



3DEXPERIENCE®

Dassault Systèmes

Q3 & YTD 2018 Earnings Presentation

Bernard Charlès, Vice-Chairman & CEO

Pascal Daloz, EVP, CFO & Corporate Strategy Officer

Forward Looking Information

Statements herein that are not historical facts but express expectations or objectives for the future, including but not limited to statements regarding the Company's non-IFRS financial performance objectives, are forward-looking statements. Such forward-looking statements are based on Dassault Systèmes management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results or performances may differ materially from those in such statements due to a range of factors. The Company's current outlook for 2018 takes into consideration, among other things, an uncertain global economic environment. In light of the continuing 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. While the Company makes every effort to take into consideration this uncertain macroeconomic outlook, the Company's business results, however, may not develop as anticipated. Further, 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 Company's actual results or performance may also be materially negatively affected by numerous risks and uncertainties, as described in the "Risk Factors" section of the 2017 *Document de Référence* (Annual Report) filed with the AMF (French Financial Markets Authority) on March 21, 2018 and also available on the Company's website www.3ds.com.

In preparing such forward-looking statements, the Company has in particular assumed an average US dollar to euro exchange rate of US\$1.20 per €1.00 for the 2018 fourth quarter as well as an average Japanese yen to euro exchange rate of JPY135 to €1.00 for the 2018 fourth quarter before hedging; however, currency values fluctuate, and the Company's results of operations may be significantly affected by changes in exchange rates.

Non-IFRS Information

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. Further specific limitations for individual non-IFRS measures, and the reasons for presenting non-IFRS financial information, are set forth in the Company's 2017 *Document de Référence* filed with the AMF on March 21, 2018.

In the tables accompanying this press release the Company sets forth its supplemental non-IFRS figures for revenue, operating income, operating margin, net income and diluted earnings per share, which exclude the effect of adjusting the carrying value of acquired companies' deferred revenue, share-based compensation expense and related social charges, the amortization of acquired intangible assets, other operating income and expense, net, 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. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

IFRS 15 & IAS 18

The Company has adopted IFRS 15 as of January 1, 2018. The appendix of this presentation includes 2018 third quarter and nine-month financial results under IFRS 15 as well as under the prior IAS 18 standard and includes a summary explanation of the major differences for the Company. In addition, this presentation also includes financial information on a non-IFRS basis (both IFRS 15 and IAS 18) with reconciliations included in the Appendix to this communication.

Glossary of Definitions

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 total 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 EPS (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 1st of the current year, until the last day of the month of the current year when the acquisition was made the previous year.

Information on Industrial Sectors

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

3DEXPERIENCE Licenses and Software Contribution

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

Q3 & YTD 2018 Highlights Non-IFRS (under IAS 18)

- ▶ **Q3 revenue** and **EPS** up double-digit*
- ▶ Looking at YTD:

YTD 2018 Performance

Total revenue up +9% exFX	✓
Licenses** revenue up +9% exFX	✓
Software revenue up +9% exFX	✓
3DEXPERIENCE software revenue up +19% exFX	✓
High-growth countries software revenue up +18% exFX	✓
Double-digit software growth exFX in T&M , EPU , CG-Retail and CPG-Retail , M&O , NR and AEC****	✓

Strategy Implementation

SOCIAL	3DEXPERIENCE platform for companies to become platform companies
INDUSTRY	Transforming Industries, Markets and Customer Experiences
EXPERIENCE	Customer / Citizen / Patient-Centric Innovation

- ▶ Reconfirming **FY18 guidance** with revenue up **9-10%** exFX

* Double-digit growth, both reported & exFX
 ** Licenses and other software revenue

*** T&M: Transportation & Mobility / EPU: Energy, Process & Utilities / CG-Retail and CPG-Retail: Consumer Goods-Retail and Consumer Packaged Goods-Retail / M&O: Marine & Offshore / NR: Natural Resources / AEC: Architecture, Engineering & Construction

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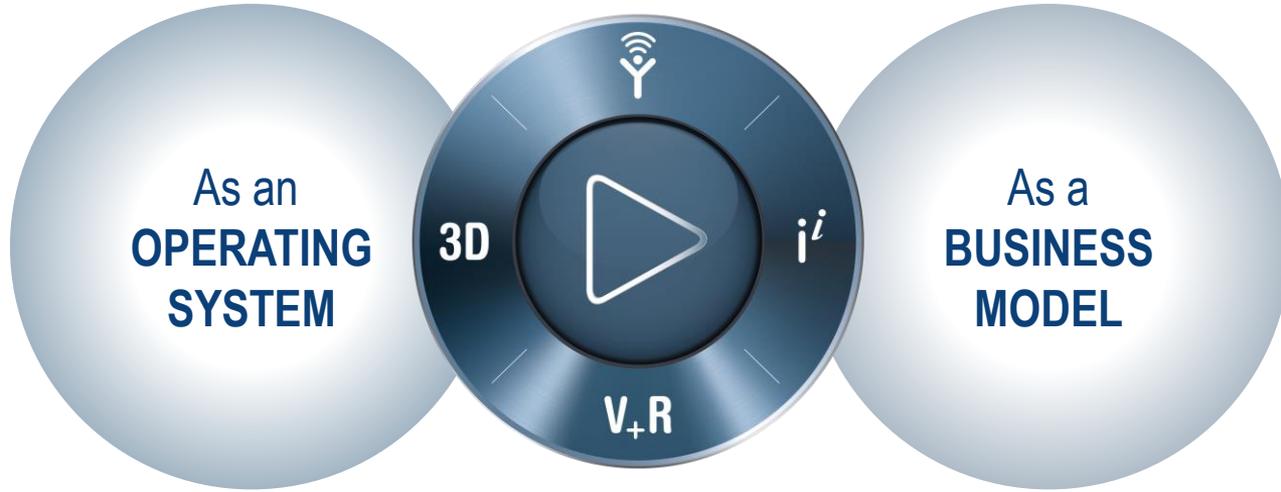
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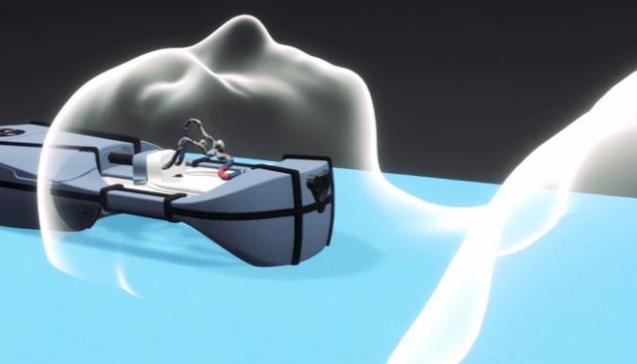
Platform for Knowledge and Know-How



3DEXPERIENCE®

**Powers our
Industry Solution Experiences**

**Powers our
Value Networks**



Projects currently being developed



in the **3DEXPERIENCE®** Lab
include



ZERO 2 INFINITY

Bloostar, a small satellite launcher



XYT

Tailored mobility for business & people



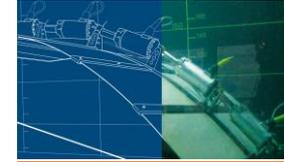
LEKA

A multi-sensory robot for kids with special abilities



DIGITAL ORTHOPAEDICS

Use of realistic simulation to determine the treatment



EEL ENERGY

An undulating membrane inspired by bio-mimicry



BIOMODEX

Organ twins reducing patient risk with 3D technology



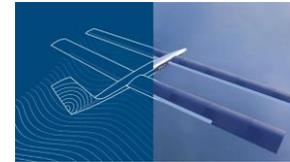
BIO SERENITY

Artificial Intelligence assisted wearable diagnosis solutions



ILUMENS

Better training for patient care



XSUN

Innovative autonomous flying services

A footprint in the world of Makers and Fablabs

- ▶ Provide access for content creation
- ▶ Connect for usage
- ▶ Offer online services

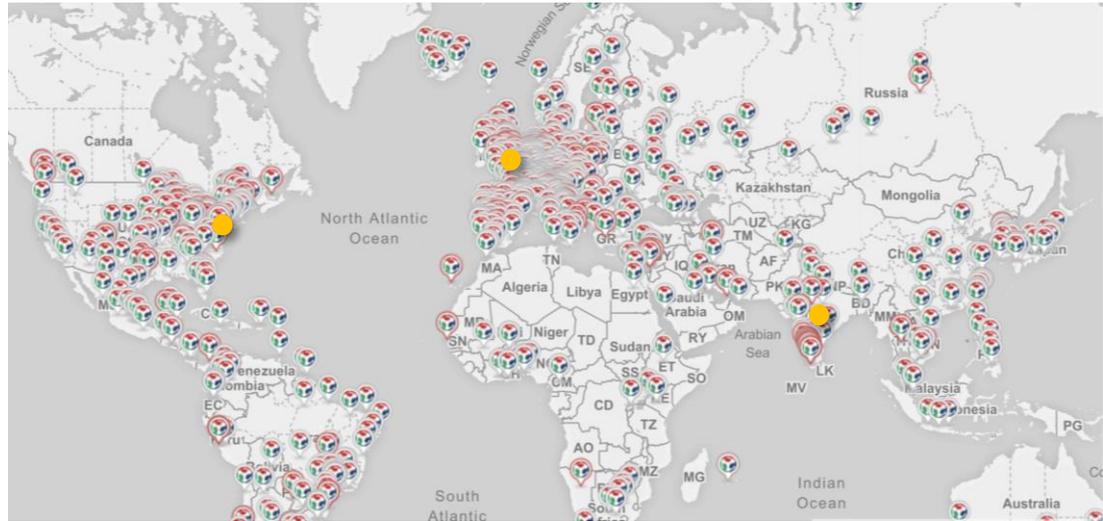


Neil Gershenfeld

Director of MIT's Center for Bits and Atoms

Father of the maker movement
Founding a global network of Fablabs
Directing the Fab Academy

Bernard Charlès



Map from MIT's  **FAB FOUNDATION**

Transforming Industries, Markets and Customer Experiences

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 creates unique and disruptive innovations thanks to a rich portfolio of Industry Solution Experiences.



Aerospace & Defense



Architecture, Engineering & Construction



Consumer Goods & Retail



Consumer Packaged Goods & Retail



Energy, Process & Utilities



Financial & Business Services



High-Tech



Industrial Equipment



Life Sciences



Marine & Offshore



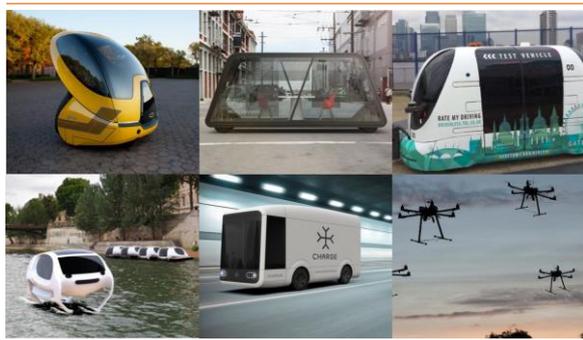
Natural Resources



Transportation & Mobility



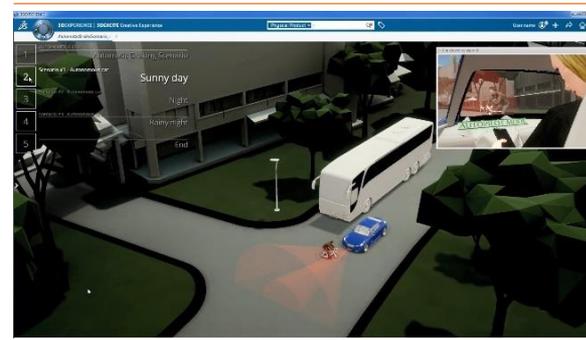
Transforming Transportation & Mobility



New companies*



Technological Challenges
for
Vehicle Electrification**



**Virtual Simulation
for
Autonomous Driving**

* 100+ created in 4 years

** Battery, electric drive, power electronics, chassis, HVAC (heating, ventilation, and air conditioning), chassis, vehicle architecture

The Car of the Future



Road travel will change dramatically with the introduction of driverless cars, as will learning to drive

Traffic, safety, pollution will be the main drivers for innovation in the automotive sector



Transforming Energy, Process and Utilities



Capital Facilities Lifecycle Management



Advanced Materials Lifecycle Management

3DEXPERIENCE Platform for companies to become platform companies



3DEXPERIENCE®

Bureau Veritas uses the 3DEXPERIENCE platform to implement digital continuity from initial specifications to transport, installation and operation of pressure equipment in a nuclear facility

- ▶ Connecting the eco-system
- ▶ Managing complexity and risk
- ▶ Long-term traceability
- ▶ Breaking silos
- ▶ Opening new horizons



framatome

Framatome designs, manufactures, and installs components, fuel and instrumentation and control systems for nuclear power plants and offers a full range of reactor services.

Business Values:

- ▶ Efficiently support the development of equipment for new major industrial programs: GV900 et EPR 2
 - ▶ Ensure quality and traceability
 - ▶ Keep development costs under control
- ▶ Framatome & Bureau Veritas
 - ▶ Integrated approach based on the 3DEXPERIENCE Platform in an extended enterprise mode as the foundation for compliance activities

Solution:

3DEXPERIENCE Platform with ENOVIA and CATIA Apps

3DEXPERIENCE Platform for companies to become platform companies



3DEXPERIENCE®

ONE Lab integrates people, resources, processes and data for improved efficiency and collaboration

- ▶ 50% reduction in time spent on data management & documentation
- ▶ 25% improvement in laboratory productivity
- ▶ 10X reduction in compliance risk
- ▶ 50% cycle time reduction

EVONIK Adopts BIOVIA



Evonik is one of the world's leading specialty chemicals companies divided into three chemical manufacturing segments: Nutrition & Care, Resource Efficiency and Performance Materials



Business Values:

- ▶ **Increase speed and collaboration** by accelerating time-to market innovations and streamlining R&D processes
- ▶ **Enhance operations** by sharing best practices, streamlining lab operations, automating capture of tests and unifying scientific data
- ▶ **Simplify research** by reducing documentation for scientists, avoiding unnecessary experiments and improving productivity for scientists to capture, retain, search and reuse results

Solution:

Dassault Systèmes ONE Lab
Industry Solution Experience to integrate people, resources, processes and data and improve efficiency and collaboration



Transforming Consumer Goods & Retail



PLM for Apparel



Design for Goods



Delivery in Urban Areas

Drive Digital Transformation in Apparel with Centric PLM

Speed to Market

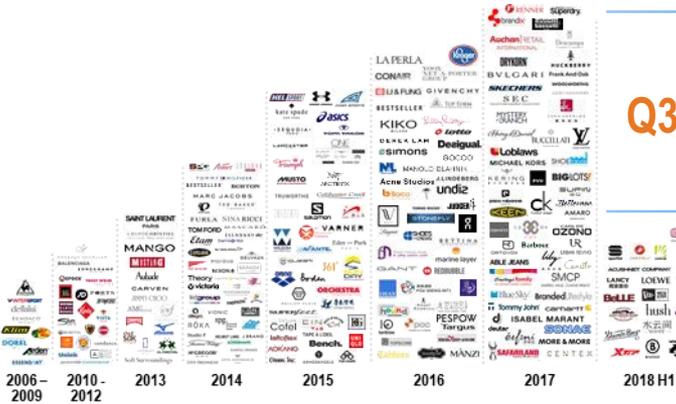
Increase Innovation for New Products

High Product Adoption Rates

Improve Product Margins

Flexibility to Face Future Transformation





Q318

Centric PLM New Logos Dynamic

Fashion

La Chapelle

A leading womenswear group in China with 11 brands & 9,500 stores

HOPE SHOW

Chinese group with 6 brands offering 10 million different articles of clothing

CAMAïEU

Voted best womenswear brand in France, 1,000 stores with new products weekly

Outdoor



Swiss lifestyle & ski brand launched in 2000 by Lasse Kjus

Footwear



A PUMA company. Designs & produces licensed products for major brands

Retail



Largest retailer in France, 25th in the world, with \$40B in revenues

Consumer Goods & Beauty

MARCOLIN

EYEWEAR

Large Italian eyewear company producing for 28 brands across 127 countries

THÉLIOS

Joint venture between Marcolin & LVMH, produces eyewear for leading fashion brands

Our Strategy in Action for Sustainable Growth

Social



Ease of use, Online, Mobile

Industry



Business Solutions

Experiences



Software, Services, Content

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YTD 2018 Performance Non-IFRS (under IAS 18)

€ millions	YTD 18
Revenue	2,443
Growth	+5%
Growth exFX	+9%
Software Growth exFX	+9%
Licenses* Growth exFX	+9%
Operating Margin	29.4%
EPS (€)	2.01
EPS Evolution	+12%
EPS Evolution exFX	+19%

* Licenses and other software revenue

Expanding 3DEXPERIENCE Footprint

nexperia

framatome

EVONIK
KRAFT FÜR NEUES

GE Aviation

ExxonMobil

EDF



3DEXPERIENCE software revenue up **+19%** exFX

* Excluding SOLIDWORKS and acquisitions



GE Aviation

World-leading manufacturer and service provider for jet engines - GE Aviation Hamble: subsidiary of GE Aviation for aerostructures



Business Values:

- ▶ **Reduced cycle-times - Optimized response-times to customer requests - Increased productivity**

“For GE Aviation Hamble, the implementation of the 3DEXPERIENCE platform supports our ongoing focus on developing innovative aerostructures for the Aerospace industry. This enables us to use techniques like digital 3D modelling from design through manufacturing and qualification to create high performance aerostructures for the aviation industry.”

Paulo Mancilla, Executive Engineering Leader, GE Aviation’s Hamble UK facility

Solution:

3DEXPERIENCE Platform
for Digital continuity from design to manufacturing and for project management

NEXPERIA

Adopts the 3DEXPERIENCE Platform



nexperia

Nexperia is a dedicated global leader in Discrete, Logic and MOSFETs* devices

Business Values:

- ▶ Implementation of an enterprise-wide quality and change management system to:
 - ▶ Improve the quality of products
 - ▶ Achieve zero defect
 - ▶ Improve the bottom line

Solution:

3DEXPERIENCE Platform
with High Performance
Semiconductor Industry Solution
Experience

* Field-effect transistor in which there is a thin layer of silicon oxide between the gate and the channel.



Develops and manufactures plastic and glass packaging containers for CPG products
3,000+ different types of products planned and developed in-house.



Business Values:

- ▶ Improve ability to collaborate globally among teams in Japan, China, India, US and Netherland for **product quality & customer satisfaction**
- ▶ Strengthen company's ability to provide a wide **variety of products** on a small lot basis in short **delivery times**
- ▶ Increase product **innovation**
- ▶ Reduce product development **costs**

Solution:

3DEXPERIENCE Platform
on the cloud with **Perfect Package** for mid-market Industry
Solution Experience

Software Revenue by Region Non-IFRS (under IAS 18)

Software Revenue Growth exFX by Region	Q3 18	YTD 18	
Americas	+8%	+9%	Led by Latin America and solid contribution from North America
Europe	+8%	+7%	Driven by North & South Europe and Russia
Asia	+13%	+14%	Broad-based growth with double-digit YTD software revenue in China , South Korea , India and AP South
Software Revenue	+9%	+9%	

Software Revenue by Brand Non-IFRS (under IAS 18)

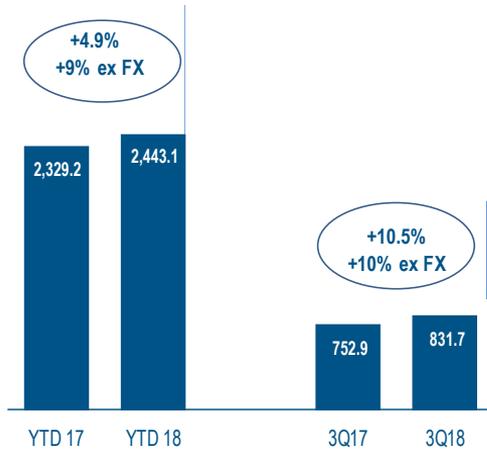
Software Revenue Growth exFX by Brand	Q3 18	YTD 18	
CATIA	+7%	+6%	Double-digit organic licenses* growth exFX in Q3 and YTD
ENOVIA	+5%	+7%	Licenses* up 14% in YTD
SOLIDWORKS	+4%	+9%	Strong base of comparison in Q3 → Licenses* up 30%+ in Q3 2017
Other Software	+18%	+15%	Strong DELMIA and good SIMULIA
Software Revenue	+9%	+9%	

* Licenses and other software revenue

Revenue Growth Non-IFRS (under IAS 18)

Total Revenue

in MEUR



Software Revenue

in MEUR



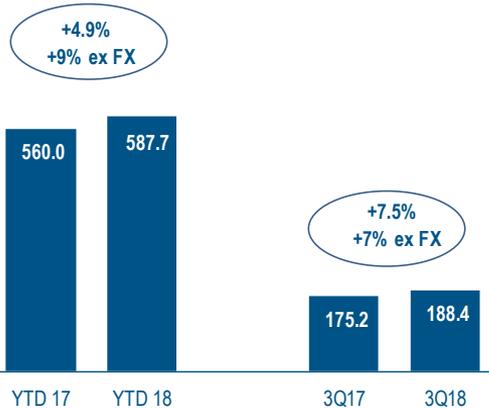
Organic revenue **+5%** exFX in Q3 and **+6%** in YTD

Organic software revenue **+5%** exFX in Q3 and **+7%** in YTD

Software Revenue Growth Non-IFRS (under IAS 18)

Licenses and Other software revenue

in MEUR



Subscription and Support

in MEUR



Organic **licenses*** revenue up **+4%** exFX in Q3 and **+8%** in YTD

→ **Q3 Business Transformation** and **Value Solutions** channels organic licenses*, up double-digit exFX

Organic **recurring**** revenue up **6%** exFX in Q3 and YTD reflecting solid support revenue

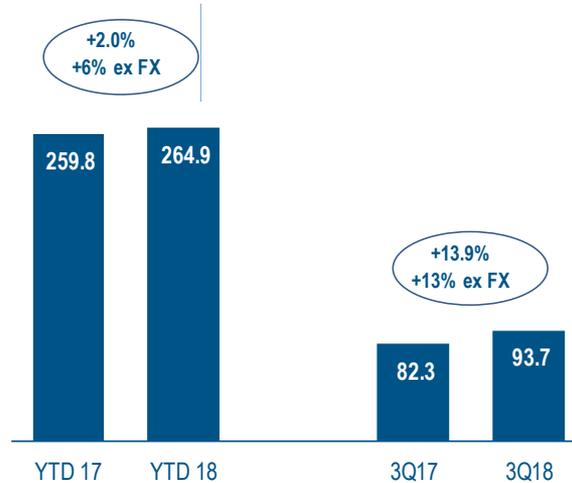
* Licenses and other software revenue

** Subscription and support revenue

Service Revenue & Margin Evolution Non-IFRS (under IAS 18)

Service Revenue

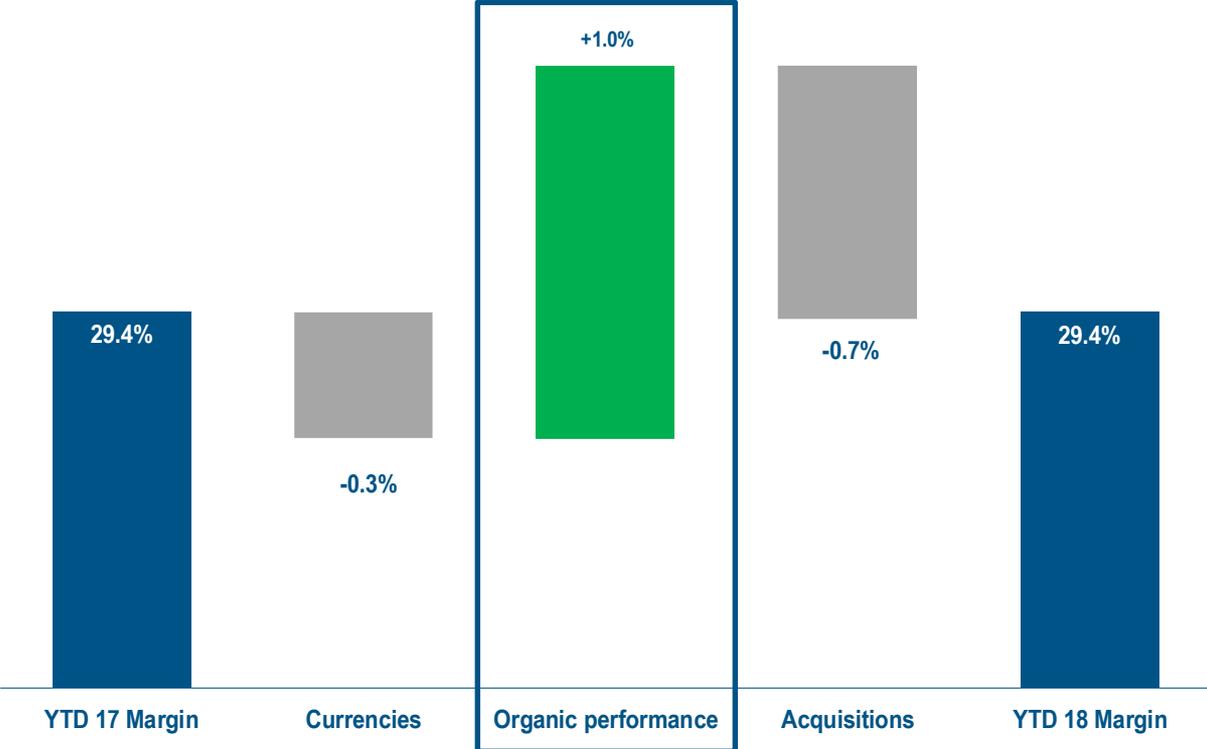
in MEUR



Continued strong growth in **3DEXPERIENCE services** activity
 Q3 **margin** impacted by **work of anticipation**

Serv. Gross Margin	10.4%	7.0%	12.4%	7.8%
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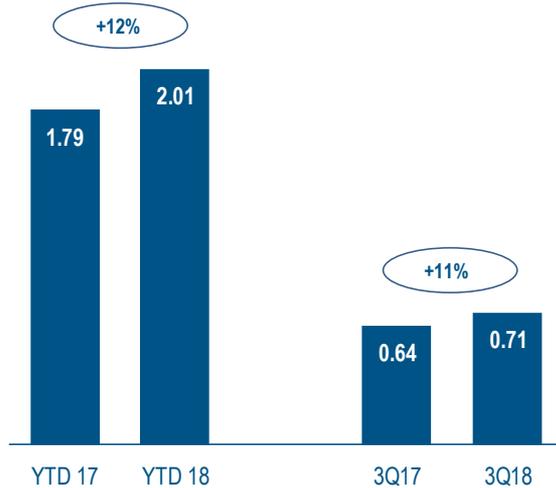
Operating Margin Evolution Non-IFRS (under IAS 18)



EPS Non-IFRS (under IAS 18)

Diluted EPS

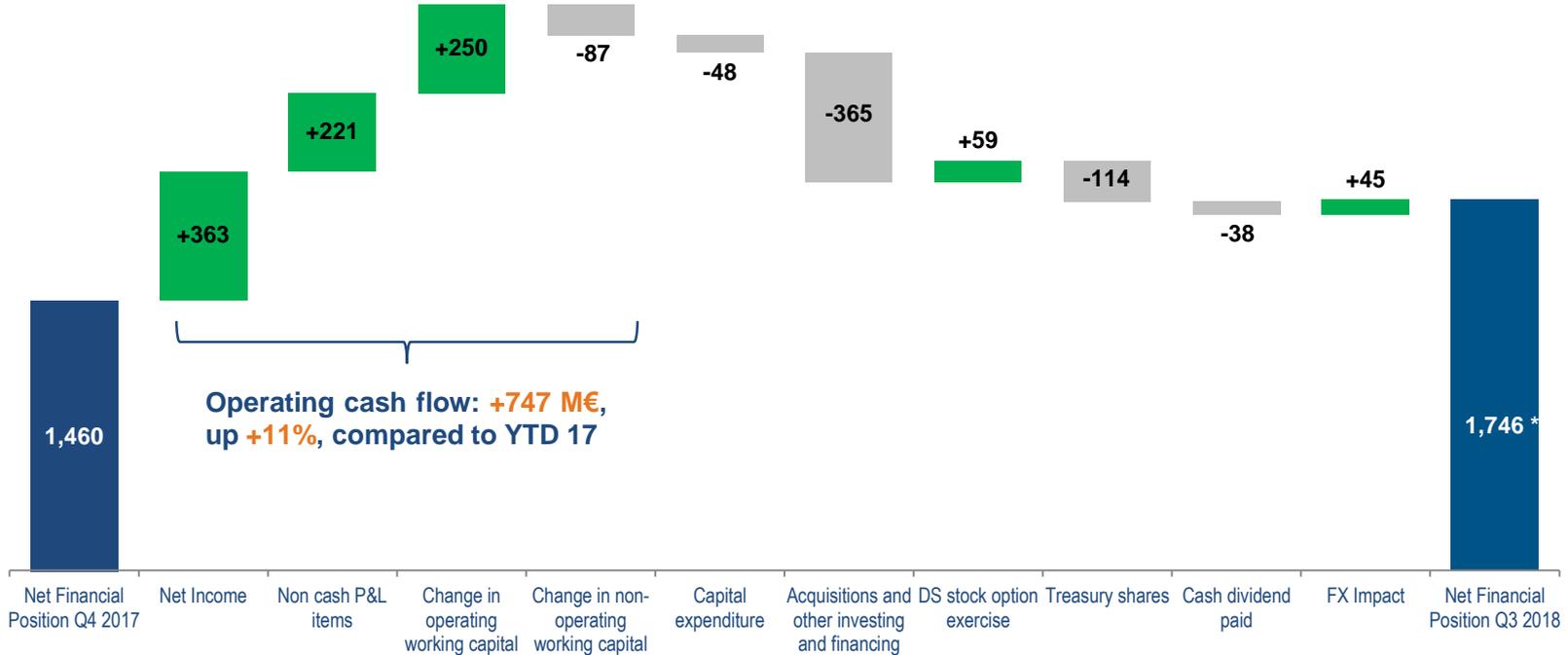
in EUR



EPS up 19% exFX in YTD: top line growth, margin expansion and lower tax rate

Tax rate | Q317: 31.4% → Q318: 29.1%
YTD17: 32.6% → YTD18: 28.6%

Change in Net Financial Position IFRS (under IAS 18)



* Reflecting cash, cash equivalents, short-term investments and debt related to credit lines

Operating Cash Flow Evolution IFRS (under IAS 18)

€ million	YTD 18	YTD 17	Changes	
Operating Cash Flow	+747	+672	+75	
Net income adjusted for non cash items	+584	+515	+69	
Decrease in trade accounts receivable and contract assets	+288	+229	+59	Balances up 9% exFX at constant perimeter
Decrease in unearned revenue	-2	-	-2	Balances up 7% exFX at constant perimeter
Decrease in accrued compensation	-21	-14	-7	
Decrease in accounts payable	-15	-5	-10	
Decrease in income taxes payable	-53	-15	-38	Higher 2017 taxable income in France paid in Q2 2018
Other	-34	-38	+4	

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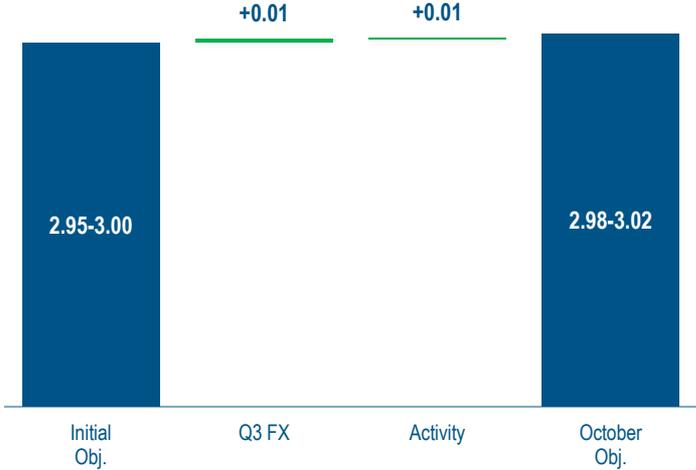
FY18 Objectives Changes from July to October

Revenue variation



Mid point	3,425	3,437
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EPS variation



Mid point	2.98	3.00
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Proposed Objectives Non-IFRS IAS 18

FY 2018

	Q4 2018	FY 2018	Software +9-10% exFX	Licenses +9-11% exFX	Recurring ~+9% exFX
Revenue (M€)	982-1,007	3,425-3,450			
Growth	+8-10%	~+6%			
Growth ex FX	+9-11%	+9-10%			
Operating Margin	~36.5%	~31.5%	Operating margin acquisitions ~ -0.7 pt, currencies ~ -0.2 pt	Tax rate of ~29%	EPS +11-13% (+16-17% exFX)
Operating Margin Growth	~-2 pts	~-0.5 pts			

Q4 2018

	Q4 2018	FY 2018	Software +8-10% exFX	Licenses +8-13% exFX	Recurring +8-9% exFX
EPS (€)	0.96-1.00	2.98-3.02			
EPS Growth	+8-12%	+11-13%			
€/\$ rates	1.20	1.20		Operating margin acquisitions ~ -1 pt	
€/¥ rates	135.0	132.0			

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▶ IAS 18

▶ Reconciliation of IFRS 15 & IAS 18

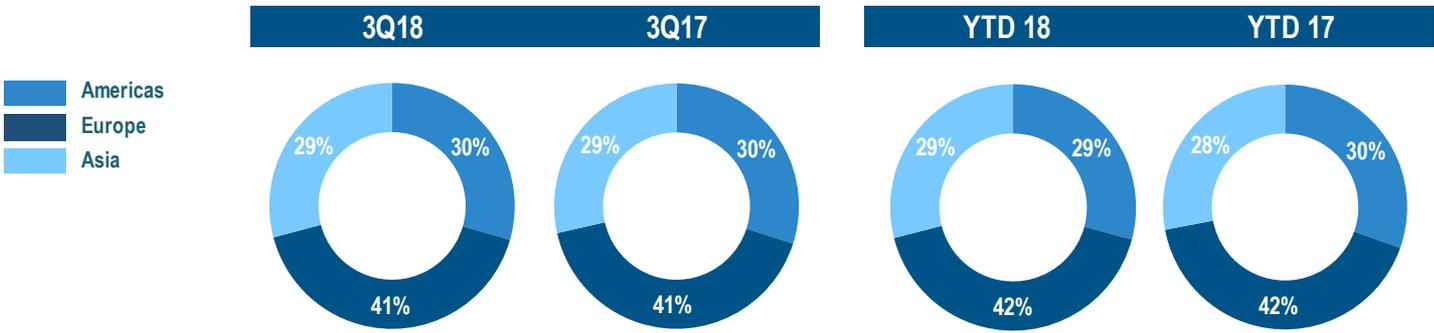
▶ IFRS 15

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Software Revenue by Region (IAS18)

IFRS

<i>in MEUR</i>	3Q18	3Q17	Growth	Growth ex FX	YTD 18	YTD 17	Growth	Growth ex FX
Americas	216.1	200.5	+7.8%	+7%	633.3	626.1	+1.2%	+9%
Europe	303.9	277.7	+9.4%	+8%	906.8	855.9	+5.9%	+7%
Asia	213.7	190.9	+11.9%	+13%	628.9	575.8	+9.2%	+14%
Software revenue	733.7	669.1	+9.7%	+9%	2 169.1	2 057.8	+5.4%	+10%

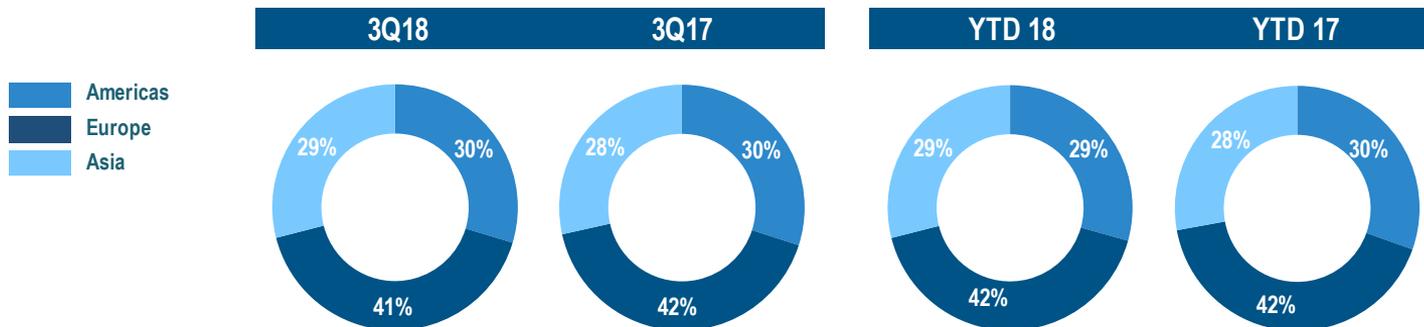


Software by Region (IAS18)

Non-IFRS

<i>in MEUR</i>	3Q18	3Q17	Growth	Growth ex FX
Americas	218.8	200.9	+8.9%	+8%
Europe	305.2	278.7	+9.5%	+8%
Asia	214.0	191.0	+12.0%	+13%
Software revenue	738.0	670.6	+10.0%	+9%

	YTD 18	YTD 17	Growth	Growth ex FX
Americas	638.8	629.7	+1.4%	+9%
Europe	908.6	863.2	+5.3%	+7%
Asia	630.7	576.5	+9.4%	+14%
Software revenue	2,178.2	2,069.4	+5.3%	+9%

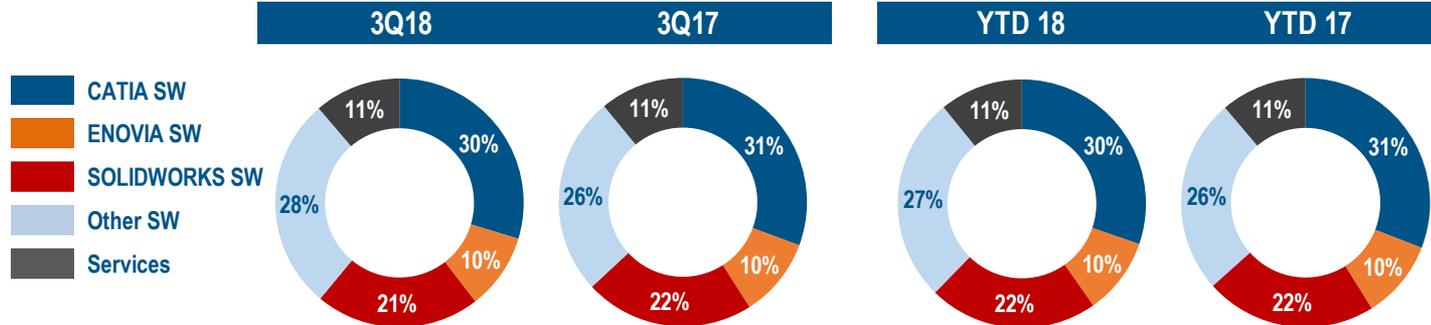


Revenue by Product Line (IAS18)

IFRS

in MEUR

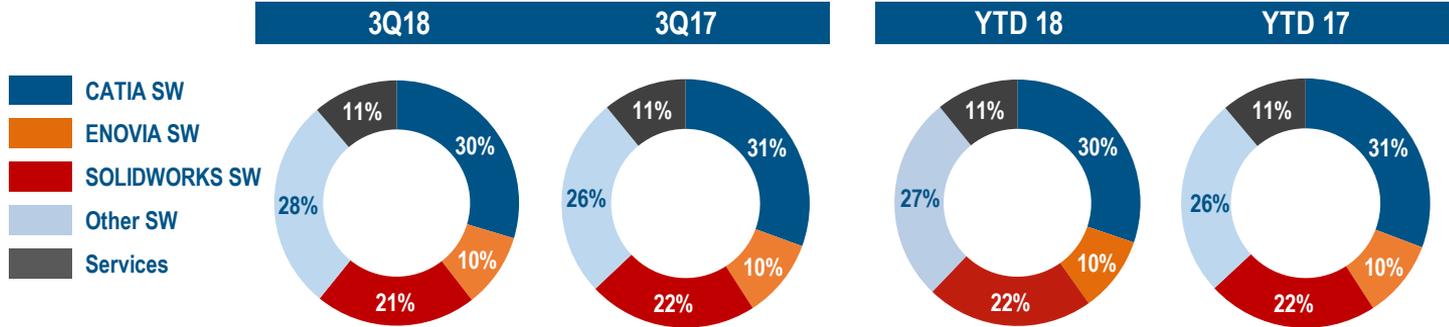
	3Q18	3Q17	Growth	Growth ex FX	YTD 18	YTD 17	Growth	Growth ex FX
CATIA SW	245.3	230.3	+6.5%	+6%	736.7	716.4	+2.8%	+5%
ENOVIA SW	81.8	77.6	+5.4%	+5%	242.5	235.7	+2.9%	+7%
SOLIDWORKS SW	177.5	166.2	+6.8%	+4%	537.8	517.1	+4.0%	+9%
Other SW	229.1	195.0	+17.5%	+18%	652.1	588.6	+10.8%	+16%
Services	93.2	82.3	+13.3%	+13%	264.4	259.8	+1.8%	+6%
Total revenue	826.9	751.4	+10.1%	+9%	2 433.5	2 317.6	+5.0%	+9%



Revenue by Product Line (IAS18)

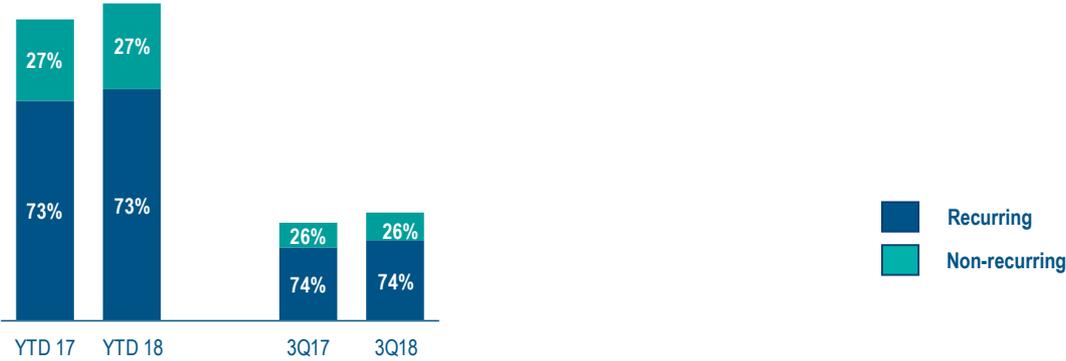
Non-IFRS

<i>in MEUR</i>	3Q18	3Q17	Growth	Growth ex FX	YTD 18	YTD 17	Growth	Growth ex FX
CATIA SW	246.5	230.3	+7.1%	+7%	738.4	716.4	+3.1%	+6%
ENOVIA SW	81.8	77.6	+5.4%	+5%	242.5	235.7	+2.9%	+7%
SOLIDWORKS SW	177.5	166.2	+6.8%	+4%	537.8	517.1	+4.0%	+9%
Other SW	232.2	196.5	+18.1%	+18%	659.5	600.2	+9.9%	+15%
Services	93.7	82.3	+13.9%	+13%	264.9	259.8	+2.0%	+6%
Total revenue	831.7	752.9	+10.5%	+10%	2,443.1	2,329.2	+4.9%	+9%



Software Revenue Evolution (IAS18)

Non-IFRS



IFRS P&L (IAS18)

(In millions of €, except per share data)

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	YoY	2018	2017	YoY
Software revenue	733.7	669.1	+9.7%	2,169.1	2,057.8	+5.4%
Licenses and Other software revenue	188.4	175.2	+7.6%	587.7	560.0	+4.9%
Subscription and Support revenue	545.3	493.9	+10.4%	1,581.3	1,497.8	+5.6%
Services revenue	93.2	82.3	+13.3%	264.4	259.8	+1.8%
Total revenue	826.9	751.4	+10.1%	2,433.5	2,317.6	+5.0%
Cost of Software revenue	(39.0)	(38.0)	+2.5%	(118.0)	(116.4)	+1.4%
Cost of Services revenue	(87.2)	(72.7)	+19.9%	(248.4)	(234.5)	+5.9%
Research and development	(153.8)	(140.6)	+9.4%	(467.8)	(446.5)	+4.8%
Marketing and sales	(256.5)	(232.1)	+10.5%	(772.3)	(750.4)	+2.9%
General and administrative	(70.1)	(60.5)	+15.8%	(209.6)	(182.3)	+15.0%
Amortization of acquired intangibles	(43.8)	(39.1)	+12.1%	(126.3)	(119.6)	+5.6%
Other operating income and expense, net	(2.2)	(8.5)	-73.8%	(9.1)	(19.1)	-52.5%
Total operating expenses	(652.6)	(591.5)	+10.3%	(1,951.6)	(1,868.8)	+4.4%
Operating income	174.3	159.9	+9.0%	481.9	448.8	+7.4%
Financial revenue and other, net	3.5	(1.6)	N/S	12.6	20.9	-39.7%
Earnings before income taxes	177.8	158.3	+12.3%	494.5	469.7	+5.3%
Income tax expense	(51.5)	(52.1)	-1.1%	(131.7)	(154.2)	-14.6%
Non-controlling interest	2.7	0.3	N/A	3.1	(1.0)	-
Net Income (to equity holders of the parent)	129.0	106.5	+21.1%	365.9	314.5	+16.4%
Diluted net income per share (EPS)	0.49	0.41	+19.5%	1.41	1.22	+15.6%
Average diluted shares (Million)	260.8	258.5		260.1	258.0	

IFRS P&L (%) (IAS18)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	<u>% of revenue</u>		<u>% of revenue</u>	
Software revenue	88.7%	89.0%	89.1%	88.8%
Licenses and Other software revenue	22.8%	23.3%	24.2%	24.2%
Subscription and Support revenue	65.9%	65.7%	65.0%	64.6%
Services revenue	11.3%	11.0%	10.9%	11.2%
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of Software revenue	4.7%	5.1%	4.8%	5.0%
Cost of Services revenue	10.5%	9.7%	10.2%	10.1%
Research and development	18.6%	18.7%	19.2%	19.3%
Marketing and sales	31.0%	30.9%	31.7%	32.4%
General and administrative	8.5%	8.1%	8.6%	7.9%
Amortization of acquired intangibles	5.3%	5.2%	5.2%	5.2%
Other operating income and expense, net	0.3%	1.1%	0.4%	0.8%
Total operating expenses	78.9%	78.7%	80.2%	80.6%
Operating income	21.1%	21.3%	19.8%	19.4%
Financial revenue and other, net	0.4%	-0.2%	0.5%	0.9%
Earnings before income taxes	21.5%	21.1%	20.3%	20.3%
Income tax rate (% of EBIT)	29.0%	32.9%	26.6%	32.8%
Non-controlling interest	0.3%	0.0%	0.1%	0.0%
Net Income (to equity holders of the parent)	15.6%	14.2%	15.0%	13.6%

Non-IFRS P&L (IAS18)

(In millions of €, except per share data)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	YoY	2018	2017	YoY
Software revenue	738.0	670.6	+10.0%	2,178.2	2,069.4	+5.3%
Licenses and Other software revenue	188.4	175.2	+7.6%	587.7	560.0	+4.9%
<i>o/w Other software revenue</i>	2.0	1.8	+8.5%	4.2	7.5	-43.8%
Subscription and Support revenue	549.5	495.4	+10.9%	1,590.4	1,509.4	+5.4%
Services revenue	93.7	82.3	+13.9%	264.9	259.8	+2.0%
Total revenue	831.7	752.9	+10.5%	2,443.1	2,329.2	+4.9%
Cost of Software revenue	(38.4)	(37.5)	+2.5%	(116.5)	(114.8)	+1.5%
Cost of Services revenue	(86.4)	(72.1)	+19.9%	(246.5)	(232.7)	+5.9%
Research and development	(141.8)	(128.1)	+10.7%	(432.7)	(411.0)	+5.3%
Marketing and sales	(248.1)	(221.2)	+12.2%	(750.0)	(721.4)	+4.0%
General and administrative	(60.3)	(53.3)	+13.1%	(178.8)	(164.1)	+8.9%
Total operating expenses	(575.1)	(512.2)	+12.3%	(1,724.5)	(1,644.0)	+4.9%
Operating income	256.6	240.7	+6.6%	718.6	685.2	+4.9%
Financial revenue and other, net	2.2	0.4	-	12.4	0.2	N/A
Earnings before income taxes	258.8	241.0	+7.4%	731.0	685.4	+6.7%
Income tax expense	(75.3)	(75.8)	-0.8%	(208.9)	(223.7)	-6.6%
Non-controlling interest	1.3	0.3	N/A	1.7	(1.0)	N/A
Net Income (to equity holders of the parent)	184.8	165.6	+11.6%	523.8	460.7	+13.7%
Diluted net income per share (EPS)	0.71	0.64	+10.9%	2.01	1.79	+12.3%
Average diluted shares (Million)	260.8	258.5		260.1	258.0	

Non-IFRS P&L (%) (IAS18)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Software revenue	88.7%	89.1%	89.2%	88.8%
Licenses and Other software revenue	22.7%	23.3%	24.1%	24.0%
o/w Other software revenue	0.2%	0.2%	0.2%	0.3%
Subscription and Support revenue	66.1%	65.8%	65.1%	64.8%
Services revenue	11.3%	10.9%	10.8%	11.2%
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of Software revenue	4.6%	5.0%	4.8%	4.9%
Cost of Services revenue	10.4%	9.6%	10.1%	10.0%
Research and development	17.0%	17.0%	17.7%	17.6%
Marketing and sales	29.8%	29.4%	30.7%	31.0%
General and administrative	7.3%	7.1%	7.3%	7.0%
Total operating expenses	69.1%	68.0%	70.6%	70.6%
Operating income	30.9%	32.0%	29.4%	29.4%
Financial revenue and other, net	0.3%	0.1%	0.5%	0.0%
Earnings before income taxes	31.1%	32.0%	29.9%	29.4%
Income tax rate (% of EBIT)	29.1%	31.4%	28.6%	32.6%
Non-controlling interest	0.2%	0.0%	0.1%	0.0%
Net Income (to equity holders of the parent)	<u>22.2%</u>	<u>22.0%</u>	<u>21.4%</u>	<u>19.8%</u>

IFRS – Non-IFRS Reconciliation QTD (IAS18)

Revenue and Gross Margin

	Three months ended September 30,						Increase (Decrease)	
	2018 IFRS	Adjustment	2018 Non-IFRS	2017 IFRS	Adjustment	2017 Non-IFRS	IFRS	Non-IFRS
(€ million, except % and per share data)								
Total Revenue	826.9	4.8	831.7	751.4	1.5	752.9	10.1%	10.5%
Total Revenue breakdown by activity								
Software revenue	733.7	4.3	738.0	669.1	1.5	670.6	9.7%	10.0%
<i>Licenses and Other software revenue</i>	188.4		188.4	175.2		175.2	7.6%	7.6%
<i>o/w Other software revenue</i>	2.0		2.0	1.8		1.8	8.5%	8.5%
<i>Subscription and Support revenue</i>	545.3	4.3	549.5	493.9	1.5	495.4	10.4%	10.9%
<i>Recurring portion of Software revenue</i>	74%		74%	74%		74%		
Services revenue	93.2	0.5	93.7	82.3		82.3	13.3%	13.9%
Total Revenue breakdown by product line								
CATIA SW revenue	245.3	1.2	246.5	230.3		230.3	6.5%	7.1%
ENOVIA SW revenue	81.8		81.8	77.6		77.6	5.4%	5.4%
SOLIDWORKS SW revenue	177.5		177.5	166.2		166.2	6.8%	6.8%
Other SW revenue	229.1	3.1	232.2	195.0	1.5	196.5	17.5%	18.1%
Services revenue	93.2	0.5	93.7	82.3		82.3	13.3%	13.9%
Total Revenue breakdown by geography								
Americas revenue	254.0	2.9	257.0	227.5	0.4	227.9	11.7%	12.8%
Europe revenue	342.4	1.6	344.0	316.3	1.0	317.3	8.3%	8.4%
Asia revenue	230.4	0.3	230.7	207.6	0.1	207.7	11.0%	11.1%
Gross Margin								
Cost of Software revenue	(39.0)	0.6	(38.4)	(38.0)	0.6	(37.5)	2.5%	2.5%
<i>Software Gross margin*</i>	94.7%		94.8%	94.3%		94.4%		
Cost of Services revenue	(87.2)	0.7	(86.4)	(72.7)	0.6	(72.1)	19.9%	19.9%
<i>Services Gross margin</i>	6.5%		7.8%	11.7%		12.4%		

* No amortization of acquired intangibles is included in Software Gross margin calculation

IFRS – Non-IFRS Reconciliation QTD (IAS18)

Expenses & Earnings

	Three months ended September 30,						Increase (Decrease)	
	2018 IFRS	Adjustment	2018 Non-IFRS	2017 IFRS	Adjustment	2017 Non-IFRS	IFRS	Non-IFRS
<i>(€ million, except % and per share data)</i>								
Total Operating Expenses	(652.6)	77.5	(575.1)	(591.5)	79.3	(512.2)	10.3%	12.3%
Share-based compensation expense	(31.5)	31.5	-	(31.7)	31.7	-		
Amortization of acquired intangibles	(43.8)	43.8	-	(39.1)	39.1	-		
Other operating income and expense, net	(2.2)	2.2	-	(8.5)	8.5	-		
Operating Income	174.3	82.3	256.6	159.9	80.8	240.7	9.0%	6.6%
Operating Margin	21.1%		30.9%	21.3%		32.0%		
Financial revenue & other, net	3.5	(1.3)	2.2	(1.6)	1.9	0.4	-	-
Income tax expense	(51.5)	(23.7)	(75.3)	(52.1)	(23.8)	(75.8)	-1.1%	-0.8%
Non-controlling interest	2.7	(1.4)	1.3	0.3		0.3	N/A	N/A
Net Income attributable to shareholders	129.0	55.8	184.8	106.5	59.1	165.6	21.1%	11.6%
Diluted net income per share, in EUR	0.49	0.22	0.71	0.41	0.23	0.64	19.5%	10.9%

	Three months ended September 30,					
	2018 IFRS	Adjust.	2018 Non-IFRS	2017 IFRS	Adjust.	2017 Non-IFRS
<i>(€ million)</i>						
Cost of revenue	(126.2)	1.3	(124.9)	(110.8)	1.2	(109.6)
Research and development	(153.8)	12.0	(141.8)	(140.6)	12.4	(128.1)
Marketing and sales	(256.5)	8.4	(248.1)	(232.1)	10.9	(221.2)
General and administrative	(70.1)	9.7	(60.3)	(60.5)	7.2	(53.3)
Total Share-based compensation expense		31.5			31.7	

IFRS – Non-IFRS Reconciliation YTD (IAS18)

Revenue and Gross Margin

	Nine months ended September 30,						Increase (Decrease)	
	2018 IFRS	Adjustment	2018 Non-IFRS	2017 IFRS	Adjustment	2017 Non-IFRS	IFRS	Non-IFRS
(€ million, except % and per share data)								
Total Revenue	2,433.5	9.6	2,443.1	2,317.6	11.6	2,329.2	5.0%	4.9%
Total Revenue breakdown by activity								
Software revenue	2,169.1	9.1	2,178.2	2,057.8	11.6	2,069.4	5.4%	5.3%
<i>Licenses and Other software revenue</i>	587.7		587.7	560.0		560.0	4.9%	4.9%
<i>o/w Other software revenue</i>	4.2		4.2	7.5		7.5	-43.8%	-43.8%
<i>Subscription and Support revenue</i>	1,581.3	9.1	1,590.4	1,497.8	11.6	1,509.4	5.6%	5.4%
<i>Recurring portion of Software revenue</i>	73%		73%	73%		73%		
Services revenue	264.4	0.5	264.9	259.8		259.8	1.8%	2.0%
Total Revenue breakdown by product line								
CATIA SW revenue	736.7	1.7	738.4	716.4		716.4	2.8%	3.1%
ENOVIA SW revenue	242.5		242.5	235.7		235.7	2.9%	2.9%
SOLIDWORKS SW revenue	537.8		537.8	517.1		517.1	4.0%	4.0%
Other SW revenue	652.1	7.5	659.5	588.6	11.6	600.2	10.8%	9.9%
Services revenue	264.4	0.5	264.9	259.8		259.8	1.8%	2.0%
Total Revenue breakdown by geography								
Americas revenue	728.8	5.7	734.5	718.2	3.5	721.7	1.5%	1.8%
Europe revenue	1,021.6	2.1	1,023.7	970.2	7.3	977.5	5.3%	4.7%
Asia revenue	683.1	1.8	684.9	629.2	0.8	630.0	8.6%	8.7%
Gross Margin								
Cost of Software revenue	(118.0)	1.5	(116.5)	(116.4)	1.6	(114.8)	1.4%	1.5%
<i>Software Gross margin*</i>	94.6%		94.6%	94.3%		94.5%		
Cost of Services revenue	(248.4)	1.9	(246.5)	(234.5)	1.8	(232.7)	5.9%	5.9%
<i>Services Gross margin</i>	6.1%		7.0%	9.7%		10.4%		

* No amortization of acquired intangibles is included in Software Gross margin calculation

IFRS – Non-IFRS Reconciliation YTD (IAS18)

Expenses & Earnings

	Nine months ended September 30,						Increase (Decrease)	
	2018 IFRS	Adjustment	2018 Non-IFRS	2017 IFRS	Adjustment	2017 Non-IFRS	IFRS	Non-IFRS
<i>(€ million, except % and per share data)</i>								
Total Operating Expenses	(1,951.6)	227.0	(1,724.5)	(1,868.8)	224.8	(1,644.0)	4.4%	4.9%
Share-based compensation expense	(91.6)	91.6	-	(86.1)	86.1	-		
Amortization of acquired intangibles	(126.3)	126.3	-	(119.6)	119.6	-		
Other operating income and expense, net	(9.1)	9.1	-	(19.1)	19.1	-		
Operating Income	481.9	236.7	718.6	448.8	236.4	685.2	7.4%	4.9%
Operating Margin	19.8%		29.4%	19.4%		29.4%		
Financial revenue & other, net	12.6	(0.2)	12.4	20.9	(20.7)	0.2	-39.7%	N/A
Income tax expense	(131.7)	(77.2)	(208.9)	(154.2)	(69.5)	(223.7)	-14.6%	-6.6%
Non-controlling interest	3.1	(1.4)	1.7	(1.0)		(1.0)	-	-
Net Income attributable to shareholders	365.9	157.9	523.8	314.5	146.2	460.7	16.4%	13.7%
Diluted net income per share, in EUR	1.41	0.60	2.01	1.22	0.57	1.79	15.6%	12.3%

	Nine months ended September 30,					
	2018 IFRS	Adjust.	2018 Non-IFRS	2017 IFRS	Adjust.	2017 Non-IFRS
<i>(€ million)</i>						
Cost of revenue	(366.4)	3.4	(363.0)	(350.9)	3.4	(347.5)
Research and development	(467.8)	35.1	(432.7)	(446.5)	35.5	(411.0)
Marketing and sales	(772.3)	22.3	(750.0)	(750.4)	29.0	(721.4)
General and administrative	(209.6)	30.9	(178.8)	(182.3)	18.2	(164.1)
Total Share-based compensation expense		91.6			86.1	

Exchange Rate evolution

From assumptions to actual data

Breakdown of P&L by currency for YTD 18		
	Revenue	Operating Expenses
USD	36.0%	32.8%
JPY	12.4%	5.0%

Average Exchange rates				
		2017	2018	% change
QTD	EUR/USD	1.17	1.16	-1%
	EUR/JPY	130.3	129.6	-1%
YTD	EUR/USD	1.11	1.19	+7%
	EUR/JPY	124.7	130.9	+5%



Comparing 3Q18 with mid-range Objectives (IAS18)

Non-IFRS

	Revenue	Operating Expenses	Operating Profit	Operating Margin
3Q18 Guidances mid-range	815.0	(574.6)	240.4	29.5%
Growth YoY	+8.3%	+12.2%	-0.1%	-2.5pt
USD impact	10.1	(6.0)	4.1	+0.1pt
JPY impact including hedging	2.3	(1.2)	1.1	+0.0pt
Other currencies and other hedging impact	(0.5)	2.1	1.6	+0.2pt
Total FX	11.9	(5.1)	6.8	+0.4pt
Activity / Cost Control / Other	4.8	4.6	9.4	+1.0pt
Delta: Reported vs guidances	16.7	(0.5)	16.2	+1.4pt
3Q18 Reported	831.7	(575.1)	256.6	30.9%
Growth YoY	+10.5%	+12.3%	+6.6%	-1.1pt
3Q17 Reported	752.9	(512.2)	240.7	32.0%

Estimated FX impact on 3Q18 Op. Results (IAS18)

Non-IFRS

€ millions QTD	Total Revenue	Operating Expenses	Operating Income	Operating Margin
3Q18 Reported	831.7	(575.1)	256.6	30.9%
3Q17 Reported	752.9	(512.2)	240.7	32.0%
<i>Growth as reported</i>	+10.5%	+12.3%	+6.6%	-1.1 pt
Impact of Actual Currency Rates				
USD impact	6.8	(3.7)	3.1	
JPY impact including hedging	1.2	(0.3)	0.9	
Other currencies and other hedging impact	(3.5)	2.5	(1.0)	
Total FX Impact adjustment	4.5	(1.5)	3.0	
3Q17 ex FX	757.4	(513.7)	243.7	32.2%
<i>Growth exFX</i>	+10%	+12%	+5%	-1.3 pt

Estimated FX impact on YTD18 Op. Results (IAS18)

Non-IFRS

€ millions YTD	Total Revenue	Operating Expenses	Operating Income	Operating Margin
YTD2018 Reported	2,443.1	(1,724.5)	718.6	29.4%
YTD2017 Reported	2,329.2	(1,644.0)	685.2	29.4%
<i>Growth as reported</i>	+4.9%	+4.9%	+4.9%	+0.0 pt
Impact of Actual Currency Rates				
USD impact	(60.5)	36.9	(23.6)	
JPY impact including hedging	(10.1)	4.2	(5.9)	
Other currencies and other hedging impact	(17.8)	13.8	(4.0)	
Total FX Impact adjustment	(88.4)	54.9	(33.5)	
YTD2017 ex FX	2,240.8	(1,589.1)	651.7	29.1%
<i>Growth exFX</i>	+9%	+9%	+10%	+0.3 pt

Consolidated Statement of Cash Flows (IAS 18)

(in millions of €)	3Q18	3Q17	Variation	3Q18 YTD	3Q17 YTD	Variation
Net income attributable to equity holders of the parent	129.0	106.5	22.5	365.9	314.5	51.4
Non-controlling interest	-2.7	-0.3	-2.4	-3.1	1.0	-4.1
Net income	126.3	106.2	20.1	362.8	315.5	47.3
Depreciation of property & equipment	14.3	13.9	0.4	42.5	36.8	5.7
Amortization of intangible assets	45.9	40.9	5.0	132.9	125.5	7.4
Other non-cash P&L items	12.7	27.1	-14.4	45.8	37.5	8.3
Changes in working capital	-98.1	-108.7	10.6	162.6	156.5	6.1
Net Cash Provided by (Used in) Operating Activities (I)	101.1	79.4	21.7	746.6	671.8	74.8
Additions to property, equipment and intangibles	-16.9	-17.7	0.8	-48.2	-63.5	15.3
Payment for acquisition of businesses, net of cash acquired	-195.7	-2.8	-192.9	-247.3	-10.8	-236.5
Sale (Purchase) of short-term investments, net	0.0	-0.1	0.1	0.7	3.6	-2.9
Investments, loans and others	0.2	0.8	-0.6	-1.3	7.2	-8.5
Net Cash Provided by (Used in) Investing Activities (II)	-212.4	-19.8	-192.6	-296.1	-63.5	-232.6
Acquisition of non-controlling interests	-75.3	-23.4	-51.9	-101.5	-37.5	-64.0
Repayment of short term and long term debt	-14.9	-	-14.9	-14.9	-	-14.9
(Purchase) Sale of treasury stock	-111.6	-19.2	-92.4	-113.9	-64.0	-49.9
Proceeds from exercise of stock-options	15.5	12.0	3.5	59.2	33.8	25.4
Cash dividend paid	-	-	-	-38.0	-51.3	13.3
Net Cash Provided by (Used in) Financing Activities (III)	-186.3	-30.6	-155.7	-209.1	-119.0	-90.1
Effect of exchange rate changes on cash and cash equivalents (IV)	0.2	-56.3	56.5	45.0	-184.1	229.1
Increase (Decrease) in Cash (V) = (I)+(II)+(III)+(IV)	-297.4	-27.3	-270.1	286.4	305.2	-18.8
Cash and cash equivalents at Beginning of Period	3 043.2	2 769.2		2 459.4	2 436.7	
Cash and cash equivalents at End of Period	2 745.8	2 741.9		2 745.8	2 741.9	
Cash and cash equivalents variation	-297.4	-27.3		286.4	305.2	

Balance Sheet (IAS18)

IFRS

(in millions of €)	End of Sep-18	End of Jun-18	Variation Sep-18 / Jun-18	End of Dec-17	Variation Sep-18 / Dec-17
Cash and cash equivalents	2,745.8	3,043.2	-297.4	2,459.4	+286.4
Short-term investments	0.5	0.5	0.0	1.3	-0.8
Accounts receivable, net	634.9	695.5	-60.6	895.9	-261.0
Other current assets	286.5	273.1	+13.4	242.9	+43.6
Total current assets	3,667.7	4,012.3	-344.6	3,599.5	+68.2
Property and equipment, net	169.6	169.1	+0.5	169.0	+0.6
Goodwill and Intangible assets, net	3,314.6	3,023.6	+291.0	2,990.1	+324.5
Other non current assets	316.9	292.6	+24.3	271.2	+45.7
Total Assets	7,468.8	7,497.5	-28.7	7,029.8	+439.0
Accounts payable	139.3	132.7	+6.6	149.3	-10.0
Unearned revenue	894.9	1,016.0	-121.1	876.4	+18.5
Short-term debt	350.0	-	+350.0	-	+350.0
Other current liabilities	443.4	482.4	-39.0	501.7	-58.3
Total current liabilities	1,827.6	1,631.1	+196.5	1,527.4	+300.2
Long-term debt	650.0	1,000.0	-350.0	1,000.0	-350.0
Other non current obligations	615.6	494.6	+121.0	506.3	+109.3
Total long-term liabilities	1,265.6	1,494.6	-229.0	1,506.3	-240.7
Non-controlling interest	58.4	1.5	+56.9	1.9	+56.5
Parent Shareholders' equity	4,317.2	4,370.4	-53.2	3,994.2	+323.0
Total Liabilities and Shareholders' Equity	7,468.8	7,497.5	-28.9	7,029.8	+439.0

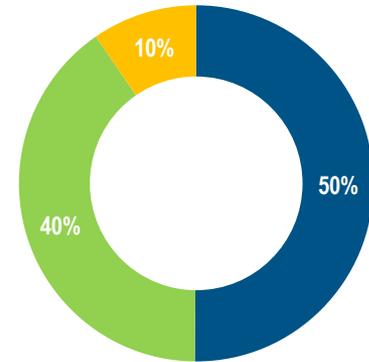
Trade Accounts Receivable | DSO (IAS 18)



Headcount by destination

At Closing - TOTAL							
	<u>3Q18</u>	<u>3Q17</u>	<u>% growth</u>	<u>4Q17</u>	<u>% growth</u>	<u>2Q18</u>	<u>% growth</u>
M&S + COR Ser	8 381	7 663	+9%	7 992	+5%	7 928	+6%
R&D + COR SW	6 738	6 459	+4%	6 669	+1%	6 696	+1%
G&A	1 603	1 440	+11%	1 478	+8%	1 597	+0%
Total	16 721	15 562	+7%	16 140	+4%	16 220	+3%

Closing H/C - September 2018



■ M&S + COR Ser ■ R&D + COR SW ■ G&A

IFRS 2018 Objectives (IAS 18)

Accounting elements not included in the non-IFRS 2018 Objectives

- ▶ FY 2018 estimated **deferred revenue** write-down of **~€14m**
- ▶ FY 2018 estimated **share-based compensation** expenses, including related social charges: **~129m**
- ▶ FY 2018 estimated **amortization of acquired intangibles**: **~€171m**
- ▶ The non-IFRS 2018 objectives do not include any impact from other operating income and expense, net principally comprised of acquisition, integration and restructuring expenses, and from one-time items included in financial revenue and one-time tax restructuring gains and losses
- ▶ These estimates do not include any new stock option or share grants, or any new acquisitions or restructurings completed after October 24, 2018.

Table of Content

▶ IAS 18

▶ **Reconciliation of IFRS 15 & IAS 18**

▶ IFRS 15

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Summary of Principal Differences of IFRS15 Compared to IAS 18

The Company has adopted IFRS 15 as of 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.

The main differences between IFRS15 and IAS18 standards are described below:

Recurring software: Recurring software is comprised of subscription and support revenue. IFRS 15 has an impact on the timing of the quarterly recognition of subscription revenue but on a full year basis there is essentially no difference between IFRS 15 and IAS 18 for subscription contracts of one year in length. For the 2018 third quarter, recurring software revenue was €523.2 million under IFRS 15 and was €22.1 million less than the prior IAS 18 standard. Previously, under IAS 18, we showed a ratable quarterly amount based upon the annual contract level of our on-premise subscription software. Under IFRS 15, for new contracts entered into or for contracts renewing, we have assigned an upfront value as required which is recognized in the first quarter of the contract, and the remainder which is recognized ratably during the four quarters. We continue to report both of these amounts within recurring revenue, specifically as subscription revenue (previously called periodic revenue).

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

One-time permanent difference: The implementation of IFRS 15 on January 1, 2018 resulted in a one-time permanent difference between IFRS 15 and IAS 18, where the deferred portion of rental agreements concluded in prior years will not be recognized into revenue. As a result, the corresponding amount of €80 million, net of taxes was recorded in stockholders' equity as of January 1, 2018.

Contract liabilities / Unearned revenue: At September 30, 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 €110 million, reflecting (i) the one-time permanent difference of €94 million, and (ii) the higher amount of revenue recognized in 2018 under IFRS 15 compared to IAS 18 in the amount of €17 million.

Contract Assets: Under IFRS 15, 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. Contract assets amounted to €32 million as at January 1st, 2018 (1st application impact) and to €38 million as at September 30, 2018.

IFRS15 – IAS18

Non GAAP

Reconciliation

In millions of Euros, except per share data and percentages

	2018 Non-IFRS			2018 Non-IFRS		
	QTD IFRS15	Difference	QTD IAS18	YTD IFRS15	Difference	YTD IAS18
Total Revenue	809.2	22.4	831.7	2,460.5	(17.4)	2,443.1
Total Revenue breakdown by activity						
Software revenue	715.5	22.4	738.0	2,195.6	(17.4)	2,178.2
Licenses and Other software revenue	188.1	0.4	188.4	584.7	3.1	587.7
Subscription and Support revenue	527.5	22.1	549.5	1,610.9	(20.4)	1,590.4
<i>Recurring portion of Software revenue</i>	<i>74%</i>		<i>74%</i>	<i>73%</i>		<i>73%</i>
Services revenue	93.7	-	93.7	264.9	-	264.9
Total Software Revenue breakdown by product line						
CATIA software revenue	241.4	5.1	246.5	742.4	(4.1)	738.4
ENOVIA software revenue	80.6	1.2	81.8	242.6	(0.1)	242.5
SOLIDWORKS software revenue	177.5	(0.0)	177.5	533.2	4.5	537.8
Other software revenue	215.9	16.3	232.2	677.3	(17.8)	659.5
Total Revenue breakdown by geography						
Americas	243.9	13.1	257.0	721.9	12.6	734.5
Europe	334.9	9.1	344.0	1,043.6	(19.9)	1,023.7
Asia	230.5	0.2	230.7	695.0	(10.1)	684.9
Total Operating Expenses	(575.1)		(575.1)	(1,724.5)		(1,724.5)
Share-based compensation expense	-	-	-	-	-	-
Amortization of acquired intangibles	-	-	-	-	-	-
Other operating income and expense, net	-	-	-	-	-	-
Operating Income	234.2	22.4	256.6	736.0	(17.4)	718.6
Operating Margin	28.9%	+1.9pts	30.9%	29.9%	-0.5pts	29.4%
Financial revenue & other, net	2.2	-	2.2	12.4	-	12.4
Income tax expense	(68.9)	(6.4)	(75.3)	(213.8)	4.9	(208.9)
Non-controlling interest	1.3	-	1.3	1.7	-	1.7
Net Income attributable to shareholders	168.7	16.1	184.8	536.3	(12.5)	523.8
Diluted Net Income Per Share	0.65	0.06	0.71	2.06	(0.05)	2.01

In millions of Euros

	2018 Non-IFRS			2018 Non-IFRS		
	QTD IFRS15	Difference	QTD IAS18	YTD IFRS15	Difference	YTD IAS18
Cost of revenue	(124.9)		(124.9)	(363.0)		(363.0)
Research and development	(141.8)		(141.8)	(432.7)		(432.7)
Marketing and sales	(248.1)		(248.1)	(750.0)		(750.0)
General and administrative	(60.3)		(60.3)	(178.8)		(178.8)
Total share-based compensation expense						

Balance Sheet IFRS15 / IAS 18 Reconciliation

IFRS

(in millions of€)	IFRS15	Difference	IAS 18
Cash and cash equivalents	2,745.8	0.0	2,745.8
Short-term investments	0.5	0.0	0.5
Accounts receivable, net	616.3	+18.6	634.9
Contract assets	38.3	-38.3	-
Other current assets	266.0	+20.5	286.5
Total current assets	3,666.9	+0.8	3,667.7
Property and equipment, net	169.6	0.0	169.6
Goodwill and Intangible assets, net	3,314.6	0.0	3,314.6
Other non current assets	308.6	+8.3	316.9
Total Assets	7,459.8	+9.0	7,468.8
Accounts payable	139.3	0.0	139.3
Contract liabilities - Unearned revenue	785.3	+109.6	894.9
Short-term debt	350.0	0.0	350.0
Other current liabilities	443.4	0.0	443.4
Total current liabilities	1,718.0	+109.6	1,827.6
Long-term debt	650.0	0.0	650.0
Other non current obligations	621.4	-5.8	615.6
Total long-term liabilities	1,271.4	-5.8	1,265.6
Non-controlling interest	58.4	0.0	58.4
Parent Shareholders' equity	4,412.0	-94.8	4,317.2
Total Liabilities and Shareholders' Equity	7,459.8	+9.0	7,468.8

- ▶ **Difference in Accounts receivable, net: +€19m** , of which mainly:
 - +€38m from Contract assets;
 - €(16)m upfront licenses.

- ▶ **Difference in Contract assets: (38)m**, of which:
 - €(32)m opening adjustment;
 - €(6)m variation in 2018.

- ▶ **Difference in Deferred revenue: +110m**, of which mainly:
 - +€94m opening adjustment;
 - +€17m Q3 2018 YTD P&L.

- ▶ **Difference in Tax: €(35)m**, of which:
 - €(20)m in Other current assets;
 - €(8)m in Other non-current assets;
 - €(6)m in Other non-current liabilities.

Table of Content

▶ IAS 18

▶ Reconciliation of IFRS 15 & IAS 18

▶ **IFRS 15**

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

IFRS – Non-IFRS Reconciliation QTD (IFRS15)

Revenue and Gross Margin

	Three months ended September 30,		
	2018 IFRS	Adjustment	2018 Non-IFRS
(€ million, except % and per share data)			
Total Revenue	804.5	4.8	809.2
Total Revenue breakdown by activity			
Software revenue	711.2	4.3	715.5
<i>Licenses and Other software revenue</i>	188.1		188.1
<i>Subscription and Support revenue</i>	523.2	4.3	527.5
<i>Recurring portion of Software revenue</i>	74%		74%
Services revenue	93.2	0.5	93.7
Total Revenue breakdown by product line			
CATIA SW revenue	240.2	1.2	241.4
ENOVIA SW revenue	80.8		80.8
SOLIDWORKS SW revenue	177.5		177.5
Other SW revenue	212.7	3.0	215.9
Services revenue	93.2	0.5	93.7
Total Revenue breakdown by geography			
Americas revenue	241.0	2.9	243.9
Europe revenue	333.3	1.6	334.9
Asia revenue	230.2	0.3	230.5
Gross Margin			
Cost of Software revenue	(39.0)	0.6	(38.4)
<i>Software Gross margin*</i>	94.5%		94.6%
Cost of Services revenue	(87.2)	0.7	(86.4)
<i>Services Gross margin</i>	6.5%		7.8%

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

* No amortization of acquired intangibles is included in Software Gross margin calculation

IFRS – Non-IFRS Reconciliation QTD (IFRS15)

Expenses & Earnings

	Three months ended September 30,		
	2018 IFRS	Adjustment	2018 Non-IFRS
<i>(€ million, except % and per share data)</i>			
Total Operating Expenses	(652.6)	77.5	(575.1)
Share-based compensation expense	(31.5)	31.5	-
Amortization of acquired intangibles	(43.8)	43.8	-
Other operating income and expense, net	(2.2)	2.2	-
Operating Income	151.9	82.3	234.2
Operating Margin	18.9%		28.9%
Financial revenue & other, net	3.5	(1.3)	2.2
Income tax expense	(45.1)	(23.7)	(68.9)
Non-controlling interest	2.7	(1.4)	1.3
Net Income attributable to shareholders	112.9	55.8	168.7
Diluted net income per share, in EUR	0.43	0.22	0.65

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

	Three months ended September 30,		
	2018 IFRS	Adjust.	2018 Non-IFRS
<i>(€ million)</i>			
Cost of revenue	(126.2)	1.3	(124.9)
Research and development	(153.8)	12.0	(141.8)
Marketing and sales	(256.5)	8.4	(248.1)
General and administrative	(70.1)	9.7	(60.3)
Total Share-based compensation expense		31.5	

IFRS – Non-IFRS Reconciliation YTD (IFRS15)

Revenue and Gross Margin

	Nine months ended September 30,		
	2018 IFRS	Adjustment	2018 Non-IFRS
(€ million, except % and per share data)			
Total Revenue	2,450.9	9.6	2,460.5
Total Revenue breakdown by activity			
Software revenue	2,186.4	9.1	2,195.6
<i>Licenses and Other software revenue</i>	584.7		584.7
<i>Subscription and Support revenue</i>	1,601.8	9.1	1,610.9
<i>Recurring portion of Software revenue</i>	73%		73%
Services revenue	264.4	0.5	264.9
Total Revenue breakdown by product line			
CATIA SW revenue	740.8	1.7	742.4
ENOVIA SW revenue	242.6		242.6
SOLIDWORKS SW revenue	533.2		533.2
Other SW revenue	669.8	7.5	677.3
Services revenue	264.4	0.5	264.9
Total Revenue breakdown by geography			
Americas revenue	716.2	5.7	721.9
Europe revenue	1,041.5	2.1	1,043.6
Asia revenue	693.2	1.8	695.0
Gross Margin			
Cost of Software revenue	(118.0)	1.5	(116.5)
<i>Software Gross margin*</i>	94.6%		94.7%
Cost of Services revenue	(248.4)	1.9	(246.5)
<i>Services Gross margin</i>	6.1%		7.0%

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

* No amortization of acquired intangibles is included in Software Gross margin calculation

IFRS – Non-IFRS Reconciliation YTD (IFRS15)

Expenses & Earnings

	Nine months ended September 30,		
	2018 IFRS	Adjustment	2018 Non-IFRS
<i>(€ million, except % and per share data)</i>			
Total Operating Expenses	(1,951.6)	227.0	(1,724.5)
Share-based compensation expense	(91.6)	91.6	-
Amortization of acquired intangibles	(126.3)	126.3	-
Other operating income and expense, net	(9.1)	9.1	-
Operating Income	499.3	236.7	736.0
Operating Margin	20.4%		29.9%
Financial revenue & other, net	12.6	(0.2)	12.4
Income tax expense	(136.6)	(77.2)	(213.8)
Non-controlling interest	3.1	(1.4)	1.7
Net Income attributable to shareholders	378.4	157.9	536.3
Diluted net income per share, in EUR	1.45	0.61	2.06

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

	Nine months ended September 30,		
	2018 IFRS	Adjust.	2018 Non-IFRS
<i>(€ million)</i>			
Cost of revenue	(366.4)	3.4	(363.0)
Research and development	(467.8)	35.1	(432.7)
Marketing and sales	(772.3)	22.3	(750.0)
General and administrative	(209.6)	30.9	(178.8)
Total Share-based compensation expense		91.6	

IFRS - Non-IFRS P&L QTD (IFRS15)

(In millions of €, except per share data)	Three months ended September 30,		
	2018 IFRS	Adjustment	2018 Non-IFRS
Software revenue	711.2	4.3	715.5
Licenses and Other software revenue	188.1		188.1
Subscription and Support revenue	523.2	4.3	527.5
Services revenue	93.2	0.5	93.7
Total revenue	804.5	4.8	809.2
Cost of Software revenue	(39.0)	0.6	(38.4)
Cost of Services revenue	(87.2)	0.7	(86.4)
Research and development	(153.8)	12.0	(141.8)
Marketing and sales	(256.5)	8.4	(248.1)
General and administrative	(70.1)	9.7	(60.3)
Amortization of acquired intangibles	(43.8)	43.8	-
Other operating income and expense, net	(2.2)	2.2	-
Total operating expenses	(652.6)	77.5	(575.1)
Operating income	151.9	82.3	234.2
Financial revenue and other, net	3.5	(1.3)	2.2
Income tax expense	(45.1)	(23.7)	(68.9)
Non-controlling interest	2.7	(1.4)	1.3
Net Income (to equity holders of the parent)	112.9	55.8	168.7
Diluted net income per share (EPS)	0.43	0.21	0.65
Average diluted shares (Million)	260.8		260.8

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

IFRS - Non-IFRS P&L YTD (IFRS15)

(In millions of €, except per share data)	Nine months ended September 30,		
	2018 IFRS	Adjustment	2018 Non-IFRS
Software revenue	2,186.4	9.1	2,195.6
Licenses and Other software revenue	584.7		584.7
Subscription and Support revenue	1,601.8	9.1	1,610.9
Services revenue	264.4	0.5	264.9
Total revenue	2,450.9	9.6	2,460.5
Cost of Software revenue	(118.0)	1.5	(116.5)
Cost of Services revenue	(248.4)	1.9	(246.5)
Research and development	(467.8)	35.1	(432.7)
Marketing and sales	(772.3)	22.3	(750.0)
General and administrative	(209.6)	30.9	(178.8)
Amortization of acquired intangibles	(126.3)	126.3	-
Other operating income and expense, net	(9.1)	9.1	-
Total operating expenses	(1,951.6)	227.0	(1,724.5)
Operating income	499.3	236.7	736.0
Financial revenue and other, net	12.6	(0.2)	12.4
Income tax expense	(136.6)	(77.2)	(213.8)
Non-controlling interest	3.1	(1.4)	1.7
Net Income (to equity holders of the parent)	378.4	157.9	536.3
Diluted net income per share (EPS)	1.45	0.61	2.06
Average diluted shares (Million)	260.1		260.1

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

IFRS - Non-IFRS P&L (%) (IFRS15)

	IFRS QTD	NON-IFRS QTD	IFRS YTD	NON-IFRS YTD
	2018		2018	
	% of revenue		% of revenue	
Software revenue	88.4%	88.4%	89.2%	89.2%
Licenses and Other software revenue	23.4%	23.2%	23.9%	23.8%
Subscription and Support revenue	65.0%	65.2%	65.4%	65.5%
Services revenue	11.6%	11.6%	10.8%	10.8%
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of Software revenue	4.8%	4.7%	4.8%	4.7%
Cost of Services revenue	10.8%	10.7%	10.1%	10.0%
Research and development	19.1%	17.5%	19.1%	17.6%
Marketing and sales	31.9%	30.7%	31.5%	30.5%
General and administrative	8.7%	7.5%	8.6%	7.3%
Amortization of acquired intangibles	5.4%	0.0%	5.2%	0.0%
Other operating income and expense, net	0.3%	0.0%	0.4%	0.0%
Total operating expenses	81.1%	71.1%	79.6%	70.1%
Operating income	18.9%	28.9%	20.4%	29.9%
Financial revenue and other, net	0.4%	0.3%	0.5%	0.5%
Income tax rate (% of EBIT)	29.1%	29.1%	26.7%	28.6%
Non-controlling interest	0.3%	0.2%	0.1%	0.1%
Net Income (to equity holders of the parent)	<u>14.0%</u>	<u>20.9%</u>	<u>15.4%</u>	<u>21.8%</u>

As set forth in DS-17Q4 Earnings Presentation, prior year financial data could not be restated in IFRS15 due to the transition methodology used. Therefore, there is no available comparison with Q3 2017 figures under IFRS15.

Balance Sheet (IFRS15)

IFRS

(in millions of €)	End of Sep-18	End of Jun-18	Variation Sep-18 / Jun-18
Cash and cash equivalents	2,745.8	3,043.2	-297.4
Short-term investments	0.5	0.5	0.0
Accounts receivable, net	616.3	677.2	-60.9
Contract assets	38.3	36.3	+2.0
Other current assets	266.0	273.1	-7.1
Total current assets	3,666.9	4,030.3	-363.4
Property and equipment, net	169.6	169.1	0.5
Goodwill and Intangible assets, net	3,314.6	3,023.6	+291.0
Other non current assets	308.6	284.2	+24.4
Total Assets	7,459.8	7,507.2	-47.4
Accounts payable	139.3	132.7	+6.6
Contract liabilities	785.3	882.3	-97.0
Short-term debt	350.0	-	+350.0
Other current liabilities	443.4	509.3	-65.9
Total current liabilities	1,718.0	1,524.3	+193.7
Long-term debt	650.0	1,000.0	-350.0
Other non current obligations	621.4	500.3	+121.1
Total long-term liabilities	1,271.4	1,500.3	-228.9
Non-controlling interest	58.4	1.5	+56.9
Parent Shareholders' equity	4,412.0	4,481.1	-69.1
Total Liabilities and Shareholders' Equity	7,459.8	7,507.2	-47.4

Consolidated Statement of Cash Flows (IFRS 15)

(in millions of €)	3Q18	3Q17	Variation	3Q18 YTD	3Q17 YTD	Variation
Net income attributable to equity holders of the parent	112.9	106.5	6.4	378.4	314.5	63.9
Non-controlling interest	-2.7	-0.3	-2.4	-3.1	1.0	-4.1
Net income	110.2	106.2	4.0	375.3	315.5	59.8
Depreciation of property & equipment	14.3	13.9	0.4	42.5	36.8	5.7
Amorization of intangible assets	45.9	40.9	5.0	132.9	125.5	7.4
Other non-cash P&L items	12.7	27.1	-14.4	45.8	37.5	8.3
Changes in working capital	-82.0	-108.7	26.7	150.1	156.5	-6.4
Net Cash Provided by (Used in) Operating Activities (I)	101.1	79.4	21.7	746.6	671.8	74.8
Additions to property, equipment and intangibles	-16.9	-17.7	0.8	-48.2	-63.5	15.3
Payment for acquisition of businesses, net of cash acquired	-195.7	-2.8	-192.9	-247.3	-10.8	-236.5
Sale (Purchase) of short-term investments, net	0.0	-0.1	0.1	0.7	3.6	-2.9
Investments, loans and others	0.2	0.8	-0.6	-1.3	7.2	-8.5
Net Cash Provided by (Used in) Investing Activities (II)	-212.4	-19.8	-192.6	-296.1	-63.5	-232.6
Acquisition of non-controlling interests	-75.3	-23.4	-51.9	-101.5	-37.5	-64.0
Repayment of short term and long term debt	-14.9	-	-14.9	-14.9	-	-14.9
(Purchase) Sale of treasury stock	-111.6	-19.2	-92.4	-113.9	-64.0	-49.9
Proceeds from exercise of stock-options	15.5	12.0	3.5	59.2	33.8	25.4
Cash dividend paid	-	-	-	-38.0	-51.3	13.3
Net Cash Provided by (Used in) Financing Activities (III)	-186.3	-30.6	-155.7	-209.1	-119.0	-90.1
Effect of exchange rate changes on cash and cash equivalents (IV)	0.2	-56.3	56.5	45.0	-184.1	229.1
Increase (Decrease) in Cash (V) = (I)+(II)+(III)+(IV)	-297.4	-27.3	-270.1	286.4	305.2	-18.8
Cash and cash equivalents at Beginning of Period	3 043.2	2 769.2		2 459.4	2 436.7	
Cash and cash equivalents at End of Period	2 745.8	2 741.9		2 745.8	2 741.9	
Cash and cash equivalents variation	-297.4	-27.3		286.4	305.2	

