to shareholders pursuant to the Law may be viewed at Dassault Systèmes SE's registered office.

Some of these documents are also available on the Group's website (www.3ds.com/investors/regulated-information).

6.1.2 Memorandum and Specific By-Laws Provisions

Dassault Systèmes' By-Laws have been amended further to the General Meeting dated May 22, 2018 so that such By-Laws are in compliance with (i) Article L. 823-1 para. 2 of the French Commercial Code, as amended by law 2016-1691 dated December 9, 2016, relating to the possibility to avoid the appointment of a deputy auditor where the Statutory Auditor is neither a natural person nor a single-member company and (ii) Article L.225-36 of the French Commercial Code, as amended by the same law, authorizing the Board of Directors to transfer the registered office within French territory, subject to ratification of this decision by the next Ordinary General Meeting.

6.1.2.1 Allocation of Profits (Article 36 of the Company's By-Laws)

The profits for each year, less any losses from prior periods, where appropriate, are first allocated to the reserves as required by Law. An amount of 5% is deducted to form the legal reserve fund. This deduction ceases to be compulsory when said fund reaches one-tenth of share capital; it becomes compulsory once again when the legal reserve falls below this amount.

The distributable profit is composed of the profit from the year less any losses from prior periods as well as the amounts allocated to reserves as required by Law or the Company's by-laws, and increased by retained profits.

The General Meeting then deducts from this distributable profit the amounts deemed appropriate to allocate to any optional, ordinary or special reserves or to the retained earnings account.

As appropriate, any remaining balance is distributed to all shares proportionately to the unredeemed paid-up value.

However, except in the event of a share capital reduction, no distribution can be made to shareholders if the equity is, or would be as a result of the distribution, less than the amount of the share capital plus the reserves that cannot be distributed under the law or the by-laws.

The General Meeting may decide to distribute amounts taken from available reserves, either to pay or increase a dividend, or distribute a special dividend. In this case, the resolution explicitly identifies from which reserves these amounts are to be withdrawn. Nevertheless, the dividends are distributed in order of priority starting with the distributable profit of the year.

After the approval of the financial statements by the General Meeting, any losses are recorded in a special account and carried forward against the profits of future years, until they have been eliminated.

In case of stripping of the ownership of the shares, Article 11 of the by-laws reserves for beneficial owners the right to vote on decisions relating to the allocation of profits (see paragraph 6.1.2.3 "Shares and Voting Rights").

6.1.2.2 General Meetings

Notice and agenda of meeting (Articles 25 and 26 of the Company's by-laws)

General Meetings are convened by the Board of Directors or, if the Board of Directors fails to convene a General Meeting, by the Statutory Auditor(s). One or more shareholders who together hold at least 10% of the subscribed capital may also request the Board of Directors to call and set the agenda of such General Meetings. The request to convene the meeting shall set out the items to be put on the agenda.

Notice of the meeting is made through an announcement placed in a journal of legal notices in the department of the registered office, and in the French Bulletin of required legal notices (*Bulletin des annonces légales obligatoires* – BALO). Shareholders holding registered shares for at least one month from the date of the announcement are also notified of all General Meetings by letter sent by standard mail or, at their request and expense, by registered letter. The General Meeting cannot be held less than 15 days after the announcement is published or the letter is sent to registered holders.

One or more shareholders, representing at least the required percentage of capital, also have the possibility of requesting that items and proposed resolutions be added to the agenda in accordance with the Law.

Conditions for admission (Article 27 of the Company's by-laws)

Every shareholder has the right to participate in General Meetings either in person or by proxy, provided his/her shares are fully paid-up and:

- for holders of registered shares, that they are held in a registered account (directly or through a financial intermediary) at 0:00 a.m. (Paris time) on the second business day preceding the meeting;
- for holders of shares in bearer form, that they are recorded in a bearer securities account maintained by the accredited intermediary at 0:00 a.m. (Paris time) on the second business day preceding the meeting.

The registration of shares in a bearer securities account maintained by the accredited intermediary shall be validated by a shareholding certificate (*attestation de participation*) issued by the accredited intermediary to the holder of the shares. This certificate must be attached to the voting or proxy form or to the request for an admission card issued in the shareholder's name. A certificate can also be issued to a shareholder who wishes to attend in person the General Meeting and who has not received an admission card by the second business day preceding the meeting.

Shareholders may vote by mail using a form that will be sent to them under the conditions indicated by the notice of meeting. The form, duly completed and accompanied, as the case may be, by a shareholding certificate (*attestation de participation*), must be received by Dassault Systèmes SE at least three days before the date of the General Meeting, or it will not be taken into consideration.

A shareholder may be represented by his/her spouse or by any other natural or legal person who has been appointed as proxy, under the conditions provided by Law. The shareholders who are legal entities are represented by the natural persons duly authorized to represent them with respect to third parties or by any person to whom the power of proxy has been transferred.

A shareholder, who is a non-French resident as defined in Article 102 of the French Civil Code, may be represented at General Meetings by an accredited intermediary registered according to the provisions of the Law. Such shareholder will be considered present in calculating the quorum and the results of voting.

If the Board of Directors so decides when convening the General Meeting, any shareholder may also participate and vote at the meeting by video-conference or by any other means of telecommunications permitting him/her to be identified and to participate effectively. Such participation must comply with the conditions and means provided for by Law. Such shareholder will be accounted for in calculating the quorum and the results of voting.

Actions required to amend shareholders' rights (Articles 13, 31 and 32 of the Company's by-laws)

Only an Extraordinary General Meeting can amend shareholders' rights in compliance with the provisions of the Law.

Except as may be otherwise provided for under the provisions of the Law and with the exception of reverse share splits carried out in accordance with the Law, no majority may impose on shareholders an increase in their commitments. If new classes of shares are created, only an Extraordinary General Meeting and a Special Meeting of Shareholders of the specific class of shares may approve an amendment to the rights of these classes of shares.

6.1.2.3 Shares and Voting Rights

Rights, privileges and restrictions attached to each class of shares (Articles 13 and 39 of the Company's by-laws)

All the shares are of the same class and carry, under the Company's by-laws, the same rights to the allocation of profits and any amounts distributed in the event of liquidation (see also paragraph 6.1.2.1 "Allocation of Profits (Article 36 of the Company's By-Laws)"). However, a double voting right is awarded to any fully paid-up share held in registered form for at least two consecutive years in the name of the same holder (see paragraph "Double voting rights (Article 29 of the Company's by-laws)" below).

Conditions for exercising voting rights (Articles 11 and 29 of the Company's by-laws)

The right to vote attached to shares or dividend-right shares is proportional to the portion of capital they represent.

Voting is carried out by show of hands, by roll call or secret ballot, as decided by the secretariat of the meeting or the shareholders. Shareholders may also vote by mail, by video-conference or by any other means of communication, as indicated in the preceding paragraph. For the calculation of the majority, the votes cast shall not include votes attaching to shares in respect of which the shareholder has not taken part in the vote or has returned a blank or spoilt ballot paper.

In case of stripping of the ownership of the shares, the voting right attached to the share belongs to the bare owner (*nu-propritaire*), except for the decisions relating to the allocation of profits for which it belongs to the beneficial owner (*usufruitier*).

Double voting rights (Article 29 of the Company's by-laws)

Each share gives the right to one vote. Nevertheless, since 2002, a double vote has been awarded to all fully paid-up shares held in registered form for at least two consecutive years in the name of the same holder. In the case of a capital increase by incorporation of reserves, profits or premiums, this double voting right will be attached on the date of their

issuance to free registered new shares allotted to a shareholder in consideration for his or her old shares giving rise to such right.

Under the Law, any share converted into a bearer share or changing hands shall lose the right to the double voting right except in the case of a transfer from a registered account to another registered account at inheritance or a gift *inter vivos* to a spouse or a relative entitled to succeed to the donor's estate. The double voting right may also be cancelled by a resolution of the shareholders at an Extraordinary General Meeting, provided the approval of the Special Meeting of Shareholders having a double voting right.

Limitations on voting rights

The by-laws contain no restrictions on the exercise of voting rights attached to Dassault Systèmes shares except in the event of stripping of the ownership of the shares (see paragraph "Conditions for exercising voting rights (Articles 11 and 29 of the Company's by-laws)" above).

6.1.2.4 Declarations Concerning Crossing of the Ownership Thresholds (Article 13 of the Company's By-Laws)

In addition to the legal obligation to inform Dassault Systèmes SE and the Financial Markets Authority (AMF) in the event a shareholder's interest passes the thresholds set out in Article L. 233-7 of the French Commercial Code, any natural or legal person, acting alone or in concert with others, who acquires directly or indirectly shares representing at least 2.5% of Dassault Systèmes SE's share capital or voting rights, or a multiple thereof, must inform Dassault Systèmes SE of the total number of shares or voting rights it holds. This information must be sent to Dassault Systèmes SE by registered letter with return receipt requested, within four trading days following the date of acquisition or disposal.

This declaration must be made each time the number of shares held exceeds or falls below this threshold of 2.5% (or one of its multiples), up to 50% (inclusive) of the total number of Dassault Systèmes shares or voting rights. The shareholder must certify in each declaration that it includes all shares or voting rights held or owned, in accordance with Article L. 233-7 *et seq.* of the French Commercial Code. The declaration must also indicate the date or dates on which the acquisitions or divestitures occurred.

In the event of non-compliance with this requirement, the shares exceeding the fraction of 2.5% which should have been declared will lose their voting rights, upon the request recorded in the minutes of the General Meeting of one or more shareholders holding a portion of Dassault Systèmes SE share capital or voting rights equal to at least 2.5% of the capital or voting rights. The voting rights will be lost for all General Meetings held until the expiration of two years following the date on which the required declaration is made.

6.1.2.5 Terms in the By-Laws, a Charter or Regulation of Dassault Systèmes SE Which Could Delay, Postpone or Prevent a Change in Control

Other than the aforementioned double voting right (see paragraph 6.1.2.3 "Shares and Voting Rights") and the reporting obligation when holdings exceed 2.5% (see paragraph 6.1.2.4 "Declarations Concerning Crossing of the Ownership Thresholds (Article 13 of the By-Laws)"), Article 10 of the by-laws provides that Dassault Systèmes SE may, at any time and in compliance with the provisions of the Law, request that a central depository maintaining the Company's share register, provide it with the name (or corporate name for legal entities), the nationality, the year of birth or the year of incorporation and the postal and, where applicable, e-mail address of holders of Dassault Systèmes shares in bearer form which grant, immediately or over time, the right to vote at General Meetings, as well as the number of shares held by each of these shareholders and, where appropriate, any restrictions applicable to such shares.

6.1.2.6 Terms in the Company's By-Laws Concerning Modifications in Share Capital Which Are More Restrictive than the Law

The by-laws of Dassault Systèmes SE do not contain any provisions governing changes in share capital which are more restrictive than those provided by Law.

6.1.2.7 Terms in the Company's By-Laws Concerning the Directors and Members of the Executive Committee (Article 14, 15 and 19 of the Company's by-laws)

The Company shall be administrated by a Board of Directors established in accordance with the Law. Directors shall be appointed for 4 years, renewed or revoked by shareholders at an Ordinary General Meeting. The number of directors aged 70 or over cannot exceed half the members of the Board of Directors at any time. The Board of Directors also includes a director representing employees, appointed by the trade union organization that has obtained the highest number of votes in the first round of the Works Council Members in the Company and its direct or indirect subsidiaries whose registered office is located on French territory.

From among its individual members, the Board of Directors shall elect a Chairman who may not be more than eighty-five years of age, and set his term of office. The Chairman shall organize and supervise the work of the Board of Directors, and reports on the same at the shareholders general meeting, and shall watch over the running of the corporate bodies of the Company. The Board of Directors may also elect a Vice-Chairman who will serve as Chairman on an interim basis, in the case of (i) a temporary incapacity or death of the

Chairman or (ii) an absence or unavailability of the Chairman to preside over a meeting of the Board of Directors.

Depending on the decision of the Board of Directors, the general management of the Company shall be undertaken either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and who shall take the title of *Directeur général*. The *Directeur général* shall be vested with the broadest powers to act under any circumstance on behalf of the Company. He shall exercise these

powers within the limits of the corporate purpose and subject to the powers expressly attributed by Law to shareholders meetings and the Board of Directors. The *Directeur général* represents the Company in its relations with third parties. The *Directeur général* may be dismissed at any time by the Board of Directors. If dismissal is without cause, costs for damages and related interest may arise, unless the *Directeur général* is also Chairman of the Board of Directors.

6.2 Information about the Share Capital

6.2.1 Share Capital at February 28, 2019

As of February 28, 2019, the Company's share capital was comprised of 262,927,968 fully paid-up shares with a par value of €0.50 each. As of December 31, 2018, the Company's share capital was €131,366,470.50 divided into 262,732,941 shares.

6.2.2 Potential Share Capital

As of February 28, 2019, outstanding share subscription options (whether or not exercisable) would, if all were exercised, result in the issuance of 5,426,124 new shares, representing 2.02% of the Company's share capital at that date (on a diluted basis).

On the same date, based on the closing price of the Company's shares on February 28, 2019 (€128.65 per share), the exercise of all exercisable issued options, whose exercise price was less than that closing price, would have resulted in the issuance of 1,871,545 new shares, representing 0.71% of the Company's share capital at that date (on a diluted basis). The dilutive effect per share at December 31, 2018 is also set forth in Note 11 to the consolidated financial statements.

In connection with the acquisition of SolidWorks in 1997, Dassault Systèmes SE issued shares to the holders of share subscription options and warrants issued by SolidWorks prior to this acquisition. These Dassault Systèmes shares have historically been held by the Group's wholly-owned U.S. subsidiary, SW Securities LLC. No other SolidWorks share subscription options or warrants remain outstanding at this time. As of December 31, 2018, and as of February 28, 2019,

SW Securities LLC held 503,614 shares, or approximately 0.19% on February 28, 2019, of the Company's share capital. Similar to treasury stock, the shares held by SW Securities LLC do not carry voting rights and are not eligible for dividends.

Other than the share subscription options granted in connection with stock option plans and performance share grants as described in paragraph 5.1.4.1 "Compensation of the Company's corporate officers" and paragraph 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE", there are no other securities giving a right to subscribe shares of Dassault Systèmes SE, and there is no agreement which could result in a capital increase. Dassault Systèmes SE has not issued any securities which do not represent an interest in its share capital.

Pledges of shares

To the Company's knowledge, there was no pledge of Dassault Systèmes shares in registered form and representing a significant portion of its share capital as of February 28, 2019.

6.2.3 Changes in Dassault Systèmes SE Share Capital over the Past Three Years

Date	Operation	Nominal amount of changes in share capital (in euros)	Amount in share capital (in euros)	Number of shares created or canceled	Total number of shares
February 29, 2016	Capital increase resulting from the exercise of share subscription options	716,980.50	128,425,174	1,433,961	256,850,348
June 22, 2016	Capital increase by a dividend payment in shares	140,367	128,565,541	280,734	257,131,082
February 28, 2017	Capital increase resulting from the exercise of share subscription options	522,937.50	129,088,478.50	1,045,875	258,176,957
June 26, 2017	Capital increase by a dividend payment in shares	505,545	129,594,023.50	1,011,090	259,188,047
February 28, 2018	Capital increase resulting from the exercise of share subscription options	1,020,798	130,614,821.50	2,041,596	261,229,643
March 15, 2018	Share capital reduction through cancellation of treasury stock	(361,528.50)	130,253,293	(723,057)	260,506,586
June 14, 2018	Capital increase by a dividend payment in shares	517,271.50	130,770,564.50	1,034,543	261,541,129
February 28, 2019	Capital increase resulting from the exercise of share subscription options	693,419.50	131,463,984	1,386,839	262,927,968

The changes in equity resulting from the transactions through December 31, 2018 set forth above are included in the "Consolidated Statements of Shareholders' Equity" in the consolidated financial statements.

6.2.4 Stock Buyback Programs

6.2.4.1 Transactions carried out by Dassault Systèmes SE in 2018 and early 2019

Transactions carried out by Dassault Systèmes SE in 2018

During 2018 financial year, Dassault Systèmes SE purchased, under the authorizations granted to the Board of Directors by the General Meetings of May 23, 2017 and May 22, 2018, 1,716,950 of its own shares (excluding shares acquired through the liquidity agreement a report of which is presented below).

These shares were purchased at an average price of €118.53 per share, giving a total cost of €203,510,303.39 (excluding taxes). The transaction costs paid by the Company in connection with these shares repurchased amounted to €69,807.20 all taxes included (plus the tax on financial transactions for an amount of €610,530.91).

These 1,716,950 shares were wholly allocated to the coverage of the Company's obligations resulting from performance share grants. No share has been allocated to a purpose of cancellation.

The shares repurchased before 2018 were allocated to the following purposes:

- cover the Company's obligations resulting from performance share grants decided prior to 2018: 3,544,530 shares;
- cancellation: 723,057 shares; and
- liquidity agreement entered into with Oddo BHF SCA mentioned below: 133,026 shares.

The Company directly held, on December 31, 2018, 3,620,758 (including 140,423 shares through the liquidity agreement) of its own shares of a nominal value of €0.50 each, which had been repurchased at an average price of €98.62, representing approximately 1.38% of share capital at that date. Out of these 3,620,758 shares, 3,480,335 shares are at the disposal of Dassault Systèmes SE and are wholly allocated to cover the Company's obligations resulting from performance shares grants.

Pursuant to the authorization granted in 2014, on January 5, 2015, Dassault Systèmes SE entered into a liquidity agreement in accordance with the Code of Ethics of the AFEI (French association of investment firms) recognized by the Financial Markets Authority (AMF), with Oddo BHF SCA implemented from January 7, 2015 for an initial period ending on December 31, 2015, automatically renewable for subsequent 12-month terms. This agreement has been amended on October 26, 2017, in order to, inter alia, increase the amount of the fees to €70,000 per year and to increase by €5,000,000 the resources assigned to the liquidity agreement. On December 13, 2018, an additional contribution of

€5,000,000 has been made, increasing the resources assigned to the liquidity agreement from €15,000,000 to €20,000,000. This agreement is being amended in order to comply with the new requirements of the decision n°2018-01 of July 2, 2018 taken by the Financial Markets Authority (AMF).

During 2018, 1,400,547 shares have been purchased and 1,393,150 shares have been sold within the framework of the liquidity agreement. As at December 31, 2018, the following resources appeared on the liquidity account:

- 140,423 Dassault Systèmes shares; and
- €8,228,580.74 in cash.

Transactions carried out by Dassault Systèmes SE between January 1 and February 28, 2019

Since the beginning of 2019 and until February 28, 2019, Dassault Systèmes SE has acquired 250,129 and sold 311,552 of its own shares. All of these acquisitions and disposals have been completed within the framework of the liquidity agreement.

During fiscal year 2018 and since the start of 2019, the Company has not performed any transactions on derivative securities linked to its shares nor has it purchased or sold any of its shares by exercising them or through the maturity of such derivative securities.

6.2.4.2 Description of the Stock Buyback Program Proposed to the General Meeting on May 23, 2019

Pursuant to Article 241-2 *et seq.* of the Financial Markets Authority (AMF) General Regulation and Article L. 451-3 of the French Monetary and Financial Code, and in accordance with European Regulations, this description relates to the terms and objectives of the Company's stock buyback program that will be submitted for approval at the General Meeting of May 23, 2019.

Breakdown of treasury stock by purpose as of the date of this document

As of February 28, 2019, Dassault Systèmes SE held 3,559,335 of its own shares directly and 503,614 indirectly. These 3,559,335 shares were allocated to the following objectives:

- coverage of the Company's obligations resulting from share grants decided in 2016, 2017 and 2018: 3,480,335 shares;
- cancellation: 0 shares;
- liquidity agreement signed with Oddo BHF SCA on January 5, 2015, renewed for the financial year 2019: 79,000 shares.

Purposes of the new repurchase program

- 1) Cancel shares in order to increase the return on equity and earnings per share.
- 2) Meet obligations related to stock option grants or other allocations of shares to employees or corporate officers of Dassault Systèmes SE or of an affiliated company.
- 3) Provide shares upon exercise of rights attached to equities giving right to shares of Dassault Systèmes SE.
- 4) Stimulate the market or provide liquidity for the Company's shares through the intermediary of an investment services provider by means of a liquidity contract complying with the decision no. 2018-01 of July 2, 2018 taken by the Financial Markets Authority (AMF).
- 5) Carry out any market practice which may be authorized by the law or by the Financial Markets Authority (AMF).

The purposes 1 to 3 above comply with the terms of paragraph 2, Article 5 of the European Regulation no. 596/2014 dated April 16, 2014, and the purpose 4 complies with the decision no. 2018-01 of July 2, 2018 taken by the Financial Markets Authority (AMF).

The General Meeting of May 23, 2019 will also be asked to authorize the Board of Directors to cancel, as the case may be, all or part of the shares which it may repurchase in connection with the share buyback program and to carry out the corresponding reduction in share capital.

Maximum amount allocated to the stock buyback program, maximum number and characteristics of the securities that the Company proposes to acquire and maximum purchase price

The Board of Directors may repurchase Dassault Systèmes shares representing up to 10,000,000 shares. The purchase price of the shares would be capped at €180 per share and subject to the limits stipulated by the applicable regulations. The maximum amount of the funds used for the purpose of buying back shares would be €600 million.

Duration of the stock buyback program

The program would last about 12 months, starting on the General Meeting of May 23, 2019. This authorization should be valid until the Ordinary General Meeting approving the financial statements for the financial year ending December 31, 2019.

6.3 Information about the Shareholders

6.3.1 Shareholder Base and Double Voting Rights

The table below sets forth certain information concerning Dassault Systèmes SE's shareholder base over the last three fiscal years. Pursuant to the Financial Markets Authority (AMF) recommendation no. 2009-16, it specifies:

- the theoretical or "gross" voting rights, taking into account the voting rights attached to the shares without voting rights, in accordance with Article 223-11 of the General Regulations of the Financial Markets Authority (AMF) and used as a denominator by shareholders to calculate their percentage of shares held and voting rights for the purposes of regulatory declarations (in particular the declarations with regards to exceeding the threshold); and
- the voting rights that can be exercised at the General Meeting or "nets", not taking into account shares without voting rights.

Double voting rights are attributed to all fully paid-up shares held in registered form for at least two consecutive years in the name of the same holder.

The major shareholders of Dassault Systèmes SE do not hold voting rights which are different from voting rights of other shareholders (such as double voting rights).

Shareholders	Shares	% of capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable in the General Meeting	% of voting rights exercisable in the General Meeting
AS OF 31 DECEMBER 2018						
Groupe Industriel Marcel Dassault	106,929,968	40.70%	212,887,614	54.44%	212,887,614	55.02%
Charles Edelstenne ⁽¹⁾	15,794,585	6.01%	31,475,119	8.05%	31,475,119	8.14%
Bernard Charlès	3,840,441	1.46% ⁽⁵⁾	6,730,882	1.72% ⁽⁵⁾	6,730,882	1.74% ⁽⁵⁾
Treasury stock ⁽²⁾	3,620,758 ⁽²⁾	1.38%	3,620,758	0.93%	–	–
Indirect treasury stock ⁽³⁾	503,614	0.19%	503,614	0.13%	–	–
Directors and senior management ⁽⁴⁾	1,617,539	0.62%	2,301,056	0.59%	2,301,056	0.59%
Public	130,426,036	49.64%	133,510,919	34.14%	133,510,919	34.51%
TOTAL	262,732,941	100%	391,029,962	100%	386,905,590	100%
AS OF 31 DECEMBER 2017						
Groupe Industriel Marcel Dassault	106,640,329	40.87%	212,356,975	54.61%	212,356,975	55.30%
Charles Edelstenne ⁽¹⁾	15,739,094	6.03%	31,357,600	8.06%	31,357,600	8.17%
Bernard Charlès	3,290,441	1.26% ⁽⁵⁾	6,180,882	1.59% ⁽⁵⁾	6,180,882	1.61% ⁽⁵⁾
Treasury stock ⁽²⁾	4,398,613 ⁽²⁾	1.69%	4,398,613	1.13%	–	–
Indirect treasury stock ⁽³⁾	503,614	0.19%	503,614	0.13%	–	–
Directors and senior management ⁽⁴⁾	1,350,188	0.52%	2,004,115	0.52%	2,004,115	0.52%
Public	129,010,252	49.44%	132,089,585	33.97%	132,089,585	34.40%
TOTAL	260,932,531	100%	388,891,384	100%	383,987,157	100%
AS OF DECEMBER 31, 2016						
Groupe Industriel Marcel Dassault	105,957,646	41.07%	211,344,292	54.95%	211,344,292	55.58%
Charles Edelstenne ⁽¹⁾	15,680,534	6.08%	31,243,478	8.12%	31,243,478	8.21%
Bernard Charlès	2,890,441	1.12% ⁽⁵⁾	5,642,265	1.47% ⁽⁵⁾	5,642,265	1.48% ⁽⁵⁾
Treasury stock ⁽²⁾	3,852,903 ⁽²⁾	1.49%	3,852,903	1.00%	–	–
Indirect treasury stock ⁽³⁾	503,614	0.20%	503,614	0.13%	–	–
Directors and senior management ⁽⁴⁾	942,166	0.37%	1,214,470	0.32%	1,214,470	0.32%
Public	128,169,299	49.67%	130,838,680	34.01%	130,838,680	34.41%
TOTAL	257,996,603	100%	384,639,702	100%	380,283,185	100%

(1) Including shares held in trust for the benefit of his family and managed by Mr. Edelstenne.

At December 31, 2018, Mr. Edelstenne held 4,175,158 shares with all ownership rights and 3,382 shares through two family companies which he manages, representing a total of 1.59% of the capital and 2.14% of the exercisable voting rights, as well as 11,616,045 shares with "usage" rights (usufruit). For the usage rights with respect to these 11,616,045 shares, representing 6.03% of the exercisable voting rights, Mr. Edelstenne can only exercise the right to vote on decisions of the General Meeting concerning the allocation of profits; the holders of the bare property rights (nue-propriété) exercise the right to vote for other resolutions in compliance with Article 11 of the by-laws.

For details related to Mr. Edelstenne's shareholding as of December 31, 2017 and December 31, 2016, see paragraph 6.3.1. of Annual Reports for 2017 and 2016 respectively.

(2) Including 140,423 shares through the liquidity agreement as of December 31, 2018. As of December 31, 2017, such number was 131,026 shares.

(3) Shares held by SW Securities LLC. This company is a subsidiary of Dassault Systèmes SE, Dassault Systèmes' shares held by it do not have voting rights.

(4) Excluding Mr. Edelstenne and Mr. Charlès, "management" includes the officers listed in paragraph 5.1.2 "The Executive Committee".

(5) For further information, see Table 5 of paragraph 5.1.4.1 "Compensation of the Company's Corporate Officers (mandataires sociaux)".

The overall number of voting rights amounted to 391,029,962 as at December 31, 2018 (the number of exercisable voting rights was 386,905,590) and, as at February 28, 2019, 391,199,489 (with the number of exercisable voting rights amounting to 387,136,540). The difference between the number of theoretical and exercisable voting rights is explained by the treasury stock and shares controlled by the Company.

MFS Investment management (MFS) notified Dassault Systèmes SE that as of September 17, 2015 the funds managed by companies within its group held more than 2.5% of the share capital of Dassault Systèmes SE.

Based on shareholders' obligations to declare if they exceed the threshold, there are no other shareholders (except as indicated above) who held 2.5% (threshold set forth in the Company's by-laws), directly or indirectly, alone or in agreement with other shareholders or more than 5% of the Company's share capital or voting rights at December 31, 2018.

Although Dassault Systèmes SE voluntarily delisted its shares from NASDAQ in October 2008, it continues to maintain its ADR ("American Depositary Receipts") program, which are still traded on the over-the-counter market (see paragraph 6.4 "Stock Market Information"). On February 28, 2019, there were 5,321,134 American Depositary Shares ("ADS") outstanding and the number of recorded ADS holders, holding them either for themselves or for third parties amounted to 49.

In January 2019, Dassault Systèmes SE commissioned a survey on the Company's shares from an external specialized services provider. According to this survey, institutional investors holding more than 2,000 shares each numbered 501 and held 41.8% of the Dassault Systèmes SE share capital as at December 31, 2018.

As at February 28, 2019, Dassault Systèmes SE held 79,000 shares within the framework of the liquidity agreement entered into with Oddo et Cie, and 3,480,335 treasury shares. Out of these 3,480,335 treasury shares, 1,716,950 shares have been bought during the buyback program adopted by the General Meeting of May 22, 2018 and the remaining, i.e. 1,763,385 shares within the framework of a program of earlier buybacks. These 3,480,335 shares represent approximately 1.32% of the share capital as at February 28, 2019, with no voting rights or dividend rights being attached to these shares.

At December 31, 2018, 136,810,796 Dassault Systèmes shares (i.e. approximately 52.07% of the capital) are held in registered form; they provide entitlement to 261,125,993 exercisable voting rights (i.e. approximately 66.78% of the gross voting rights).

In accordance with Article L. 225-102 of the French Commercial Code, the number of Dassault Systèmes shares held by employees through the corporate savings plan (*plan d'épargne entreprise*) was 560,125 shares at December 31, 2018, or approximately 0.21% of the total number of shares at that date (i.e. 262,732,941 outstanding shares).

6.3.2 Controlling Shareholder

GIMD (*Groupe Industriel Marcel Dassault*) is the principal shareholder of Dassault Systèmes SE with, as of December 31, 2018, 40.70% of the share capital and 55.02% of the exercisable voting rights (i.e. 54.44% of theoretical voting rights). With more than 50% of the voting rights of Dassault Systèmes SE, GIMD controls Dassault Systèmes. GIMD is wholly-owned by the members of the Dassault family.

The Board of Directors of Dassault Systèmes SE is made up of 58% of independent directors and from May 23, 2019, will be made up of 50% of independent directors⁽³⁾, i.e. a proportion exceeding the requirement stipulated in the AFEP-MEDEF Code for controlled companies., All the committees under the Board (Audit Committee, Compensation and Nomination

Committee, Scientific Committee) are only made up of independent directors, as a guarantee of a balanced exercise of control by GIMD as prescribed by the AMF General Regulation.

As GIMD possesses more than one third but less than half of the shares and more than half of the voting rights in the Company, GIMD may not increase its stake by more than 1% of the total number of shares of the Company in a period of 12 consecutive months, unless it launches a public tender offer on all the equity securities issued by Dassault Systèmes, except for an exemption from the obligation to make an offer based on Article 234-9 (6°) of the Financial Markets Authority (AMF) General Regulation, which the latter can grant at its discretion.

(3) The director who represents employees is not taken into account for the calculation of the number of independent directors, in compliance with the recommendations of the AFEP-MEDEF Code.

6.3.3 Shareholder Agreements

In 2011, 2013, 2014, 2015, 2017 and 2018, Dassault Systèmes was informed about collective undertakings concluded concerning the holding of shares whose characteristics are summarized in the tables hereafter in accordance with Financial Markets Authority (AMF) recommendation no. 2009-16.

Collective undertakings concluded in 2018

System	Article 787 B of the French Tax Code
Date of signing	April 24, 2018
Duration of collective undertakings	At least two years
Contractual duration of the agreement	Undetermined with cases of termination
Conditions for renewal	No specific conditions stipulated
Capital and voting rights % concerned by the agreement (at the date of its execution)	24.30% of the share capital and 32.58% of the voting rights
Names of the signatories having the capacity of executives ⁽¹⁾	Mr. Charles Edelstenne Mr. Bernard Charlès
Name(s) of the signatorie(s) having close links with executives	Groupe Industriel Marcel Dassault
Names of the signatories holding at least 5% of the capital and/or voting rights of Dassault Systèmes SE	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾

(1) Pursuant to Article 885 O bis of the French Tax Code, now article 975 III, 1, 1° of the French Tax Code.

(2) See Note 1 under the table of paragraph 6.3.1 "Shareholder Base and Double Voting Rights".

Collective undertakings concluded in 2017

System	Article 787 B of the French Tax Code
Date of signing	March 30, 2017
Duration of collective undertakings	At least two years
Contractual duration of the agreement	Undetermined with cases of termination
Conditions for renewal	No specific conditions stipulated
Capital and voting rights % concerned by the agreement (at the date of its execution)	24.52% of the share capital and 32.91% of the voting rights
Names of the signatories having the capacity of executives ⁽¹⁾	Mr. Charles Edelstenne Mr. Bernard Charlès
Name(s) of the signatorie(s) having close links with executives	Groupe Industriel Marcel Dassault
Names of the signatories holding at least 5% of the capital and/or voting rights of Dassault Systèmes SE	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾

(1) Pursuant to Article 885 O bis of the French Tax Code.

(2) See Note 1 under the table of paragraph 6.3.1 "Shareholder Base and Double Voting Rights".

Collective undertakings concluded in 2015

System	Article 787 B of the French Tax Code	Article 787 B of the French Tax Code
Date of signing	December 17, 2015	December 17, 2015
Duration of collective undertakings	At least two years	At least two years
Contractual duration of the agreement	Undetermined with cases of termination	Undetermined with cases of termination
Conditions for renewal	No specific conditions stipulated	No specific conditions stipulated
Capital and voting rights % concerned by the agreement (at the date of its execution)	24.85% of the share capital and 33.33% of the voting rights	24.66% of the share capital and 33.20% of the voting rights
Names of the signatories having the capacity of executives ⁽¹⁾	Mr. Charles Edelstenne Mr. Bernard Charlès	Mr. Charles Edelstenne Mr. Bernard Charlès
Name(s) of the signatorie(s) having close links with executives	Groupe Industriel Marcel Dassault	Groupe Industriel Marcel Dassault
Names of the signatories holding at least 5% of the capital and/or voting rights of Dassault Systèmes SE	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾

(1) Pursuant to Article 885 0 bis of the French Tax Code.

(2) See Note 1 under the table of paragraph 6.3.1 "Shareholder Base and Double Voting Rights".

Collective undertakings concluded in 2014

System	Article 787 B of the French Tax Code	Article 787 B of the French Tax Code
Date of signing	February 27, 2014	December 16 and 17, 2014
Duration of collective undertakings	At least two years	At least two years
Contractual duration of the agreement	Undetermined with cases of termination	Undetermined with cases of termination
Conditions for renewal	No specific conditions stipulated	No specific conditions stipulated
Capital and voting rights % concerned by the agreement (at the date of its execution)	25.0% of the share capital and 33.8% of the voting rights	24.7% of the share capital and 33.4% of the voting rights
Names of the signatories having the capacity of executives ⁽¹⁾	Mr. Charles Edelstenne Mr. Bernard Charlès	Mr. Charles Edelstenne Mr. Bernard Charlès
Name(s) of the signatorie(s) having close links with executives	Groupe Industriel Marcel Dassault	Groupe Industriel Marcel Dassault
Names of the signatories holding at least 5% of the capital and/or voting rights of Dassault Systèmes SE	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾

(1) Pursuant to Article 885 0 bis of the French Tax Code.

(2) See Note 1 under the table of paragraph 6.3.1 "Shareholder Base and Double Voting Rights".

Collective undertakings concluded in 2011 still in force**Collective undertaking concluded in 2013**

System	Article 787 B of the French Tax Code	Article 787 B of the French Tax Code
Date of signing	July 11, 2011	October 29, 2013
Duration of collective undertakings	At least two years	At least two years
Contractual duration of the agreement	Undetermined with cases of termination	Undetermined with cases of termination
Conditions for renewal	No specific conditions stipulated	No specific conditions stipulated
Capital and voting rights % concerned by the agreement (at its date of execution)	29.6% of the share capital and 41.8% of the voting rights	28.2% of the share capital and 41.7% of the voting rights
Names of the signatories having the capacity of executives ⁽¹⁾	Mr. Charles Edelstenne Mr. Bernard Charlès	Mr. Charles Edelstenne Mr. Bernard Charlès
Name(s) of the signatorie(s) having close links with executives	Groupe Industriel Marcel Dassault	Groupe Industriel Marcel Dassault
Names of the signatories holding at least 5% of the capital and/or voting rights of Dassault Systèmes SE	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾	Groupe Industriel Marcel Dassault Mr. Charles Edelstenne and beneficiaries ⁽²⁾

(1) Pursuant to Article 885 0 bis of the French Tax Code.

(2) See Note 1 under the table of paragraph 6.3.1 "Shareholder Base and Double Voting Rights".

The same shares can be subject to several joint lock-up agreements.

6.4 Stock Market Information

Stock Exchange

Shares of Dassault Systèmes have been listed on Compartment A of Euronext Paris (ISIN code FR0000130650) since June 28, 1996. Its shares were also listed on the NASDAQ in the form of ADS (American Depositary Shares) under the symbol DASTY until October 16, 2008. The ADS are still traded under this symbol on the U.S. over-the-counter market.

One ADS represents one ordinary share (see paragraph 6.3.1 "Shareholding and Double Voting Rights").

For dividend policy, see the paragraph 7.1 "Presentation of the Resolutions Proposed by the Board of Directors to the General Meeting on May 23, 2019".

Share price history and trading volumes of Dassault Systèmes shares from January 1, 2018

<i>(in euros except for Volume of shares traded)</i>	Volume of shares traded	Share price on last day of the month	Highest share price during the month	Lowest share price during the month
January 2018	6,006,684	€92.88	€94.50	€88.30
February 2018	8,703,879	€106.25	€106.25	€95.00
March 2018	6,658,650	€110.40	€111.70	€102.50
April 2018	6,069,722	€107.25	€111.45	€104.60
May 2018	6,670,185	€120.15	€120.15	€107.75
June 2018	7,030,692	€120.00	€125.65	€119.00
July 2018	6,349,903	€127.80	€130.80	€118.80
August 2018	5,059,233	€139.60	€139.60	€126.60
September 2018	9,397,466	€128.75	€139.90	€126.40
October 2018	11,466,481	€110.85	€129.45	€106.10
November 2018	10,568,072	€111.65	€111.80	€101.40
December 2018	6,946,295	€103.70	€111.10	€99.70
January 2019	7,828,788	€109.55	€111.70	€96.28
February 2019	6,420,251	€128.65	€129.20	€109.70

Person Responsible for Financial Communications

François-José Bordonado

Vice-President, Investor Relations

To obtain all financial information and documents published by the Company, please contact:

Investor Relations Service

10, rue Marcel Dassault – CS 40501

78946 Vélizy-Villacoublay Cedex – France

Telephone: +33 (0)1 61 62 69 24

e-mail: investors@3ds.com

Indicative Timetable for the Publication of Financial Information for 2019

- First quarter of 2019: April 24, 2019
- Second quarter of 2019: July 24, 2019
- Third quarter of 2019: October 24, 2019
- Fourth quarter of 2019: February 5, 2020

7

GENERAL MEETING

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7.1 Presentation of the resolutions proposed by the Board of Directors to the General Meeting of May 23, 2019

7.1.1 Annual financial statements and allocation of the results

We invite you to approve the annual financial statements of Dassault Systèmes SE (or the "Company" for the purposes of the present Chapter 7 "General Meeting") for the year ended December 31, 2018, prepared on the basis of French accounting principles, as they have been presented in paragraph 4.2 "Parent company financial statements".

Dassault Systèmes SE has paid dividends every year since 1986. The decision to distribute dividends and their amount depends on the profits and the financial position of Dassault Systèmes SE as well as other factors. Dividends, which have been distributed but are not collected by a shareholder, revert to the French State at the end of the five-year period following the date of their payment.

Based on the financial statements and the management report of the Board of Directors included in this Annual Report (*Document de référence*), a profit of €331,252,669.66⁽¹⁾ has been realized for the year ended December 31, 2018, which we propose that you allocate as follows:

• to the legal reserve	€75,164.90
• to a Special Reserve Account ⁽²⁾	€34,000.00
• for distribution to the 262,927,968 shares forming the capital as of 02/28/2019 of a dividend of (€0.65 x 262,927,968 shares) ⁽³⁾	€170,903,179.20
• to retained earnings	€160,240,325.56
which, increased by the retained earnings from previous years of €2,207,342,151.44, brings the amount of retained earnings to	€2,367,582,477.00

(1) After allocation to the legal reserve and the Special Reserve Account, this profit increased by the retained earnings from previous years of €2,207,342,151.44 results in a distributable profit of €2,538,485,656.20.

(2) In compliance with Article 238 bis AB, paragraph 5, of the French General Tax Code.

(3) The aggregate amount of the dividend will be increased, based on the number of new shares created between March 1, 2019 and the date of the General Meeting of May 23, 2019, consecutively to the exercise of share subscription options, it being specified that the maximum number of shares which could be issued upon the exercise of subscription options is 3,080,934, i.e. a maximum amount of a supplementary dividend of €2,002,607.10.

Further new shares created by exercise of options until the date of the Annual General Meeting deciding on the allocation of profit related to the preceding year will receive the dividend distributed with respect to that year (see paragraphs 5.1.4.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE" and 6.4 "Stock Market Information").

Therefore, we propose that the General Meeting of May 23, 2019 approves for the year 2018 the distribution of (i) a dividend of €0.65 per share comprising the capital as of the date of this General Meeting, resulting – on the basis of the number of shares comprising the share capital as of February 28, 2019 – in an aggregate amount of €170,903,179.20 and (ii) where applicable, an additional aggregate maximum amount of €2,002,607.10, which corresponds to the maximum number of new shares which could be issued between March 1, 2019 and the date of the General Meeting (i.e. 3,080,934 shares).

Shares will be traded ex-dividend as of May 29, 2019, and dividends made payable on May 31, 2019.

On the date of payment, the amount of the dividend corresponding to (i) the treasury shares of Dassault Systèmes and (ii) Dassault Systèmes shares held by SW Securities LLC, a company which is controlled by the Dassault Systèmes Group, will be allocated to "retained earnings", in accordance with the provisions of Article L. 225-210 of the French Commercial Code and the contractual provisions in force between SW Securities LLC and Dassault Systèmes.

In addition, prior to distribution of the dividend, the Board of Directors, or if so delegated, the Chief Executive Officer, will determine the number of additional shares issued as a result of the exercise of share subscription options between March 1 and the date of the General Meeting on May 23, 2019. The amount required for payment of dividends for shares issued during this period will be taken from "retained earnings".

The amount thus distributed to shareholders will, as the case may be upon exercise of an individual option of the shareholders, either be subject to the flat tax of 12.8%, or

be taken into account for determining shareholders' total revenue subject to the progressive rate of income tax for the year during which it was received (article 200A of the French Tax Code) after application of an uncapped deduction of 40% (as provided by Article 158-3-2 of the French Tax Code). The

dividend may be subject to a non-discharging income tax withholding at a rate of 12.8% (as provided by Article 117 *quater* of the French Tax Code).

Pursuant to Article 243 bis of the French Tax Code, it is noted that dividends per share paid over the last three years have been as follows:

	2017	2016	2015
Dividend (in euros)	0.58	0.53	0.47
Number of shares eligible for dividends	259,243,696	258,532,488	257,154,032

7.1.2 Consolidated financial statements

In addition to the 2018 parent company annual financial statements, it is also proposed to approve the Dassault Systèmes consolidated financial statements for the year ended December 31, 2018, prepared in accordance with IFRS standards as described in paragraph 4.1.1 "Consolidated Financial Statements" of this Annual Report.

7.1.3 Related-party agreements (*conventions réglementées*)

The following agreements, which were approved in accordance with Articles L. 225-38 *et seq.* of the French Commercial Code, were in effect during the year ended December 31, 2018:

- the following undertakings made by the Company in connection with its "Directors and corporate officers liability insurance policy":
 - to reimburse the cost of legal defense of directors in the event of their personal liability being sought, and indemnify the directors for the financial implications of such liability payment of the costs in relation with legal defense related thereto, to the extent they would not be covered by that insurance policy (approved by the Board of Directors' meeting held on July 24, 1996),
 - to assume, under certain conditions, the cost of legal defense of directors of Dassault Systèmes SE should they have to prepare their personal defense before a civil, criminal or administrative court in the United States in connection with an inquiry or investigation conducted against Dassault Systèmes (approved by the Board of Directors' meeting held on September 23, 2003);
- the agreement regarding Dassault Systèmes SE's undertakings to the benefit of Bernard Charlès, relating to indemnities which would be due upon the termination of his functions as Chief Executive Officer (approved by the Board of Directors' meeting held on May 27, 2010). In connection with the renewal of Mr. Bernard Charlès' term as Chief Executive Officer, the Board of Directors, at its meeting on March 15, 2018, authorized, in accordance

with the proposal of the Compensation and Nomination Committee and pursuant to Article L. 225-42-1 of the French Commercial Code, the renewal of the agreement regarding the Company's undertakings to Mr. Bernard Charlès, relating to indemnities which would be due upon the termination of his functions as Chief Executive Officer, under the terms adopted by the Board of Directors at its meeting on May 27, 2010. The amount of the indemnity due would be equivalent to a maximum of two years of compensation as Chief Executive Officer and would depend on satisfying the performance conditions established for calculating his variable compensation. In accordance with Article L. 225-42-1 of the French Commercial Code, this agreement has been submitted to the approval of the General Shareholders' Meeting of May 22, 2018 (see paragraph 5.1.3.3 "Indemnities Due in the Event of the Forced Departure of Bernard Charlès" and Table 11 of paragraph 5.1.4.1 "Compensation of the Corporate Officers" – *Mandataires sociaux*).

These agreements were reviewed by the Board of Directors at its meeting on March 20, 2019, in accordance with the provisions of Article L. 225-40-1 of the French Commercial Code.

The Statutory Auditors have prepared a special report pursuant to Articles L. 225-40 and L. 225-40-1 of the French Commercial Code, as set forth in paragraph 4.2.4 "Special report of the Statutory Auditors on Related-party Agreements and Commitments". The General Meeting is requested to acknowledge this report which refers to no new agreements.

7.1.4 Compensation elements due or granted with respect to 2018 to Mr. Charles Edelstenne, Chairman of the Board, and to Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer

Pursuant to the provisions of Article L. 225-100 of the French Commercial Code, it is proposed to the General Meeting to approve the compensation due or granted with respect to 2018 to Mr. Charles Edelstenne, Chairman of the Board of Directors, and Mr. Bernard Charlès, Vice-Chairman of the Board of Directors and Chief Executive Officer, whose compensation elements are summarized in the tables below (See also paragraph 5.1 "Board's Corporate Governance Report").

The payment of the Chief Executive Officer's variable compensation is subject to the General Meeting's approval of his compensation elements. Since the Chairman of the Board does not receive any variable or extraordinary compensation, this condition does not apply to him.

7.1.4.1 Compensation elements due or granted with respect to 2018 to Mr. Charles Edelstenne, Chairman of the Board⁽¹⁾

Compensation elements	Amount (in euros)	Observations
Fixed compensation⁽²⁾	982,000	Fixed gross compensation with respect to 2018 set by the Board of Directors on March 15, 2018, upon the proposal of the Compensation and Nomination Committee.
Annual variable compensation	N/A	Mr. Charles Edelstenne receives no annual variable compensation.
Deferred annual variable compensation	N/A	Mr. Charles Edelstenne receives no deferred annual variable compensation.
Multi-year variable compensation	N/A	Mr. Charles Edelstenne receives no multi-year variable compensation.
Directors' fees⁽³⁾	45,100	Gross amount of directors' fees due for 2018.
Extraordinary compensation	N/A	Mr. Charles Edelstenne receives no extraordinary variable compensation.
Granting of share subscription options and/or performance shares	N/A	Mr. Charles Edelstenne does not hold any share subscription options and was not granted any performance shares.
Indemnity upon start or termination of function	N/A	Mr. Charles Edelstenne receives no indemnity upon start or termination of function.
Non-compete indemnity	N/A	Mr. Charles Edelstenne receives no non-compete indemnity.
Additional retirement plan	N/A	No additional retirement plan was implemented by Dassault Systèmes SE.
Benefits in kind⁽⁴⁾	N/A	Mr. Charles Edelstenne receives no benefits in kind.

(1) All compensation paid by the Company to Mr. Charles Edelstenne is paid by Dassault Systèmes SE, company incorporated under the laws of France.

(2) See also paragraph 5.1.3.1 "Fixed, variable and exceptional compensation and benefits in kind". In 2018, GIMD paid Mr. Charles Edelstenne, first as GIMD's Chief Executive Officer until May 28, 2018, and then as GIMD's Chairman from May 29, 2018, a gross compensation of €804,828.

(3) In 2018, GIMD paid Mr. Charles Edelstenne €27,286 in directors' fees for his mandate as a member of the Supervisory Board of GIMD. See also paragraph 5.1.3.4 "Directors' Fees" on the conditions for distributing the directors' fees at Dassault Systèmes SE.

(4) In 2018, GIMD granted benefits in kind related to the use of a car in an amount of €10,440 to Mr. Charles Edelstenne.

7.1.4.2 Compensation elements due or granted with respect to 2018 to Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer⁽¹⁾

Compensation elements	Amount (in euros)	Observations
Fixed compensation	1,390,000	Fixed gross compensation with respect to 2018 set by the Board of Directors on March 15, 2018 ⁽²⁾ .
Annual variable compensation	1,506,760	Variable gross compensation with respect to 2018 actually earned and decided by the Board of Directors of March 20, 2019 ⁽²⁾ .
Deferred annual variable compensation	N/A	Mr. Bernard Charlès receives no deferred annual variable compensation.
Multi-year variable compensation	N/A	Mr. Bernard Charlès receives no multi-year annual variable compensation.
Directors' fees⁽³⁾	28,600	Gross amount of directors' fees due for 2018.
Extraordinary compensation	N/A	Mr. Bernard Charlès receives no extraordinary compensation.
Granting of 2018 share subscription options and/or performance shares	19,950,608 ⁽⁴⁾	Mr. Bernard Charlès was granted 300,000 2018-B shares by the Board of Directors on May 22, 2018 ⁽⁵⁾⁽⁶⁾ .
Granting by anticipation of 2019 share subscription options and/or performance shares	21,734,506 ⁽⁴⁾	Mr. Bernard Charlès was granted by anticipation 300,000 2019-B shares by the Board of Directors of September 25, 2018 ⁽⁵⁾⁽⁶⁾⁽⁷⁾ . In 2019, neither subscription options nor performance share will be granted to Mr. Bernard Charlès.
Indemnity upon start or termination of function	N/A	Mr. Bernard Charlès receives under certain conditions an indemnity upon the termination of his functions, the amount of which would not exceed two years of the Chief Executive Officer's compensation and would depend on the satisfaction of the performance conditions for calculating his variable compensation. In accordance with Articles L. 225-40-1 and L. 225-42-1 of the French Commercial Code, this commitment on the part of Dassault Systèmes SE was authorized by the Board of Directors on March 15, 2018 and approved by the General Meeting on May 22, 2018 (6 th resolution) ⁽⁸⁾ .
Non-compete indemnity	N/A	Mr. Bernard Charlès receives no non-compete indemnity.
Additional retirement plan	N/A	No additional retirement plan was implemented.
Benefits in kind	19,366	These benefits in kind are linked to the use of a vehicle made available to Bernard Charlès by Dassault Systèmes SE.

(1) All compensation paid by the Company to Mr. Bernard Charlès is paid by Dassault Systèmes SE, company incorporated under the laws of France.

(2) See also paragraphs 5.1.3.1 "Fixed, variable and exceptional compensation and benefits in kind" and 5.1.4.1 Table 2 "Summary of the compensation of each Executive Officer".

(3) See also paragraph 5.1.3.4 "Directors' Fees" on the conditions for distributing the directors' fees at Dassault Systèmes SE.

(4) Value based on the method chosen for the consolidated financial statements before the spreading of the expense and taking into account the performance criteria.

(5) Such shares are granted to Mr. Bernard Charlès, Chief Executive Officer, as part of the gradual process of associating him with the Company's capital that began several years ago, with the aim of recognizing his entrepreneurial role during more than 30 years with the Group and providing him with an equity interest comparable to that of founders of companies in the same sector, and more generally, of his peers in technology companies around the world.

(6) See also paragraph 5.1.3.2 "Performance Shares and Share Subscription Options".

(7) As mentioned in paragraph 5.1.3.2 of the 2017 Annual Report, the Board decided to allocate, on September 25, 2018, performance shares (2019 plan) to several managers and employees of the Company (including Mr. Bernard Charlès) in order to benefit from the legal regime of the authorization of the General Meeting of September 4, 2015 which was to expire on November 4, 2018. The Board thus proceeded by anticipation to the allocation considered for 2019 (performance shares are generally granted in May at the end of the General Meeting of Shareholders).

(8) See also paragraph 5.1.3.3 "Indemnities Due in the Event of the Imposed Departure (départ contraint) of Mr. Bernard Charlès".

7.1.5 Policies and criteria used to determine, distribute and allocate the fixed, variable and exceptional components of the total compensation and benefits of all kinds granted to the Chairman of the Board and to the Vice-Chairman of the Board and Chief Executive Officer

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, paragraph 5.1.3 "Principles established by the Board of Directors pertaining to compensation of the Executive Officers and directors" describes the policies and criteria used to determine, distribute and allocate the fixed, variable and exceptional components

of the total compensation and benefits of all kinds granted to the Chairman of the Board and to the Vice-Chairman of the Board and Chief Executive Officer. These policies and criteria are submitted for your approval with separate resolutions for the Chairman and Vice-Chairman of the Board.

7.1.6 Re-appointment of two directors

The terms of office as director of Mrs. Catherine Dassault and Mrs. Toshiko Mori end at the General Meeting of May 23, 2019. You are invited to re-appoint them for a term of four years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31, 2022 (for a presentation of these directors, see paragraph 5.1.1.1 "Composition of the Board of Directors"). If these proposals

meet your approval and since the terms of office of Mr. Jean-Pierre Chahid-Nouraï and Mr. Arnoud de Meyer will expire on May 23, 2019 and will not be renewed, the Board of Directors would be comprised of 11 members, including 5 women and 5 independent directors. These proportions are higher than the legal provisions and recommendations of the AFEP-MEDEF Code⁽¹⁾.

7.1.7 Authorization to repurchase shares of the Company

The authorization to repurchase shares of the Company granted to the Board of Directors at the General Meeting on May 22, 2018 will expire at the General Meeting of May 23, 2019. Within the framework of this authorization, share buybacks were carried out in 2018 and in early 2019 (these transactions are described in paragraph 6.2.4 "Share repurchase programs"). These buybacks were carried out for the purposes of covering the Company's obligations resulting from share grants, of cancellation and of animating the market and providing liquidity of the Dassault Systèmes share through the intermediary of an investment services provider by means of a liquidity agreement concluded between Dassault Systèmes SE and Oddo BHF SCA. This agreement has been automatically renewed for 2019 and is being amended in order to comply with the new requirements provided by the Financial Markets Authority (AMF) decision No 2018-01 of July 2, 2018.

Additional share buybacks may be made until the date of the General Meeting, and will be described in the Annual Report (*Document de référence*) for the year ending on December 31, 2019.

You are invited to reauthorize the Board of Directors to repurchase Dassault Systèmes shares, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, within a limit of 10 million shares, i.e. approximately 3.80% of the share capital as of February 28, 2019, at a maximum purchase price of €180 per share and within the limits set by the applicable regulations. The maximum amount of funds dedicated to repurchase shares of Dassault Systèmes may not exceed €600 million.

Should you approve this proposal, the authorization will be valid until the Annual General Meeting approving the financial statements for the year ending on December 31, 2019.

(1) It is reminded that the proportion of female representation and independent directors does not include the director representing the employees, in accordance with Articles 8.3 of the AFEP-MEDEF Code and L. 225-27-1 of the French Commercial Code respectively.

This authorization to buyback shares may be used for the following purposes:

- 1) cancel shares for the purpose of increasing the profitability of shareholders' equity and earnings per share, subject to adoption by the Extraordinary General Meeting of the resolution permitting shares to be canceled;
- 2) meet obligations related to stock option grants or other allocations of shares to employees or corporate officers of Dassault Systèmes SE or of an affiliated company;
- 3) provide shares upon exercise of rights attached to securities giving right to shares of Dassault Systèmes SE;
- 4) animate the market or provide liquidity for Dassault Systèmes shares through the intermediary of an investment services provider by means of a liquidity contract complying with the Financial Markets Authority (AMF)'s accepted market practice;

- 5) implement any stock-exchange market practice which may be accepted by law or by the Financial Markets Authority (AMF).

The acquisition, sale, transfer or exchange of such shares may be effected at any time, in accordance with the applicable legal provisions and regulations, except during a tender offer period.

The share buyback program is described in paragraph 6.2.4 "Share repurchase programs" of this Annual Report (*Document de référence*), where all relevant information is presented.

In light of the possible cancellation of the repurchased shares, we propose that you also authorize the Board of Directors to cancel, as the case may be, for the same period, all or a portion of the shares which it has repurchased and to reduce in a corresponding amount the share capital, within a limit of 10% of its amount per 24-month period.

7.1.8 Delegations of authority and powers to increase the share capital

The delegations of authority and powers to increase the share capital granted to the Board of Directors by the General Meeting of May 23, 2017 expire in July 2019. It is therefore proposed that the General Meeting renew these authorizations to increase the share capital for a period of 26 months, to enable the Board to chose, at any time, from a large range of securities giving right to the Company's capital or debt securities, with or without the pre-emptive right of shareholders, by way of a public offering or private placement, the most appropriate funding for the Group's development, given the characteristics of the markets at the time in question.

It is also proposed that the General Meeting renew the delegation of authority granted to the Board to increase the share capital by incorporation of reserves, profits or premiums, as well as the delegation of powers to increase capital by remunerating benefits in kind.

The resolutions proposed for this purpose will replace the resolutions adopted by the General Shareholders' Meeting of May 23, 2017. The use of these resolutions is outlined in paragraph 5.1.6.2 "Table summarizing the current delegations

granted by the General Meeting in respect of capital increases". The Board of Directors has not used these resolutions for any other purpose in 2018 nor between the start of 2019 and the date on which this Annual Report was drafted.

If the above resolutions are adopted, the Board will be able to:

- carry out capital increases with or without the pre-emptive right of shareholders (using in particular the power granted by law to use a private placement with, inter alia, portfolio managers or qualified investors) up to a limit of €12 million in par value and, with regards to debt securities giving access to capital, up to a limit of €1 billion in par value. This cap of €12 million also represents the overall cap of the nominal amount of all capital increases likely to be performed under resolutions 13 to 17 as well as the 20th resolution;
- increase the share capital by incorporation of reserves, profits or premiums, up to the same limit of €12 million in par value;
- increase the share capital to remunerate contributions in kind of shares up to a limit of 10% of the share capital.

7.1.9 Financial authorizations for issuances reserved to employees and corporate officers

The authorization granted by the General Meeting to the Board of Directors on May 26, 2016 to grant share subscription and purchase options expires in July 2019⁽¹⁾. It is therefore proposed that the General Meeting reauthorizes the Board of Directors to grant share subscription and purchase options.

This authorization will be granted for a period of 38 months and the maximum number of options that may be granted by the Board of Directors and not yet exercised cannot entitle a subscription right or the right to acquire a number of shares which exceeds 3% of the share capital. Moreover, in accordance with AFEP-MEDEF's Corporate Governance Code for listed companies, and the recommendation from the Compensation and Nomination Committee, it is proposed that the number of options that may be granted to executive officers within the meaning of this Code is limited to 35% of the so authorized overall amount.

All options' allocations would be subject to one or several performance condition(s).

For the executive officers (*dirigeants mandataires sociaux*), the subscription price for the new shares or the purchase price of existing shares by exercising the Options would equal to the share's average listed price on the Euronext Paris market during the 20 trading days preceding the day on which the Options will be granted, without any discount applicable.

The present authorization would cancel, for the unused portion, the previous authorization granted to the Board of Directors.

Furthermore, in accordance with law, it is proposed that the Board of Directors be authorized to increase the share capital reserved for employees of Dassault Systèmes SE and/or its affiliated companies who are members of a corporate savings plan. The maximum nominal amount of the capital increases that may be carried out through the issue of new shares or securities giving access to capital would be €5 million. This new authorization would cancel and replace that granted by the General Meeting on May 22, 2018.

(1) Information relating to the uses by the Board of Directors of the authorization granted in 2016 by the General Meeting, as well as to all of Dassault Systèmes SE's options plans, is included in paragraphs 5.1.6.2. "Table summarizing the current delegations granted by the General Meeting in respect of capital increases" and 5.3.2 "Interests of Executive Management and Employees in the Share Capital of Dassault Systèmes SE".

7.2 Text of the draft resolutions proposed by the Board of Directors to the General Meeting of May 23, 2019

Ordinary General Meeting

I First resolution

Approval of the parent company annual financial statements

The General Meeting, after the reading of the management report of the Board of Directors and the report of the Statutory Auditors, in addition to the explanations made orally, hereby approves the report of the Board and the parent company annual financial statements for the year ended December 31, 2018, as they have been presented.

The General Meeting consequently approves any transactions disclosed in these financial statements or summarized in these reports.

I Second resolution

Approval of the consolidated financial statements

The General Meeting, after the reading of the report of the Board of Directors with respect to management of the Group included in the management report and the report related to the consolidated financial statements of the Statutory Auditors, in addition to the explanations made orally, hereby approves in all respects the report of the Board and the consolidated financial statements for the year ended December 31, 2018, as they have been presented.

The General Meeting consequently approves any transactions disclosed by such consolidated financial statements or summarized in such reports.

I Third resolution

Allocation of the results

The General Meeting, upon the proposal of the Board of Directors, hereby resolves to allocate the profit of the year amounting to €331,252,669.66⁽¹⁾ as follows:

• to the legal reserve	€75,164.90
• to a Special Reserve Account ⁽²⁾	€34,000.00
• for the distribution to the 262,927,968 shares forming the share capital as of 02/28/2019 of a dividend of (€0.65 x 262,927,968 shares) ⁽³⁾	€170,903,179.20
• to retained earnings	€160,240,325.56
which, increased by the retained earnings from the previous years of €2,207,342,151.44 brings the amount of retained earnings to	€2,367,582,477.00

(1) After allocation to the legal reserve and the Special Reserve Account, this profit increased by the retained earnings from previous years of €2,207,342,151.44 results in a distributable profit of €2,538,485,656.20.

(2) In compliance with Article 238 bis AB, paragraph 5, of the French General Tax Code.

(3) The aggregate amount of the dividend will be increased, based on the number of new shares created between March 1, 2019 and the date of the General Meeting of May 23, 2019, consecutively to the exercise of share subscription options, it being specified that the maximum number of shares which could be issued upon the exercise of subscription options is 3,080,934, i.e. a maximum amount of a supplementary dividend of €2,002,607.10.

Shares will be traded ex-dividend as of May 29, 2019 and dividends made payable on May 31, 2019.

On the date of payment, the amount of the dividend corresponding to (i) the treasury shares of Dassault Systèmes SE and (ii) the Dassault Systèmes shares held by SW Securities LLC, a company which is controlled by the Dassault Systèmes Group, will be allocated to "retained earnings", in accordance with the provisions of Article L. 225-210 of the French Commercial Code and the contractual provisions in force between SW Securities LLC and Dassault Systèmes SE.

In addition, prior to distribution of the dividend, the Board of Directors, or if so delegated, the Chief Executive Officer will determine the number of additional shares issued as a result of the exercise of share subscription options between March 1, 2019 and the date of this General Meeting; the amount required for payment of dividends for shares issued during this period will be taken from "retained earnings".

The amount thus distributed to shareholders will, upon exercise of an individual option of the shareholders, either be subject to the flat tax of 12.8%, or be taken into account

for determining shareholders' total revenue subject to the progressive rate of income tax for the year during which it was received (article 200A of the French General Tax Code) after application of an uncapped deduction of 40% (as provided by

Article 158-3-2 of the French General Tax Code). The dividend may be subject to a non-discharging income tax withholding at a rate of 12.8% (as provided by Article 117 *quater* of the French Tax Code).

Pursuant to Article 243 bis of the French Tax Code, it is noted that dividends per share paid over the last three years have been as follows:

	2017	2016	2015
Dividend (<i>in euros</i>)	0.58	0.53	0.47
Number of shares eligible for dividends	259,243,696	258,532,488	257,154,032

I Fourth resolution

Related-party agreements (conventions réglementées)

The General Meeting, having reviewed the special report of the Statutory Auditors on the agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code, acknowledges the report, which does not include any new agreements.

I Fifth resolution

Policies and criteria used to determine, distribute and allocate the fixed, variable and exceptional components of the total compensation and benefits of all kinds granted to the Chairman of the Board

The General Meeting, having reviewed the report established in accordance with Article L. 225-37-2 of the French Commercial Code, approves the policies and criteria used to determine, distribute and allocate the fixed, variable and exceptional components of the total compensation and benefits of all kinds granted to the Chairman of the Board in connection with his mandate, as indicated in the 2018 Annual Report, under Chapter 5 "Corporate Governance", paragraph 5.1.3 "Principles established by the Board of Directors pertaining to compensation of the Executive Officers and directors".

I Sixth resolution

Policies and criteria used to determine, distribute and allocate the fixed, variable and exceptional components of the total compensation and benefits of all kinds granted to the Vice Chairman of the Board and Chief Executive Officer

The General Meeting, having reviewed the report established in accordance with Article L. 225-37-2 of the French Commercial Code, approves the policies and criteria used to determine, distribute and allocate the fixed, variable and exceptional components of the total compensation and benefits of all kinds granted to the Vice-Chairman of the Board and Chief Executive Officer in connection with his mandate, as indicated in the 2018 Annual Report, under Chapter 5 "Corporate

Governance", paragraph 5.1.3 "Principles established by the Board of Directors pertaining to compensation of the Executive Officers and directors".

I Seventh resolution

Compensation elements due or granted with respect to 2018 to Mr. Charles Edelstenne, Chairman of the Board

The General Meeting, having reviewed the report established in accordance with Article L. 225-37-2 of the French Commercial Code, approves the compensation elements due or granted with respect to 2018 to Mr. Charles Edelstenne, Chairman of the Board, as indicated in the 2018 Annual Report (*Document de référence*), under Chapter 5 "Corporate Governance", paragraph 5.1.4.1 "Compensation of the Company's Corporate Officers (*mandataires sociaux*)".

I Eighth resolution

Compensation elements due or granted with respect to 2018 to Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer

The General Meeting, having reviewed the report established in accordance with Article L. 225-37-2 of the French Commercial Code, approves the compensation elements due or granted with respect to 2018 to Mr. Bernard Charlès, Vice-Chairman of the Board and Chief Executive Officer, as indicated in the 2018 Annual Report (*Document de référence*), under Chapter 5 "Corporate Governance", paragraph 5.1.4.1 "Compensation of the Company's Corporate Officers (*mandataires sociaux*)".

I Ninth resolution

Re-appointment of Mrs. Catherine Dassault

The General Meeting notes that Mrs. Catherine Dassault's term as director expires at this General Meeting and re-appoints her for a four-year period. This term of office will expire at the General Meeting approving the financial statements for the year ending December 31, 2022.

I Tenth resolution

Re-appointment of Mrs. Toshiko Mori

The General Meeting notes that Mrs. Toshiko Mori's term as director expires at this General Meeting and re-appoints her for a four-year period. This term of office will expire at the General Meeting approving the financial statements for the year ending December 31, 2022.

I Eleventh resolution

Authorization to repurchase Dassault Systèmes's shares

The General Meeting, having reviewed the report of the Board of Directors, authorizes the Board of Directors to purchase a maximum of 10,000,000 Dassault Systèmes shares, in accordance with the terms and conditions stipulated in Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 *et seq.* of the Financial Markets Authority (AMF) General Regulation, Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse ("MAR Regulation"), and Commission Delegated Regulation (EU) No 2016/1052 of March 8, 2016 supplementing Regulation (EU) no. 596/2014.

This authorization may be used by the Board of Directors for the following purposes:

1. cancel shares for the purpose of increasing the profitability of shareholders' equity and earnings per share, subject to adoption by the Extraordinary General Meeting of the resolution permitting shares to be canceled;
2. meet obligations related to stock option grants or other allocations of shares to employees or corporate officers of Dassault Systèmes or of an affiliated company;
3. provide shares upon exercise of rights attached to securities giving right to shares of Dassault Systèmes;
4. animate the market or provide liquidity for Dassault Systèmes shares through the intermediary of an investment services provider by means of a liquidity contract complying the Financial Markets Authority (AMF)'s accepted market practice;
5. implement any stock-exchange market practice which may be accepted by law or by the Financial Markets Authority (AMF).

The acquisition, sale, transfer or exchange of such shares may be effected by any means allowed on the market (whether or not the market is regulated), multilateral trade facilities (MTF) or through a systematic internalizer or over the counter, in particular acquisition of blocks.

The acquisition, sale, transfer or exchange of such shares may be completed at any time in accordance with the applicable legal provisions and regulations except during a tender offer period.

The maximum amount of funds dedicated to the repurchase of Company shares may not exceed €600 million, this condition being cumulative with the cap of 10,000,000 Dassault Systèmes shares.

Dassault Systèmes may not purchase shares at a price per share which exceeds €180 (excluding acquisition costs), and in any case the price per share may not exceed the maximum price provided by the applicable legal rules, subject to adjustments in connection with transactions on its share capital, in particular by capitalization of reserves and free allocation of shares and/or regrouping or split of shares.

This authorization can be used by the Board of Directors for all the treasury shares held by Dassault Systèmes.

This authorization will be valid commencing on the date of this General Meeting until the annual Ordinary General Meeting approving the financial statements for the year ending December 31, 2019. The General Meeting hereby grants any and all powers to the Board of Directors with option of delegation when legally authorized, to place any stock orders or orders outside the market, enter into any agreements, prepare any documents including information documents, determine terms and conditions of Company transactions on the market, as well as terms and conditions for purchase and sale of shares, file any declarations, including those required by the Financial Markets Authority (AMF), accomplish any formalities, and more generally, carry out any necessary measures to complete such transactions.

The General Meeting also grants any and all powers to the Board of Directors, in case that the law or the Financial Markets Authority (AMF) appear to extend or to complete the authorized objectives concerning the share repurchase program, in order to inform the public, pursuant to applicable regulations and laws, about the potential changes of the program concerning the modified objectives.

In accordance with the provisions of Articles L. 225-211 and R. 225-160 of the French Commercial Code, the Company or the intermediary in charge of securities administration for the Company shall keep registers which record purchases and sales of shares pursuant to this program.

This authorization replaces and supersedes the previous share repurchase program authorized by the Combined General Shareholders' Meeting of May 22, 2018, in its fifteenth resolution.

Extraordinary General Meeting

I Twelfth resolution

Authorization granted to the Board of Directors to reduce the share capital by cancellation of previously repurchased shares in the framework of the share repurchase program

The General Meeting, after the reading of the report of the Board of Directors and the special report of the Statutory Auditors, hereby authorizes the Board of Directors, pursuant to the provisions of Article L. 225-209 of the French Commercial Code, to:

- reduce the share capital by cancellation, in one or several transactions, of all or part of the shares repurchased by the Company pursuant to its share repurchase program, up to a limit of 10% of the share capital over periods of twenty-four months;
- deduct the difference between the repurchase value of the cancelled shares and their nominal value from available premiums and reserves.

The General Meeting hereby gives, more generally, any and all powers to the Board of Directors to set the terms and conditions of such share capital reduction(s), record the completion of the share capital reduction(s) made pursuant to the cancellation transactions authorized by this resolution, amend the by-laws of the Company as may be necessary, file any declaration with the Financial Markets Authority (AMF) or other institutions, accomplish any formalities and more generally take any necessary measures for the purposes of completing this transaction.

This authorization is granted to the Board of Directors for a period ending at the end of the General Meeting called to approve the financial statements for the year ending December 31, 2019.

I Thirteenth resolution

Delegation of authority to the Board of Directors to increase the share capital by issuing shares or equity securities giving access to the Company's other equity securities or granting entitlement to the allocation of debt securities and to issue securities giving access to Company equity securities to be issued, with preferential subscription rights for shareholders

The General Meeting, after review of the report of the Board of Directors and the special report of the Statutory Auditors:

- 1) delegates to the Board of Directors, in application of the provisions of Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French Commercial Code, its authority to issue, on one or more occasions, at the time or times and in the proportions that it deems fit, both in France and abroad, ordinary shares and/or equity securities giving access to other equity securities or granting entitlement to the allocation of debt securities and/or any other securities giving access to the Company's equity securities to be issued, it being specified that the Board of Directors may delegate to the Chief Executive Officer, or in agreement with the latter, to one or several Deputy Chief Executive Officers, in accordance with the applicable laws, all powers necessary to decide on any capital increase;
- 2) resolves that any issue of preference shares and securities giving access to preference shares is excluded;
- 3) resolves that the maximum nominal amount of the capital increases that may be performed immediately or in the future under the present authorization cannot exceed €12 million, it being specified that this overall cap is fixed not taking into account the nominal amount of the shares to be issued to preserve the rights of holders of securities or other rights giving access to the Company's share capital, in accordance with the applicable legal and regulatory provisions and, where applicable, the contractual provisions allowing other adjustments;
- 4) also resolves that the nominal amount of the Company's debt securities that may be issued under the present authorization, will be a maximum of €1 billion or the corresponding value of -this amount in foreign currency or in accounting units calculated by reference to several currencies;
- 5) resolves that shareholders can exercise, under the conditions provided by law, their preferential rights to subscribe to shares, equity securities and other securities issued under the present resolution;
- 6) resolves that if the irreducible and, if any, reducible subscriptions have not absorbed the entire share, equity securities or other securities issue, the Board of Directors can offer to the public all or part of the unsubscribed shares;
- 7) notes that this authorization entails that shareholders waive, in favor of holders of securities giving access to the Company's share capital likely to be issued, their preferential subscription rights to the equity securities to which these securities carry entitlement;
- 8) resolves that the amount paid or due to the Company for each of the shares issued under the present authorization must be at least equal to the par value of the shares on the issue date;
- 9) resolves that the Board of Directors can, if it deems it appropriate, make any accounting entries on the issue premium(s) and in particular the expenses, duties and fees incurred as a result of the issues, and, where necessary, deduct from the amount the sums required to bring the legal reserve to one tenth of the new share capital after each issue;

- 10)** resolves that the Board of Directors may not, unless approved by the General Meeting, use this authorization as from the submission of a tender offer on the Company's shares by a third party and until the end of the tender offer period;
- 11)** resolves that the present authorization cancels the authorization of the same kind granted by the Combined General Shareholders' Meeting on May 23, 2017 in its seventeenth resolution.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

I Fourteenth resolution

Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or equity securities giving right to the Company's share capital or granting entitlement to the allocation of debt securities and to issue securities giving right to equity securities to be issued, without the shareholders' preferential subscription rights and by means of a public offering

The General Meeting, after review of the report of the Board of Directors and the special report of the Statutory Auditors:

- 1)** delegates to the Board of Directors, in application of the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 225-148 and L. 228-91 to L. 228-94 of the French Commercial Code, its authority to decide upon, by means of public offering or, where applicable, subject to the approval of a specific resolution for this purpose by the General Meeting, by an offering outlined in II of Article L. 411-2 of the French Monetary and Financial Code, on one or several occasions, at the time or times that it fixes and in the proportions that it deems fit, both in France and abroad:
- a) the issue of shares and/or equity securities giving right to other equity securities or granting entitlement to the allocation of Company debt securities and/or any other securities giving access to Company equity securities to be issued;
 - b) the issue of shares and/or equity securities giving right to other equity securities or granting entitlement to Company debt securities and/or any other securities giving right to Company equity securities to be issued further to the issue by the companies in which the Company owns, directly or indirectly, more than half of the capital, of any equity securities or any securities giving right to Company equity securities to be issued;
 - c) the issue of shares and/or equity securities and/or securities by the Company giving right to equity securities to be issued of a company in which it owns, directly or indirectly, more than half of the share capital;
 - d) the issue by the Company of securities giving right to existing equity securities or granting entitlement to the allocation of debt securities of another company in which the Company does not own, directly or indirectly, more than half of the share capital.
- The Board of Directors can delegate to the Chief Executive Officer or, in agreement with the latter, to one or several Deputy Chief Executive Officers, under the conditions applicable by law, all the powers required to decide upon capital increases.
- The present resolution automatically entails that shareholders waive, for the benefit of holders of securities likely to be issued by subsidiaries, their preferential subscription right to equity securities to which these securities grant entitlement;
- 2)** resolves that the maximum nominal amount of the capital increases that may be performed immediately or in the future under the present authorization cannot exceed €12 million, it being specified that this overall cap is fixed not taking into account the nominal amount of the shares to be issued to preserve the rights of holders of securities or other rights giving access to the Company's share capital, in accordance with the applicable legal and regulatory provisions and, where applicable, the contractual provisions allowing other adjustments;
- 3)** resolves that the nominal amount that may be issued under the present resolution will count towards the overall maximum nominal amount for capital increases of €12 million fixed in the thirteenth resolution of the present Meeting;
- 4)** resolves that any issue of preference shares and securities giving access to preference shares is excluded;
- 5)** resolves that this share capital increase may result from the exercise of an allocation right resulting from any securities issued by any company in which the Company owns, directly or indirectly, more than half of the share capital and with the agreement of the latter;
- 6)** resolves, also, that the nominal amount of the securities representing debt that are likely to be issued under the present delegation, will be a maximum of €1 billion or the corresponding value of this amount in foreign currency or in accounting units fixed by reference to multiple currencies, and will be included in the cap of €1 billion fixed under the thirteenth resolution of the present Meeting;
- 7)** resolves to cancel shareholders' preferential subscription right to shares, equity securities and other securities to be issued, it being understood that the Board of Directors can grant shareholders a priority subscription period for all or part of the issue, during the time and according to the conditions fixed, in accordance with the provisions of Article L. 225-135 of the French Commercial Code, this priority subscription period does not constitute negotiable rights;

- 8) notes that this authorization entails that shareholders waive, in favor of holders of securities giving access to the Company's share capital likely to be issued, their preferential subscription rights to the equity securities to which these securities carry entitlement;
- 9) resolves that the sum that is or will become receivable by the Company for each of the shares issued or to be issued under the present delegation will be at least equal to the minimum value fixed by the applicable regulations at the time when the present delegation is used, which is currently the average weighted trading price of the Company share on the regulated market of Euronext Paris on the three latest trading days prior to determining the issue price, with a maximum discount of 5% and after, where applicable, adjustment of this amount to take into account the difference in effective date;
- 10) resolves that the Board of Directors may use this authorization, in whole or in part, to remunerate securities that are tendered in a public exchange offer initiated by the Company, under the terms and conditions set out in Article L. 225-148 of the French Commercial Code;
- 11) resolves that the Board of Directors can, if it deems it appropriate, make any accounting entries on the issue premium(s) and in particular the expenses, duties and fees incurred as a result of the issues, and, where necessary, deduct from the amount the sums required to bring the legal reserve to one tenth of the new share capital after each issue;
- 12) resolves that the Board of Directors may not, unless approved by the General Meeting, use this authorization as from the submission of a tender offer on the Company's shares by a third party and until the end of the tender offer period;
- 13) resolves that the present authorization cancels the authorization of the same kind granted by the Combined General Shareholders' Meeting on May 23, 2017 in its eighteenth resolution.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

I Fifteenth resolution

Delegation of authority granted to the Board of Directors to increase the share capital by issuing shares or equity securities giving right to other equity securities or giving right to the allocation of debt securities and to issue securities giving right to equity capital to be issued, without preferential shareholder subscription rights, under a private placement offering referred to in II of Article L. 411-2 of the French Monetary and Financial Code

The General Meeting, after review of the report of the Board of Directors and the special report of the Statutory Auditors:

- 1) delegates to the Board of Directors, in application of the provisions of Article L. 225-136 of the French Commercial Code, its authority to decide upon, under the conditions set out in the fourteenth resolution of the present Meeting, the issue of equity or debt securities, by means of an offering outlined in II of Article L. 411-2 of the French Monetary and Financial Code;
- 2) resolves that the maximum nominal amount of the capital increases that may be performed immediately or in the future under the present delegation will be included in the maximum overall nominal cap for capital increases of €12 million established in the thirteenth resolution of the present Meeting;
- 3) resolves that the Board of Directors may not, unless approved by the General Meeting, use this authorization as from the submission of a tender offer on the Company's shares by a third party and until the end of the tender offer period;
- 4) resolves that the present authorization cancels the authorization of the same kind granted by the Combined General Shareholders' Meeting on May 23, 2017 in its nineteenth resolution.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

I Sixteenth resolution

Delegation of authority granted to the Board of Directors to increase the number of securities to issue in the case of a share capital increase with or without preferential subscription rights

The General Meeting, having reviewed the report of the Board of Directors:

- 1) delegates to the Board of Directors, in application of the provisions of Article L. 225-135-1 of the French Commercial Code, its authority to increase the number of securities to issue for each of the issuances with or without preferential subscription rights decided upon pursuant to the thirteenth, fourteenth and fifteenth resolutions of the present Meeting, within 30 days of the closure of the subscription, within the limit of 15% of the initial issue and at the same price as that of the initial issue;

- 2) resolves that the maximum nominal amount that may be issued under the present delegation will count towards the overall nominal amount for capital increases of €12 million fixed in the thirteenth resolution of the present Meeting;
- 3) resolves that the Board of Directors can, if it deems it appropriate, make any accounting entries on the issue premium(s) and in particular the expenses, duties and fees incurred as a result of the issues, and, where necessary, deduct from the amount the sums required to bring the legal reserve to one tenth of the new share capital after each issue;
- 4) resolves that the Board of Directors may not, unless approved by the General Meeting, use this authorization as from the submission of a tender offer on the Company's shares by a third party and until the end of the tender offer period.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

I Seventeenth resolution

Delegation of authority granted to the Board of Directors to increase the capital by incorporating reserves, profits or premiums

The General Meeting, ruling under the quorum and majority conditions required for Ordinary General Meetings in application of the provisions of Article L. 225-130 of the French Commercial Code, and after having read the report of the Board of Directors:

- 1) delegate to the Board of Directors its authority to decide to increase the share capital, on one or several occasions, at the time or times that it fixes and in the proportions that it deems fit, by incorporating reserves, profits, premiums or other amounts whose capitalization is accepted, or by the combination of such capital increase with a cash increase carried out pursuant to the thirteenth, fourteenth, fifteenth and sixteenth resolutions of the present Meeting, by issuing and granting free shares or increasing the nominal value of existing shares, or finally by combining the two operations, it being specified that the Board of Directors can delegate to the Chief Executive Officer, or in agreement with the latter, to one or several Deputy Chief Executive Officers, under the conditions permitted by law, all powers required to decide upon the share capital increase;
- 2) resolves that the maximum nominal amount of the capital increases that may be performed under the present authorization cannot exceed €12 million, it being specified that this cap is fixed not taking into account the nominal amount of the shares to be issued to preserve the rights of holders of securities or other rights giving access to the Company's share capital, in accordance with

the applicable legal and regulatory provisions and, where applicable, the contractual provisions allowing other adjustments;

- 3) resolves that this maximum nominal amount will be included in the overall maximum nominal amount of the capital increases that may be performed pursuant to the thirteenth resolution of the present Meeting;
- 4) resolves that rights forming odd lots will not be negotiable and that the corresponding shares will be sold. The sums resulting from such sale will be allocated to the holders of rights at the latest 30 days following the date of registration in their account of the whole number of shares allocated;
- 5) resolves that the Board of Directors can, if it deems it appropriate, make any accounting entries on the issue premium(s) and in particular the expenses, duties and fees incurred as a result of the issues, and, where necessary, deduct from the amount the sums required to bring the legal reserve to one tenth of the new share capital after each issue;
- 6) resolves that the Board of Directors may not, unless approved by the General Meeting, use this authorization as from the submission of a tender offer on the Company's shares by a third party and until the end of the tender offer period;
- 7) resolves that the present authorization cancels the authorization of the same kind granted by the Combined General Shareholders' Meeting on May 23, 2017 in its twentieth resolution.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

I Eighteenth resolution

Delegation of powers granted to the Board of Directors to increase the capital by issuing shares or equity securities giving right to other equity securities or giving right to the allocation of debt securities as well as securities giving right to equity securities to be issued, within the limit of 10%, to remunerate contributions in kind of shares

The General Meeting, after review of the report of the Board of Directors and the special report of the Statutory Auditors:

- 1) delegates to the Board of Directors, in application of the provisions of Article L. 225-147 of the French Commercial Code, the powers required to increase the share capital by issuing Company shares and/or equity securities giving access to other equity securities or giving right to the allocation of Company debt securities and/or securities giving access to equity securities to be issued, up to a limit of 10% of the share capital, on the basis of the Statutory Auditors' reports, to remunerate contributions in kind granted to the Company and made up of equity securities

or securities giving access to capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable;

- 2) resolves that the Board of Directors will have all powers to implement the present delegation, in particular for the purpose of determining all the terms and conditions for the transactions authorized and in particular to evaluate the contributions and the granting, where applicable, of specific benefits, to fix the number of securities to be issued in consideration of the contributions as well as the dividend entitlement date, to make, if necessary, any charge against issue premium(s), in particular for expenses incurred as a result of the issues, to record the completion of the capital increase and amend the by-laws accordingly, and in general take all measures necessary and conclude all agreements and carry out all formalities required in particular for the admission of the shares to trading;
- 3) notes, if necessary, that the present delegation entails that shareholders waive their preferential subscription rights to the Company's equity securities to which the securities which may be issued under the present delegation could grant entitlement;
- 4) resolves that the Board of Directors may not, unless approved by the General Meeting, use this authorization as from the submission of a tender offer on the Company's shares by a third party and until the end of the tender offer period;
- 5) resolves that the present authorization cancels the authorization of the same kind granted by the Combined General Shareholders' Meeting on May 23, 2017 in its twenty-first resolution.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

I Nineteenth resolution

Authorization granted to the Board of Directors to grant share subscription and purchase options to executive officers and employees of the Company and its affiliated companies entailing that shareholders waive their preferential subscription rights

The General Meeting, after review of the report of the Board of Directors and the special report of the Statutory Auditors:

- 1) authorizes the Board of Directors, under the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, to grant options granting entitlement to the subscription of new shares or the purchase of existing ones (the "Options") to employees and executive officers of the Company or its affiliated companies within the meaning of Article L. 225-180 of the French Commercial

Code or some of them who hold, individually, less than 10% of the Company's capital (the "Beneficiaries");

- 2) resolves that the present authorization is granted for a period of thirty-eight months counting from the present Meeting;
- 3) resolves that the maximum number of Options that can be granted by the Board of Directors and not yet exercised cannot grant entitlement to subscribe or purchase a number of shares exceeding 3% of the share capital. This limit should be assessed at the time when the Options are granted by the Board taking into account not only the new Options offered but also those from preceding allocations which have not yet been exercised;
- 4) resolves that the maximum number of Options that can be granted to executive officers pursuant to the AFEP-MEDEF's corporate governance code for listed companies cannot represent more than 35% of the overall amount authorized by the present Meeting;
- 5) resolves that the list of recipients of the Options from among the Beneficiaries and the number of Options allocated to each one will be freely determined by the Board of Directors;
- 6) notes that, in accordance with law, no subscription or purchase Option can be granted during periods prohibited by Article L. 225-177 of the French Commercial Code;
- 7) resolves that the subscription price for the new shares or the purchase price of existing shares by exercising the Options will be determined by the Board of Directors on the day on which the Options are granted and that (i) in the case of subscription options, this price must exceed 80% of the share's average listed price on the Euronext Paris market during the 20 trading days preceding the day on which the Options will be granted and (ii) in the case of purchase options, this price must exceed the value indicated in (i) above and the average purchase price of the shares indicated in Article L. 225-179 of the French Commercial Code.

As an exception to the above, for the executive officers (*dirigeants mandataires sociaux*), the subscription price for the new shares or the purchase price of existing shares by exercising the Options will equal to the share's average listed price on the Euronext Paris market during the 20 trading days preceding the day on which the Options will be granted, without any discount applicable.

The Options exercise price, as determined above, can only be amended if the Company performs one of the financial or securities transactions outlined in Article L. 225-181 of the French Commercial Code. In this case, the Board of Directors would adjust, under the legal and regulatory conditions, the exercise price and the number of shares that can be purchased or subscribed, as the case may be, by exercising the Options, to take into account the impact of the transaction;

- 8) notes that the present authorization entails, to the benefit of the Beneficiaries of the share subscription options, that shareholders expressly waive their preferential subscription rights to the shares issued as the Options are exercised;
- 9) resolves that all options' allocations will be subject to one or several performance condition(s);
- 10) grants all powers to the Board of Directors to set the terms and conditions, including the performance condition(s), of the Options and in particular (without this list being exhaustive):
- the validity period for the Options, it being understood that the Options must be exercised within a maximum of ten years,
 - the date(s) or periods for exercising the Options, it being understood that the Board of Directors can (a) bring forward the dates or periods for exercising the Options, (b) maintain the exercisability of the Options or (c) amend the dates or periods during which the shares obtained by exercising the options may not be transferred or converted into bearer shares,
 - any clauses prohibiting the immediate resale of all or some of the shares obtained by exercising the Options provided that the period during which shares must be retained does not exceed three years as from the exercise of the Option, notwithstanding the provisions provided in Article L. 225-185, paragraph 4, of the French Commercial Code,
 - where necessary, limit, suspend, restrict or prohibit the exercise of Options or the sale or transfer to bearer form of the shares obtained by exercising the Options, during certain periods or following certain events, and this decision may cover some or all of the Options or shares or concern some or all of the Beneficiaries,
 - determine the dividend bearing date, even retroactively, of the new shares as a result of the subscription Options;
- 11) resolves that the Board of Directors will have, with the possibility to delegate under the legal conditions, all powers to record the completion of the capital increases to reflect the amount of shares actually subscribed by exercising the subscription Options, amend the by-laws accordingly and, at its sole discretion and as it sees fit, charge the costs of the capital increases against the share premiums arising therefrom and deduct from this amount the sums necessary to increase the legal reserve to one tenth of the new share capital after each capital increase, and perform all formalities necessary for the listing of the securities thereby issued, make all declarations with the relevant bodies and generally do all that is necessary;
- 12) resolves that the present authorization cancels, as of today, for the yet unused part, the authorization of the same nature granted by the Combined General Shareholders' Meeting on May 26, 2016 in its fifteenth resolution.

I Twentieth resolution

Authorization of the Board of Directors to increase the share capital for the benefit of members of a corporate savings plan, without pre-emptive rights

The General Meeting, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, pursuant to the provisions of Articles L. 3332-1 et seq. of the French Labor Code and Articles L. 225-138-1 and L. 225-129-6, first and second paragraphs, of the French Commercial Code:

1. delegates to the Board of Directors its authority to increase the share capital of the Company, in one or several transactions, at its sole discretion, by a maximum nominal amount of €5 million through the issue of new shares or other securities giving access to the Company's share capital under the conditions prescribed by law, reserved for members of corporate savings plans of the Company and/or its affiliated entities within the meaning of Article L225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code;
2. decides to eliminate the pre-emptive rights of shareholders to subscribe for the new shares to be issued or other securities giving access to share capital and securities to which these securities give entitlement under this resolution for the benefit of the members of the plans referred to in the previous paragraph and waives the rights to the shares or other securities that would be allocated through the application of this resolution;
3. resolves that the maximum nominal amount that may be issued under the present delegation will count towards the overall nominal amount for capital increases of €12 million fixed in the thirteenth resolution of the present General Meeting;
4. decides that the subscription price for the new shares will be at least 80% of the average listed price of the Company's shares on Euronext Paris in the 20 trading days preceding the day on which subscriptions open, where the lock-up period set by the savings plan pursuant to Article L. 3332-25 of the French Labor Code is shorter than ten years, and 70% of this average where the lock-up period is ten years or more. However, the General Shareholders' Meeting expressly authorizes the Board of Directors, if it deems it appropriate, to reduce or cancel the above-mentioned discounts, within the legal and regulatory limits, in order to take account of, inter alia, the legal, accounting, tax and social security rules applicable locally;
5. decides that the Board of Directors may also replace all or part of the discount with the free allocation of shares or other securities giving access to the Company's share capital, whether existing or to be issued, it being specified that the total benefit resulting from this allocation and, if applicable, from the discount mentioned above, cannot exceed the total benefit that members of the savings plan

would have received if this difference had been 20% or 30%, depending on whether the lock-up period set by the plan is greater than or equal to ten years;

6. decides that the Board of Directors may provide for, pursuant to Article L. 3332-21 of the French Labor Code, the free allocation of shares or other securities giving access to the Company's share capital to be issued or already issued under a bonus scheme, provided that the inclusion of their monetary value, valued at the subscription price, does not result in the legal or regulatory limits being exceeded;
7. resolves that the characteristics of the other securities giving access to the Company's share capital will be determined by the Board of Directors according to the conditions laid down by the regulations;
8. decides that the Board of Directors will have all the necessary powers, with the option for delegation or sub-delegation, in accordance with the legal and regulatory provisions, within the limits and under the conditions specified above, to determine all the terms and conditions of transactions and, in particular, to decide on the amount to be issued, the issue price and the terms of each issue, and to define the terms for the free allocation of shares or other securities giving access to the share capital,

under the authorization given above, to determine the opening and closing dates for subscriptions, to set, within the maximum limit of three years, the period granted to subscribers to pay for their shares, to determine the date, which may be retroactive, from which the new shares will be eligible for dividends, to apply for their admission to listing on the stock market wherever they are advised to do so, to record the share capital increase in the amount of shares effectively subscribed for, to make all necessary arrangements to carry out the share capital increases, carry out all formalities arising therefrom and amend the by-laws accordingly, and at its sole discretion, and if it deems it appropriate, to deduct the fees involved in carrying out the share capital increases from the premiums relating to these increases as well as the sums necessary to increase the legal reserve to one tenth of the new share capital after each increase;

9. decides that this authorization supersedes all previous authorizations relating to share capital increases reserved for members of corporate savings plans, and in particular, that granted by the General Shareholders' Meeting of May 22, 2018 in its eighteenth resolution.

The authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting.

Ordinary and Extraordinary General Meeting

I Twenty-first resolution

Powers for formalities

The General Meeting hereby grants any and all powers to the bearer of an original, a copy or an excerpt of the minutes of these deliberations for the purpose of carrying out any legal formalities for publication.

CROSS-REFERENCE TABLES

Annual financial report

The cross-reference table below allows to identify the information included in the annual financial report provided by the Article L. 451-1-2 of the Monetary and Financial French Code and by the Article 222-3 of the General Regulation of the *Autorité des marchés financiers*.

Annual financial report	Reference Document	
	Paragraphs	Pages
1. Parent Company Financial Statements	4.2	135
2. Consolidated Financial Statements of the Group	4.1	88
3. Management Report	See Annual management report cross-reference table below	
4. Certification of the Person Responsible for the Reference Document	–	3
5. Statutory Auditors Report on the Parent Company Financial Statements	4.2.3	159
6. Statutory Auditors Report on the Consolidated Financial Statements	4.1.2	130
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Annual management report

The cross-reference table below identifies in the Reference Document the information included in the annual management report to be provided by the Company's Board of Directors, as required by Articles L. 225-100 et seq. of the French Commercial Code.

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3. Financial Operations Analysis	3.1	70
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27. Vigilance plan	2	39

Cross-reference table including the European Directive no. 809/2004 – Annex 1 items

The cross-reference table below identifies the information included in the Reference Document, and reflects the transposition of the European Directive no. 809/2004 in its Annex 1, adopted by the European Commission of April 29, 2004.

European directive – Annex 1 items	Reference Document	
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4. RISK FACTORS	1.7	31
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5.2 Investments	1.3.2	12
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6.3 Exceptional factors	None	
6.4 Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	1.7	31
6.5 Basis for any statements made by the issuer regarding its competitive position	1.5.1, 1.5.2.5	15, 27
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14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT		
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European directive – Annex 1 items	Reference Document	
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18. MAJOR SHAREHOLDERS	6.3	219
18.1 Shareholders having more than 5% of interest in the issuer's capital or of voting rights	6.3.1	219
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20.2 Pro forma Financial Information	Not applicable	
20.3 Financial Statements	4.1, 4.2	88, 135
20.4 Auditing of Historical Annual Financial Information	4.1.2, 4.2.3, 4.2.4	130, 159, 164
20.5 Date of the latest financial statements	December 31, 2017	
20.6 Interim and Other Financial Information	3.3	86
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