HALF-YEAR FINANCIAL REPORT JUNE 30, 2019

European company

Share capital: 131,463,984 euros

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

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This document is comprised of the English language translation of Dassault Systèmes' Half Year Report, which was filed with the AMF (French Financial Markets Authority) on July 26, 2019 in accordance with Article L.451-1-2 III of the French Monetary and Financial Code.

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

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1 RESPONSIBILITY

1.1 Person Responsible for the Half Year Financial Report

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

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

Vélizy-Villacoublay, July 24, 2019

“I hereby declare that, to the best of my knowledge, the 2019 half-year condensed financial statements have been prepared in accordance with the applicable generally accepted accounting standards and provide a true and fair view of the Company’s financial position and results of operations and those of all companies included within the scope of consolidation, and that the half year activity report reflects a true view of important events which occurred during the first six months of the year and of their impact on the half year financial statements, of the principal transactions between related parties, as well as the main risks and uncertainties for the remaining six months of the year.”

Bernard Charlès

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

2 HALF YEAR ACTIVITY REPORT

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

2.1 Profile of Dassault Systèmes, the 3DEXPERIENCE Company

Dassault Systèmes, the “**3D**EXPERIENCE Company”, is a global leader in sustainable innovation. Since 1981, 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 provides a digital experience platform that allows customers to create innovative 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.

Dassault Systèmes is a science-based, innovation-driven, business-minded and long-term oriented company. The Group’s 17,600 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.

2.2 Risk Factors

The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2019 are presented in Section 1.7 “Risk Factors” of the Company’s 2018 *Document de référence* filed with the *Autorité des marchés financiers* (“AMF”, the French Financial Markets Authority) on March 26, 2019 (the *Document de reference*), it being specified that certain information relating to foreign currency and interest rate risks mentioned in said *Document de référence* are updated in Note 15 of the Company’s Condensed consolidated financial statements for the half-year ended June 30, 2019 under Chapter 3 of this Half Year Report.

2.3 Financial Review and Prospects

The executive overview in paragraph 2.3.1. “First Half 2019 Executive Overview” highlights selected aspects of our business during the first six months of 2019. The First Half 2019 Executive Overview, including the Summary Overview, Performance Against our non-IFRS Financial Objectives, Definitions of Key Metrics We Use, Supplemental non-IFRS Financial Information, and 2.4 “Consolidated Information: Financial Review of First Half 2019” should be read together with our Condensed consolidated financial statements for the half-year ended June 30, 2019 and the related notes included under Chapter 3 of this Half Year Report.

From January 1st 2019, Dassault Systèmes is applying 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 periods’ comparative information are not adjusted. See Note 2 to the Condensed consolidated financial statements for the half-year ended June 30, 2019 for a description of accounting policies.

All IFRS and non-IFRS figures are presented in compliance with IFRS 15 standard for the half year ended June 30, 2019 and 2018, respectively, and IFRS 16 standard for the half year ended June 30, 2019.

2.3.1 First Half 2019 Executive Overview

In millions of euros, except per share data and changes	IFRS				Non-IFRS			
	H1 2019	**H1 2018**	**Change**	**Change in cc**	**H1 2019**	**H1 2018**	**Change**	**Change in cc**
Total Revenue	€1,920.3	€1,646.4	17%	13%	€1,929.4	€1,651.3	17%	13%
Software Revenue	1,702.7	1,475.2	15%	12%	1,710.5	1,480.0	16%	12%
Services Revenue	217.6	171.2	27%	23%	218.9	171.2	28%	24%
Operating Margin	20.7%	21.1%	(0.4)pt		31.8%	30.4%	+1.4pt	
EPS	€1.13	€1.02	11%		€1.69	€1.41	20%	14%

Total Software Revenue in millions of euros	IFRS				Non-IFRS			
	H1 2019	**H1 2018**	**Change**	**Change in cc**	**H1 2019**	**H1 2018**	**Change**	**Change in cc**
Americas	€514.3	€417.7	23%	15%	€520.6	€420.5	24%	16%
Europe	712.4	631.9	13%	11%	714.0	632.4	13%	11%
Asia	476.0	425.6	12%	9%	476.0	427.1	11%	9%

Summary Overview

During the First Half of 2019 we built on the strong progress achieved in 2018. Looking at our business advances, strategic initiatives and financial performance during the 2019 First Half:

We are seeing strong momentum with the **3D**EXPERIENCE platform, having reached a key inflection point last year. For the 2019 First Half, **3D**EXPERIENCE software revenue non-IFRS increased 40% at constant currency and represented 27% (21% in H1 2018) of related software revenue, led by large **3D**EXPERIENCE transactions in Aerospace & Defense, Transportation & Mobility, Consumer Packaged Goods & Retail, Energy & Materials, Industrial Equipment and Marine & Offshore.

We have recorded major new wins in the first half of 2019 and are expanding our **3D**EXPERIENCE business with clients. We believe the **3D**EXPERIENCE platform is a critical enabler for innovation and transformation across all major industries where the drive to provide new types of customer experiences and new business models is emerging and accelerating.

We see these possibilities across the three spheres addressed by our purpose: Product, Nature and Life and the proof points with our important wins across a number of diverse industries. Today, thanks to our platform strategy, more companies view us as a strategic partner to help them transform.

- With Airbus, we jointly announced the signing of a five-year Memorandum of Agreement to cooperate on the implementation of collaborative 3D design, engineering, manufacturing, simulation and intelligence applications. Under the agreement, Airbus will deploy our **3D**EXPERIENCE 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*.*

- During the 2019 First Half we announced the signing of a long-term partnership, with BHP, a major global resources company and the largest mining company in the world, and its plans to adopt the **3D**EXPERIENCE platform. Dassault Systèmes and BHP have engaged in a long-term strategic partnership to leverage the application of digital technologies to mining. Combining the experience and resources of each company, the ambition is to unlock value by applying technologies proven in other industries to the core mining fundamentals of geoscience and resource engineering*.*

- We were pleased that Groupe PSA has named the company a key supplier. This distinction makes Dassault Systèmes the first and only software provider today in Groupe PSA's global network of 8,000 suppliers to be formally recognized by the automaker as a preferred digital partner for its digital transformation. With Dassault Systèmes as Groupe PSA's preferred digital partner, the two companies are engaging in a long-term strategy with the intent to deploy the **3D**EXPERIENCE platform as a key innovation enabler across the group's activities. Like many established automakers today, Groupe PSA must address tough sustainability and technological challenges as the industry shifts its focus toward greener, more electrified, autonomous and regulated mobility. This requires new ways to invent, develop, test, make and deliver innovative customer experiences. The **3D**EXPERIENCE platform offers a holistic approach that will enable every organization in the group to support this value creation process.

We believe a platform approach enables the real and virtual worlds to communicate and reinforce each other. Our **3D**EXPERIENCE twin (virtual or digital twin in daily press) is very well positioned to do so, as we are working in both worlds, and with an offer covering all key domains.

- In Industrial Equipment, for example: Schindler, who adopted the **3D**EXPERIENCE platform for its escalators business, is now extending this to its elevator business. The company uses the **3D**EXPERIENCE platform on the cloud for digital twin creation, experiencingits digital transformation and connecting the dots across their extended enterprise.

- CLAAS has adopted a single digital platform for all disciplines, providing rapid access to the company's extensive knowledge and know-how and facilitating high-visibility collaboration to enable intelligent innovation.

- With ABB, a pioneering technology leader in power grids, electrification products, industrial automation and robotics and motion, serving customers in utilities, industry and transport & infrastructure globally, we entered into a wide spanning global partnership. ABB is adopting the **3D**EXPERIENCE platform to model and simulate its solutions before delivering them to its customers.

On June 12, 2019 we announced the signing of a definitive agreement to acquire Medidata Solutions, Inc. (NASDAQ: MDSO), a leader of the digital transformation of the Life Sciences industry for clinical development, commercial, and real-world data intelligence. The proposed acquisition of Medidata with its clinical and commercial solutions, reinforces our position as a science-based company by providing the Life Sciences industry with an integrated business experience platform for an end-to-end approach to research and discovery, development, clinical testing, manufacturing and commercialization of new therapies and health technologies. Consummation of the transaction is subject to receipt of regulatory approvals, the approval of Medidata Solutions' shareholders and certain other customary closing conditions. Pursuant to the the signing of the definitive agreement we would acquire Medidata for $5.8 billion in cash. For this transaction, we put in place in addition to using approximately €1.3 billion of our cash, a €3 billion of bridge-to-bond facility to be refinanced with laddered bond tranches, €1 billion of bank term loan and €750 million of revolving credit facility. Management's objective is to deleverage the company from a post-acquisition debt peak.

We currently size our addressable market at approximately $33 billion and over the last year have increased it from $26 billion, 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.

- Specifically, in connection with our strategy, we unveiled in February 2019 **3D**EXPERIENCE.WORKS, a new business applications family on our **3D**EXPERIENCE platform to bring the power of the platform and portfolio to the Mainstream market where SOLIDWORKS is a market leader. **3D**EXPERIENCE.WORKS uniquely combines social collaboration with design, simulation and manufacturing ERP capabilities in a single digital environment to help growing businesses become more inventive, efficient and responsive in today's Industry Renaissance. This new business applications family was introduced following the completion of the acquisition of IQMS for Manufacturing ERP for the Mainstream market in early 2019.

- The proposed acquisition of Medidata, when completed, would represent an increase in our addressable market estimated at about $7 billion, and would bring our total addressable market to approximately $40 billion.

From an industry perspective and in constant currencies: Non-IFRS software revenue increased double-digits in five of the Company's eleven industries (regrouped as of January 1, 2019 from 12 industries, see Industrial Sectors below for details): Transportation & Mobility, Aerospace & Defense, Marine & Offshore, High Tech, and Home & Lifestyle, well supported by growth dynamics in Industrial Equipment and Life Sciences.

On an organic and non-IFRS basis: Total revenue increased 9%. Software revenue increased 9% with licenses and other software revenue up 8% and recurring software revenue up 9%. Services revenue increased 12%. (All growth rates at constant currencies.)

Net operating cash flow for the 2019 First Half increased 38.4% to €893.6 million, compared to €645.5 million for the 2018 Half Year principally reflecting growth in net income, non-cash operating adjustments of 22.7% and improvement in working capital of 66.4%. During the 2019 First Half uses of cash were principally for payment for acquisitions, net of cash acquired of €402.8 million; to distribute cash dividends of €168.8 million; capital expenditures, net of €48.2 million; and repayment for lease liabilities of €37.3 million. We received cash for stock options exercised of €46.0 million.

At June 30, 2019, our unearned revenue – contract liabilities totaled €1.02 billion. For the 2019 First Half unearned revenue – contract liabilities increased 8% in constant currencies and on an organic basis. With recurring software revenue in excess of €2 billion in 2018, and representing over 70% of our total software revenue, we have a significant level of visibility with respect to our software revenue growth.

Our net financial position totaled €2.09 billion at June 30, 2019, compared to €1.81 billion at December 31, 2018, reflecting an increase in cash, cash equivalents and short-term investments to €3.09 billion from €2.81 billion at December 31, 2018, with debt related to credit lines of €1.00 billion. *See comments herein above with respect to debt financing with regard to the proposed acquisition of Medidata Solutions, Inc.*

2019 will mark the end of our previous five-year growth plan. Specifically, 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 updated non-IFRS earnings per share objective for 2019 of €3.45 to €3.50, we are well positioned to reach our objective (set at our Capital Markets Day in June 2014) of non-IFRS earnings per share of €3.50 for 2019, representing a doubling of non-IFRS earnings per share over the five year period.

For a discussion of our 2019 business outlook, see paragraph 2.7 “2019 Financial Objectives”. For further information regarding risks we face, see paragraph 1.7.1 “Risks Related to the Company’s Business” of the 2018 Document de Référence (Annual Report) filed with the AMF (French Financial Markets Authority) on March 26, 2019 and also available on our website www.3ds.com.

Performance against Our Non-IFRS Financial Objectives

In discussing and analyzing the results of its operations, the Company considers supplemental non-IFRS financial information: (i) non-IFRS revenue data excludes the effect of adjusting the carrying value of acquired companies’ deferred revenue; and non-IFRS expense data excludes, (ii) the amortization of acquired intangibles, (iii) share-based compensation expense and related social charges, (iv) certain other operating income and expense, net, including the impairment of goodwill and other 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 the Company’s consolidated financial statements and the notes thereto is presented below under paragraph 2.3.2 “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. The 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.

Readers are cautioned that the supplemental non-IFRS financial information is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered in isolation from or as a substitute for IFRS measurements. The supplemental non-IFRS financial information should be read only in conjunction with the Company’s consolidated financial statements prepared in accordance with IFRS. Furthermore, the Company’s supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. Specific limitations for individual non-IFRS measures are set forth in the Company’s 2018 Document de référence.

Summary of Non-IFRS Financial Results

During the 2019 First Half our financial performance was well aligned with the non-IFRS financial objectives we outlined for both the first and second quarters of 2019. During the first half of 2019:

- **Non-IFRS Software Revenue**: Our non-IFRS software revenue increased 12% in constant currencies, well aligned with our full year target range of 11-12%.

- **Non-IFRS Licenses and Other Software Revenue:** Our non-IFRS licenses and other software revenue increased 13% in constant currencies with double-digit growth for a number of our brand applications notably CATIA, ENOVIA, and DELMIA including QUINTIQ. By sales channel, the strongest growth during the First Half was in our 3DS Business Transformation channel, where **3D**EXPERIENCE penetration is the highest. From a regional perspective, growth was strongest in Europe and the Americas.

- **Non-IFRS Recurring Revenue:** Our non-IFRS recurring software increased 12% in constant currencies and represented 73% of our non-IFRS software revenue. We saw double-digit growth in both support and subscription revenue.

- **Non-IFRS Operating Income and Margin**: Non-IFRS operating income increased 22.1% to €612.6 million. The non-IFRS operating margin increased 140 basis points to 31.8%, compared to 30.4% in the year-ago first half, reflecting underlying organic improvement of about 220 basis points and currency favorable effects of 40 basis points offset in part by estimated acquisition dilution of 120 basis points.

- **Non-IFRS Earnings per Diluted Share**: Non-IFRS diluted net income per share increased 19.9% as reported to €1.69 per share, and increased about 14% at constant currency.

Definitions of Key Metrics We Use

<u>Information in Constant Currencies</u>

We have followed a long-standing policy of measuring our revenue performance and setting our revenue objectives exclusive of currency impact 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 comparable period in the previous year have been recalculated using the average exchange rates of the 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

Our global customer base includes companies in 11 industrial sectors as of January 1, 2019: "Core Industries" comprised of Transportation & Mobility; Industrial Equipment; Aerospace & Defense; and a portion of Business Services. "Diversification Industries" comprises of Life Sciences; High-Tech; Energy & Materials; Home & Lifestyle, Construction, Cities & Territories; Consumer Packaged Goods & Retail, Marine & Offshore and a portion of Business Services.

3D**EXPERIENCE Licenses and Software Contribution**

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

2.3.2 Supplemental non-IFRS Financial Information

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

	For the First Half Ended June 30,						Increase (Decrease)	
(in millions of euros, except percentages and per share data)	**2019 IFRS**	**Adjustment(1)**	**2019 non-IFRS**	**2018 IFRS**	**Adjustment(1)**	**2018 non-IFRS**	**IFRS**	**non-IFRS(2)**
Total Revenue	**€1,920.3**	**€9.1**	**€1,929.4**	**€1,646.4**	**€4.8**	**€1,651.3**	**17%**	**17%**
Total revenue by activity								
Software revenue	1,702.7	7.8	1,710.5	1,475.2	4.8	1,480.0	15%	16%
Services revenue	217.6	1.3	218.9	171.2	-	171.2	27%	28%
Total revenue by geography								
Europe	802.2	2.0	804.2	708.1	0.6	708.7	13%	13%
Americas	602.7	7.1	609.7	475.2	2.8	478.0	27%	28%
Asia	515.5	-	515.5	463.1	1.5	464.5	11%	11%
Total software revenue by product line								
CATIA	550.5	-	550.5	500.6	0.5	501.0	10%	10%
ENOVIA	189.4	-	189.4	162.0	-	162.0	17%	17%
SOLIDWORKS	394.2	-	394.2	355.7	-	355.7	11%	11%
Other Software	568.5	7.8	576.3	456.9	4.4	461.3	24%	25%
Total Operating Expenses	**1,522.4**	**(205.6)**	**1,316.8**	**1,299.0**	**(149.5)**	**1,149.5**	**17%**	**15%**
Share-based compensation expense	(80.5)	80.5	-	(60.2)	60.2	-		
Amortization of acquired intangibles	(101.0)	101.0	-	(82.5)	82.5	-		
Other operating income and expense, net	(24.0)	24.0	-	(6.9)	6.9	-		
Operating Income	**397.9**	**214.7**	**612.6**	**347.4**	**154.4**	**501.8**	**15%**	**22%**
Operating Margin	**20.7%**		**31.8%**	**21.1%**		**30.4%**		
Financial revenue and other, net	5.3	(1.2)	4.1	9.1	1.1	10.3	(42%)	(60%)
Income before Income Taxes	**403.3**	**213.5**	**616.8**	**356.6**	**155.5**	**512.1**	**13%**	**20%**
Income tax expense	(114.0)	(64.5)	(178.5)	(91.5)	(53.5)	(144.9)	25%	23%
Non-controlling interest	5.6	(3.4)	2.2	0.4	-	0.4		
Net Income attributable to shareholders	**€294.9**	**€145.6**	**€440.5**	**€265.5**	**€102.0**	**€367.5**	**11%**	**20%**
Diluted Net Income Per Share(3)	**€1.13**	**€0.56**	**€1.69**	**€1.02**	**€0.39**	**€1.41**	**11%**	**20%**

(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 (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.

	For the First Half Ended June 30,					
(in millions of euros)	**2019 IFRS**	**Adjustment**	**2019 Non-IFRS**	**2018 IFRS**	**Adjustment**	**2018 Non-IFRS**
Cost of revenue	€(296.1)	€3.5	€(292.6)	€(240.2)	€2.1	€(238.1)
Research and development	(357.2)	34.9	(322.3)	(314.0)	23.1	(291.0)
Marketing and sales	(591.7)	23.1	(568.6)	(515.8)	13.9	(501.9)
General and administrative	(152.3)	19.0	(133.3)	(139.6)	21.1	(118.4)
Total share-based compensation expense		**80.5**			**60.2**	

(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 the 2019 First Half and 260.0 million diluted shares for the 2018 First Half.

2.4 Consolidated Information: Financial Review of First Half 2019

2.4.1 Revenue

Our total revenue is comprised of (i) software revenue, which is our primary source of revenue, and (ii) services revenue. During the 2019 First Half IFRS software revenue represented 88.7% (89.6% in H1 2018) and services revenue represented 11.3% (10.4% in H1 2018) of our IFRS total revenue.

Software revenue is comprised of licenses revenue and other software revenue and subscription 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.

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.

(in millions of euros except percentages)	For the First Half Ended June 30,			
	2019	**2018**	**Change**	**Change in cc**
Total Revenue*	**€1,920.3**	**€1,646.4**	**17%**	**13%**
Total Software Revenue	**1,702.7**	**1,475.2**	**15%**	**12%**
- Licenses and Other software	461.8	396.6	16%	13%
- Subscription and Support revenue	1,240.9	1,078.6	15%	11%
Americas total software	514.3	417.7	23%	15%
Europe total software	712.4	631.9	13%	11%
Asia total software	476.0	425.6	12%	9%
Services Revenue	**€217.6**	**€171.2**	**27%**	**23%**

* The Company's largest national markets as measured by total revenue were the United States, Germany, Japan, France and the United Kingdom for the year ended December 31, 2018 and for the first half ended June 30, 2019.

Total Revenue

IFRS Total revenue increased 16.6% or €273.9 million, reflecting software growth of €227.5 million and services growth of €46.4 million.

On a non-IFRS basis, total revenue of €1.93 billion (H1 2018 €1.65 billion) increased 16.8% as reported and 13% at constant currency on double-digit growth for both software and services revenue. On an organic basis and at constant currency, non-IFRS total revenue increased 9%.

Software Revenue by Type

IFRS Total software revenue increased 15.4% or €227.5 million. Licenses and Other software grew 16.4% or €65.2 million. Subscription and Support revenue increased 15.1% or €162.3 million, reflecting double-digit growth for both subscription and support revenue. Recurring software revenue represented 73% of total software revenue for both the 2019 and 2018 First Half periods.

On a non-IFRS basis, total software of €1.71 billion, increased 15.6% as reported and 12% at constant currency. Licenses and Other software totaled €461.8 million, up 16.4% and 13% at constant currency, with double-digit constant currency growth across a number of brands, most notably CATIA, ENOVIA, SIMULIA and DELMIA. Non-IFRS Subscription and Support revenue totaled €1.25 billion, and grew 15.3% or 12% in constant currencies. Non-IFRS Subscription revenue was up double-digits in total, led by CATIA and ENOVIA. Non-IFRS Support revenue was also up double-digits, with strong performances across channels, brands and regions.

On an organic basis and at constant currency, non-IFRS software revenue increased 9% with non-IFRS Licenses and Other software growth of 8% and non-IFRS Subscription and Support revenue growth of 9%.

Software Revenue by Region

Americas software revenue increased 15% (IFRS) and 16% (non-IFRS) in constant currencies, reflecting the combined contribution from large deal activity, strong recurring software growth and contributions from acquisitions. Europe software revenue increased 11% (IFRS and non-IFRS, in constant currencies), on notable strength in North, West and South Europe. Asia software revenue increased 9% (IFRS and non-IFRS, in constant currencies) led by China and India. Americas and Asia represented 30% and 28%, respectively, of IFRS total software and Europe represented 42% for the 2019 First Half.

Services Revenue

IFRS services revenue increased 27.1% as reported on strong organic growth and acquisition contributions, as well as favorable currency impacts of approximately 4 percentage points.

On a non-IFRS basis, services revenue of €218.9 million (€171.2 million in H1 2018) increased 27.8% as reported and 24% in constant currencies, reflecting organic growth of 12% at constant currency reflecting strong growth in **3D**EXPERIENCE related services deployment, as well as our manufacturing and digital marketing services.

2.4.2 Operating expenses

Cost of Software Revenue

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

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
Cost of software revenue (excluding amortization of acquired intangibles)	**€89.8**	**€79.0**
(as % of total revenue)	4.7%	4.8%

IFRS cost of software revenue (excluding amortization of acquired intangibles) increased 13.6% or €10.8 million. The increase in IFRS cost of software revenue largely reflected the impact of new acquisitions and to a lesser extent negative currency effects.

Non-IFRS cost of software revenue increased 13.0% to €88.2 million compared to €78.1 million in the 2018 First Half. On an organic basis and at constant currency, non-IFRS cost of software revenue increased 2%.

Currency effect had a negative impact on the growth of cost of software of approximately 4 percentage points (IFRS and non-IFRS).

Cost of Services Revenue

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

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
Cost of services revenue	**€206.3**	**€161.2**
(as % of total revenue)	10.7%	9.8%

IFRS cost of services revenue increased 28.0% or €45.1 million, in part reflecting higher headcount growth and in part the impact of acquisitions. In addition, currency had a negative effect of cost of services growth.

Non-IFRS costs of services revenue totaled €204.4 million, compared to €160.0 million in the 2018 First Half, representing an increase of 27.7%. On an organic basis and at constant currency, non-IFRS cost of services increased 12% reflecting higher staffing and other costs related to the strong growth in services activity for 3DEXPERIENCE deployment and other services growth.

Currency had a negative impact of approximately 4 percentage points on growth in non-IFRS cost of services revenue and about 3 percentage points on growth in IFRS cost of service revenue.

Research and Development Expenses

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.

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
Research and development expenses	**€357.2**	**€314.0**
(as % of total revenue)	18.6%	19.1%

IFRS research and development expenses increased 13.7%, principally reflecting growth from acquisitions of about 5 percentage points, growth in R&D personnel-related costs and negative currency effects estimated at 3 percentage points.

Non-IFRS research and development expenses totaled €322.3 million in the 2019 First Half, compared to €291.0 million in the year-ago period and increased 10.8%.

On an organic basis and at constant currency, non-IFRS research and development expenses increased 3%.

Marketing and Sales Expenses

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

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
Marketing and sales expenses	**€591.7**	**€515.8**
(as % of total revenue)	30.8%	31.3%

IFRS Marketing and sales expenses increased 14.7%, or €75.9 million in total, mainly from higher sales personnel related costs including from headcount growth, 5 points of the growth from acquisitions and 3 points due to negative currency effects.

Non-IFRS marketing and sales expenses were €568.6 million in the 2019 First Half, compared to €501.9 million in the 2018 First Half, increasing 13.3% in total. On an organic basis and at constant currency, non-IFRS sales expenses increased 10% and marketing expenses decreased.

Currency had a net negative impact on IFRS and non-IFRS marketing and sale expense growth of about 3 percentage points.

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.

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
General and administrative expenses	**€152.3**	**€139.6**
(as % of total revenue)	7.9%	8.5%

IFRS General and administrative expenses increased 9.2% or €12.7 million mainly from acquisitions for approximately 5 points of growth, and from negative currency effects for 2 points of growth.

Non-IFRS general and administrative expenses were €133.3 million for the 2019 First Half compared to €118.4 million in 2018 First Half, increasing 12.6%, with higher personnel costs, including headcount growth from acquisitions. On an organic basis and at constant currency, non-IFRS general and administrative expenses increased 5%.

Currency had a net negative impact on IFRS and non-IFRS general and administrative expense growth by about 2 percentage points.

Amortization of Acquired Intangibles

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

	For the First Half Ended June 30,	
(in millions of euros)	**2019**	**2018**
Amortization of acquired intangibles	**€101.0**	**€82.5**

IFRS Amortization of acquired intangibles increased 22.5% or €18.5 million in the 2019 First Half, reflecting several acquisitions most notably IQMS.

See Notes 12 and 13 to the Condensed consolidated financial statements for the half-year ended June 30, 2019.

Other Operating Income and Expense, Net

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

	For the First Half Ended June 30,	
(in millions of euros)	**2019**	**2018**
Other operating income (expense), net	**€(24.0)**	**€(6.9)**

IFRS Other operating income (expense), net totaled €(24.0) million for the 2019 First Half. The decrease of €17.1 million largely reflected higher acquisition costs of €16.8 million.

See Note 8 to the Condensed consolidated financial statements for the half-year ended June 30, 2019.

2.4.3 Operating income

	For the First Half Ended June 30,	
(in millions of euros)	**2019**	**2018**
Operating income	**€397.9**	**€347.4**

IFRS operating income increased 14.5% driven by revenue growth, as well as the positive impact of currencies of approximately 5 percentage points. The IFRS operating margin was 20.7% for the 2019 First Half compared to 21.1% for the 2018 First Half.

Non-IFRS operating income increased 22.1% as reported and 17% at constant currency and totaled €612.6 million compared to €501.8 million in the year-ago period. On a non-IFRS basis, the operating margin was 31.8% for the 2019 First Half, compared to 30.4% in the year-ago period. We improved the underlying organic operating margin by about 220 basis points, largely absorbing acquisition dilution of about 120 basis points. Currency had a 40 basis point positive effect on the non-IFRS operating margin.

2.4.4 Financial revenue and other, net

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

	For the First Half Ended June 30,	
(in millions of euros)	**2019**	**2018**
Financial revenue and other, net	**€5.3**	**€9.1**

IFRS Financial revenue and other, net decreased to €5.3 compared to €9.1 million for the 2018 First Half principally reflecting higher interest expense related to capitalized leases following the implementation of IFRS 16 Leases as of January 1, 2019. See Note 9 to the Condensed consolidated financial statements for the half-year ended June 30, 2019.

Similarly, non-IFRS financial revenue, net totaled €4.1 million, compared to €10.3 million for the 2018 First Half with the reduction principally due to the implementation of IFRS 16 as noted above.

The main difference between IFRS and non-IFRS for the 2019 period was the exclusion of €1.5 million of interest expense related to the fair value variation of instruments used to manage the interest rate risk.

2.4.5 Income tax expense

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
Income tax expense	**€114.0**	**€91.5**
Effective consolidated tax rate	28.3%	25.6%

IFRS income tax expense increased 24.7%, reflecting a 13.1% increase in pre-tax income as well as a 2.7 percentage point increase in the estimated effective tax rate arising from the impact of the U.S. Tax Reform Act BEAT mechanism in 2019.

On a non-IFRS basis, income tax expense increased 23.2% to €178.5 million for the 2019 First Half, compared to €144.9 million in the year-ago period, principally due to an increase in non-IFRS pre-tax income of 20.4%. On a non-IFRS basis, the estimated effective tax rate was 28.9% for the 2019 First Half compared to 28.3% for the 2018 First Half.

2.4.6 Net income and net income per diluted share

	For the First Half Ended June 30,	
(in millions of euros, except percentages)	**2019**	**2018**
Net income attributable to shareholders	**€294.9**	**€265.5**
Net income per diluted share	**€1.13**	**€1.02**
Weighted average diluted shares outstanding	260.8	260.0

IFRS net income per diluted share increased 10.8% to €1.13, principally driven by an increase in operating income of 14.5%, offset in part by a higher effective tax rate for the 2019 First Half compared to the year-ago period.

Non-IFRS diluted net income per share totaled €1.69 compared to €1.41 in the prior year period, and was up 19.9% as reported principally reflecting an increase in non-IFRS operating income of 22.1%. Excluding currency effects, non-IFRS diluted net income per share grew 14%.

2.4.7 Variability in Quarterly Financial Results

Our quarterly licenses revenue growth has varied significantly and is likely to vary significantly in the future, reflecting business seasonality, clients' decision processes and licenses and subscription licensing mix. Services revenue activity also vary 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.

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. In addition, an increasing proportion of subscription is contracted or renewed for several years and increases the subscription amount recognized in a given quarter. As a result, our recurring software revenue is expected to be higher in the first and fourth quarters compared to the second and third quarters excluding the impact of new acquisitions. Therefore, investors should not put undue reliance on the sequential growth variation in quarterly recurring software revenue.

Software Recurring revenue *(in millions of euros)*	**1Q 2018**	**2Q 2018**	**3Q 2018**	**4Q 2018**	**1Q 2019**	**2Q 2019**
IFRS 15 (Non-IFRS)	557.9	525.5	527.5	564.4	646.2	602.5

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 higher in the fourth quarter of each year.

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.

Nonetheless, it is possible that our quarterly total revenue could vary significantly and that our net income could vary significantly, reflecting the change in revenues, together with the effects of our investment plans. See paragraph 1.7.1.11 “Variability in Quarterly Operating Results” in Risk Factors in our 2018 *Document de référence*.

2.4.8 Capital Resources

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

Our net financial position increased to €2.09 billion at June 30, 2019, compared to €1.81 billion at December 31, 2018, with an increase in cash and cash equivalents of €0.28 billion to €3.09 billion from €2.81 billion, less debt-related credit lines of €1.0 billion.

For the 2019 First Half, our principal sources of liquidity were cash from operations aggregating €893.6 million, and proceeds from the exercise of stock options totaling €46.0 million. During the 2019 First Half cash obtained from operations was used principally for payment for acquisitions, net of cash acquired of €402.8 million; to distribute cash dividends of €168.8 million; capital expenditures, net of €48.2 million; and payment for lease obligations of €37.3 million.

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

Exchange rate fluctuations had a positive translation effect on cash and cash equivalent balances, of €9.7 million as of June 30, 2019, and €44.8 million as of June 30, 2018.

We follow a conservative policy for investing our cash resources, mostly relying on short-term maturity investments.

See also the Consolidated Statements of Cash Flows presented in the Condensed Consolidated Financial Statements for the half-year ended June 30, 2019.

2.5 Related party transactions

Related-party transactions were identified and described in the *Document de référence*, in Chapter 4.1.1, Note 26. No new related party transaction occurred during the 2019 First Half.

The transactions entered into with Dassault Aviation and mentioned in the 2018 *Document de référence* continued during the first six months of 2019. There was no modification which could significantly impact the financial position or the income of Dassault Systèmes during the 2019 First Half.

2.6 2019 First Half Significant Events

Significant events

On June 12, 2019 Dassault Systèmes and Medidata Solutions, Inc. (NASDAQ: MDSO), a leader of the digital transformation of the Life Sciences industry for clinical development, commercial, and real-world data intelligence, announced the signing of a definitive agreement for Dassault Systèmes to acquire Medidata in an all-cash transaction at a price of $92.25 per share of Medidata, representing an enterprise value of about $5.8 billion. The transaction was unanimously approved by the Boards of Directors of both companies. With the acquisition of U.S.-based Medidata and its clinical and commercial solutions, Dassault Systèmes will reinforce its position as a science-based company by providing the Life Sciences industry with an integrated business experience platform for an end-to-end approach to research and discovery, development, clinical testing, manufacturing and commercialization of new therapies and health technologies.

Medidata's clinical expertise and cloud-based solutions power the development and commercialization of smarter therapies for 1,300 customers worldwide, including pharmaceutical companies and biotechs, contract research organizations (CROs), and medical centers and sites. Its solutions enable efficiency and improve quality throughout clinical development programs by enhancing decision-making, accelerating processes execution and oversight, minimizing operational risk, reducing costs and adapting trial strategies. Thirteen of the top 15 drugs sold in 2018 were powered by Medidata's technology. Eighteen of the top 25 pharmaceutical companies and nine of the top 10 CROs are all Medidata customers. Founded in 1999, Medidata is headquartered in New York City, with 16 offices across seven countries, notably in the U.S., Japan, Korea, and the U.K., and counts 2,800 employees and contractors. Medidata's fiscal year ended December 31, 2018, and its revenue was $636 million.

On June 18, 2019 Dassault Systèmes announced its further support of innovation for the Life Sciences industry for patient-centric experiences with its minority participation in a fundraising with other investors for BioSerenity, a startup developing a comprehensive and efficient health solution involving textiles equipped with sensors and online telehealth services to diagnose and monitor chronic pathologies. Founded in 2014 and headquartered in Paris, BioSerenity – which has been part of the 3DEXPERIENCE Lab – is developing wearable medical devices and digital point-of-care solutions that leverage textile innovation and artificial intelligence, as well as electronic patient-reported outcome (ePRO), internet of things and cloud technologies.

On February 11, 2019, Dassault Systèmes announced the signing of a definitive agreement to acquire the *elecworks* electrical and automation design software product line from Trace Software International. Through the agreement, a team of 21 skilled professionals have joined Dassault Systèmes. The acquisition of the *elecworks* assets will streamline and boost Dassault Systèmes' development of an integrated mechatronics solution on the **3D**EXPERIENCE platform to help its SOLIDWORKS customers address electrical design challenges in the development of smart products.

On February 6, 2019, Airbus and Dassault Systèmes announced the signing of a five-year Memorandum of Agreement to cooperate on the implementation of collaborative 3D design, engineering, manufacturing, simulation and intelligence applications. Under the agreement, Airbus will deploy Dassault Systèmes' **3D**EXPERIENCE 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.

In February, 2019 Dassault Systèmes unveiled the creation of 3D**EXPERIENCE.WORKS, a new portfolio of industry-aware applications on the** 3D**EXPERIENCE platform that is tailored to the needs of SOLIDWORKS customers and small and midsized companies. 3D**EXPERIENCE.WORKS uniquely combines social collaboration with design, simulation and manufacturing ERP capabilities in a single digital environment to help growing businesses become more inventive, efficient and responsive in today's Industry Renaissance.

Other information

On May 23, 2019, at the Annual Shareholders' Meeting, Dassault Systèmes' shareholders approved a dividend for the fiscal year 2018 equivalent to €0.65 per share, representing an increase of 12% compared to the prior year €0.58 per share. On May 31, 2019, the dividend was exclusively paid in cash in the aggregate amount of €168.8 million.

2.7 2019 Financial Objectives

We announced our initial 2019 financial objectives on February 6, 2019, which were prepared and communicated only on a non-IFRS basis, at the time of the release of our unaudited annual financial results for 2018. We are reaffirming our constant currency non-IFRS revenue growth range of 10% to 11% for 2019, before taking into account the pending acquisition of Medidata Solutions, Inc. Based upon our visibility, we are updating our 2019 non-IFRS revenue and earnings per share guidance ranges for the better than expected currency upside we saw in the first and second quarters as well as a change in our assumption for the U.S. dollar to Euro exchange rate for the 2019 third quarter.

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, and as to the effects of any new acquisition, including the proposed acquisition of Medidata Solutions, Inc.

Our updated 2019 financial objectives, which have been prepared and communicated only on a non-IFRS basis, are presented in accordance with IFRS 15 and IFRS 16 for 2019 and IFRS 15 for 2018, and are as follows:

- 2019 non-IFRS revenue growth objective range of about 10% to 11% in constant currencies at €3.88 billion to €3.91 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 non-Euro currencies representing about 18% (principally the British pound, Korean won, and Chinese yuan) of our total revenue in 2018;

- 2019 non-IFRS operating margin of about 32.5% compared to 31.9% in 2018 reflecting an increase in the organic operating margin at constant currency, which is 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 €3.45 to €3.50, representing a growth objective of about 11% to 12%;

These financial objectives are based upon an average exchange rate assumption of U.S. dollar 1.15 per euro for 2019 and Japanese yen of 127.1 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 €10 million; share-based compensation expense, including related social charges, currently estimated at approximately €125 million and amortization expense for acquired intangibles currently estimated at approximately €200 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 June, 30, 2019.

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 updated non-IFRS earnings per share objective for 2019 of €3.45 to €3.50, we are well positioned to reach our 2014-2019 non-IFRS earnings per share objective of €3.50.

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 **3D**EXPERIENCE 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 Half Year Report and involve known and unknown risks and uncertainties. The main risks and uncertainties to which the Group may be exposed during the remaining six months of fiscal year 2019 are presented in Section 1.7 "Risk Factors" of the Company's 2018 Document de référence filed with the AMF on March 26, 2019, with the exception of foreign currency and interest rate risks which are updated in Note 15 of the Company's Condensed consolidated financial statements for the half-year ended June 30, 2019 under Chapter 3 of this Half Year Report.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2019

Consolidated Statement of Income

(in millions, except per share data)	**Notes**	**Six months, ended June 30,** **2019** (unaudited)	**2018*** (unaudited)
Licenses and other software revenue		€461.8	€396.6
Subscription and support revenue		1,240.9	1,078.6
Software revenue	**5**	**1,702.7**	**1,475.2**
Services revenue		217.6	171.2
TOTAL REVENUE		**1,920.3**	**1,646.4**
Cost of software revenue		(89.8)	(79.0)
Cost of services revenue		(206.3)	(161.2)
Research and development		(357.2)	(314.0)
Marketing and sales		(591.7)	(515.8)
General and administrative		(152.3)	(139.6)
Amortization of acquired intangibles		(101.0)	(82.5)
Other operating income and expense, net	8	(24.0)	(6.9)
OPERATING INCOME		**397.9**	**347.4**
Interest income and expense, net	9	5.7	8.2
Other financial income and expense, net	9	(0.4)	1.0
INCOME BEFORE INCOME TAXES		**403.3**	**356.6**
Income tax expense		(114.0)	(91.5)
NET INCOME		**289.3**	**€265.1**
Attributable to:			
Equity holders of the Company		€294.9	€265.5
Non-controlling interest		€(5.6)	€(0.4)
Earnings per share			
Basic net income per share		€1.14	€1.03
Diluted net income per share		€1.13	€1.02

*The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

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

Consolidated Statement of Comprehensive Income

		Six months, ended June 30,	
		2019	**2018***
(in millions of euros)	**Notes**	(unaudited)	(unaudited)
NET INCOME		**€289.3**	**€265.1**
Losses on cash flow hedges	16	(19.6)	(9.8)
Foreign currency translation adjustment		24.9	73.6
Income tax on items to be reclassified		6.2	3.4
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods, net of tax		**11.5**	**67.3**
Remeasurements of defined benefit pension plans		(23.4)	1.2
Income tax on items not being reclassified		7.0	(0.2)
Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax		**(16.4)**	**1.1**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(4.9)**	**68.3**
TOTAL COMPREHENSIVE INCOME, NET OF TAX		**€284.3**	**€333.4**
Attributable to:			
Equity holders of the Company		€289.3	€333.8
Non-controlling interest		€(5.0)	€(0.4)

*The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

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

Consolidated Balance Sheet

(in millions of euros)	Notes	June 30, 2019 (unaudited)	December 31, 2018* (audited)
Assets			
Cash and cash equivalents		€3,092.8	€2,809.3
Short-term investments		0.6	0.6
Trade accounts receivable, net	10	810.3	1,044.1
Contract assets		40.3	26.5
Income tax receivable		63.9	136.3
Other current assets		164.0	185.0
TOTAL CURRENT ASSETS		**4,171.8**	**4,201.8**
Property and equipment, net	11	563.1	178.2
Non-current financial assets		182.6	167.5
Deferred tax assets		192,1	164.2
Intangible assets, net	13	1,259.4	1,137.8
Goodwill	13	2,354.4	2,124.5
TOTAL NON-CURRENT ASSETS		**4,551.6**	**3,772.2**
TOTAL ASSETS		**€8,723.5**	**€7,974.0**

(in millions of euros)			
Liabilities and equity			
Trade accounts payable		€163.8	€161.7
Accrued compensation and other personnel costs		383.1	399.9
Contract liabilities - Unearned revenue		1,019.9	907.5
Borrowings, current	14	350.0	350.0
Income tax payable		24.5	37.3
Other current liabilities		215.8	166.4
TOTAL CURRENT LIABILITIES		**2,157.2**	**2,022.8**
Deferred tax liabilities		287.5	262.8
Borrowings, non-current	14	650.0	650.0
Other non-current liabilities		773.4	412.6
TOTAL NON-CURRENT LIABILITIES		**1,710.9**	**1,325.4**
Common stock		131.8	131.4
Share premium		829.5	766.3
Treasury stock		(308.9)	(353.8)
Retained earnings and other reserves		4,136.4	4,003.5
Other items		9.0	14.6
Parent shareholders' equity		**4,797.9**	**4,561.9**
Non-controlling interest		57.6	63.9
TOTAL EQUITY	**16**	**4,855.4**	**4,625.9**
TOTAL LIABILITIES AND EQUITY		**€8,723.5**	**€7,974.0**

* The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

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

Consolidated Statement of Cash Flows

(in millions of euros)	Notes	Six months ended June 30, 2019	2018*
Net income		**€289.3**	**€265.1**
Adjustments for non-cash items	17	218.0	148.3
Changes in operating assets and liabilities	17	386.3	232.1
Net cash provided by operating activities		**893.6**	**645.5**
Additions to property, equipment and intangibles	11,13	(48.2)	(31.3)
Purchases of short-term investments		-	(41.6)
Proceeds from sales and maturities of short-term investments		-	42.3
Payment for acquisition of businesses, net of cash acquired	12	(402.8)	(51.6)
Other		(17.1)	(1.5)
Net cash used in investing activities		**(468.1)**	**(83.7)**
Proceeds from exercise of stock options		46.0	43.7
Cash dividends paid	16	(168.8)	(38.0)
Repurchase of treasury stock	16	9.2	(2.3)
Acquisition of non-controlling interest		-	(26.2)
Repayment of lease liabilities		(37.3)	-
Repayment of borrowings		(0.8)	-
Net cash used in financing activities		**(151.7)**	**(22.8)**
Effect of exchange rate changes on cash and cash equivalents		9.7	44.8
INCREASE IN CASH AND CASH EQUIVALENTS		**283.5**	**583.8**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**€2,809.3**	**2,459.4**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**€3,092.8**	**€3,043.2**
Supplemental disclosure			
Income taxes paid		€20.8	€81.0
Cash paid for interest		€12.4	€6.9

* The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

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

Consolidated Statement of Shareholders' Equity

(in millions of euros)	Note	Common stock	Share premium	Treasury stock	Retained earnings and other reserves	Other items	Parent shareholders' equity	Non-controlling interest	Total Equity
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)		–	–	–	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		–	–	–	265.5	–	265.5	(0.4)	265.1
Other comprehensive income, net of tax		–	–	–	–	68.3	68.3	–	68.3
COMPREHENSIVE INCOME, NET OF TAX		**–**	**–**	**–**	**265.5**	**68.3**	**333.8**	**(0.4)**	**333.4**
Dividends		0.5	111.8	–	(150.4)	–	(38.0)	–	(38.0)
Exercise of stock options		0.6	49.1	–	–	–	49.7	–	49.7
Treasury stock transactions		(0.4)	(59.3)	162.6	(105.3)	–	(2.3)	–	(2.3)
Share-based payments		–	–	–	34.7	–	34.7	–	34.7
Other changes		–	–	–	28.5	–	28.5	–	28.5
JUNE 30, 2018 (UNAUDITED)		**€131.2**	**€747.4**	**€(149.7)**	**€3,782.1**	**€(30.0)**	**€4,481.1**	**€1.5**	**€4,482.5**
DECEMBER 31, 2018*		**€131.4**	**€766.3**	**€(353.8)**	**€4,003.5**	**€14.6**	**€4,561.9**	**€63.9**	**€4,625.9**
Adjustment on initial application of IFRS 16 (net of tax)	**2**	–	–	–	(36.0)	–	(36.0)	–	(36.0)
January 1, 2019 Adjusted balance		**131.4**	**766.3**	**(353.8)**	**3,967.5**	**14.6**	**4,526.9**	**63.9**	**4,598.9**
Net income		–	–	–	294.9	–	294.9	(5,6)	289,3
Other comprehensive income, net of tax		–	–	–	–	(5.6)	(5.6)	0.7	(4.9)
COMPREHENSIVE INCOME, NET OF TAX		**–**	**–**	**–**	**294.9**	**(5.6)**	**289.3**	**(5.0)**	**284.3**
Dividends	**16**	–	–	–	(168.8)	–	(168,8)	–	(168.8)
Exercise of stock options		0.4	63.2	–	–	–	63.7	–	63.7
Treasury stock transactions		–	–	44.9	(35.7)	–	9,2	–	9.2
Share-based payments	**7**	–	–	–	49.3	–	49.3	–	49.3
Transactions with non-controlling interests		–	–	–	(1.0)	–	(1.0)	(1.9)	(2.8)
Other changes		–	–	–	30.2	–	30.2	0.4	30.6
JUNE 30, 2019 (UNAUDITED)		**€131.8**	**€829.5**	**€(308.9)**	**€4,136.4**	**€9.0**	**€4,797.9**	**€57.6**	**€4,855.4**

* The Group has initially applied IFRS 15 and IFRS 16 respectively at 1st January 2018 and January 1st, 2019. In accordance with the transition methods chosen, comparative information is not restated.

Analysis of changes in shareholders' equity related to components of the other comprehensive income

	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
DECEMBER 31, 2017	**€3.4**	**€5.2**	**€(57.3)**	**€(49.7)**	**€(98.4)**	**€(1.5)**	**€(99.8)**
Variations	–	(6.3)	73.6	1.1	**68.3**	–	**68.3**
JUNE 30, 2018 (UNAUDITED)	**€3.4**	**€1.1**	**€16.3**	**€(48.6)**	**€(30.0)**	**€(1.5)**	**€(31.5)**
DECEMBER 31, 2018	**€3.4**	**€(2.5)**	**€67.9**	**€(54.2)**	**€14.6**	**€0.9**	**€15.5**
Variations	–	(13.4)	24.2	(16.4)	**(5.6)**	**0.7**	**(4.9)**
JUNE 30, 2019 (UNAUDITED)	**€3.4**	**€(15.9)**	**€92.1**	**€(70.6)**	**€9.0**	**€1.6**	**€10.6**

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

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended June 30, 2019

Note 1	Description of Business	Note 11	Property and Equipment
Note 2	Summary of Significant Accounting Policies	Note 12	Business Combinations
Note 3	Seasonality	Note 13	Intangible Assets and goodwill
Note 4	Segment Information	Note 14	Borrowings
Note 5	Software Revenue	Note 15	Derivatives
Note 6	Government Grants	Note 16	Shareholders' Equity
Note 7	Share-based Payments	Note 17	Consolidated Statements of cash Flows
Note 8	Other Operating Income and Expense, Net	Note 18	Commitments and Contingencies
Note 9	Interest Income and Expense, Net and Other Financial Income and Expense, Net	Note 19	Events after the reporting period
Note 10	Trade Accounts Receivable		

Note 1 Description of Business

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

In 2019, the Company’s global customer base includes companies in 11 industrial sectors: “Core Industries” comprised of Transportation & Mobility; Industrial Equipment; Aerospace & Defense; and a portion of Business Services. “Diversification Industries” includes companies in High-Tech; Life Sciences; Energy & Materials; Home & Lifestyle, Construction, Cities & Territories; Consumer Packaged Goods & Retail, Marine & Offshore and a portion of Business Services. 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 **3D**EXPERIENCE platform.

Dassault Systèmes SE is a European company (*Societas Europaea*), incorporated under the laws of France. The Company’s registered office is located at 10, rue Marcel Dassault, in Vélizy-Villacoublay, France. The Dassault Systèmes SE shares are listed in France on Euronext Paris. These condensed interim consolidated financial statements were established under the responsibility of the Board of Directors on July 23, 2019.

Note 2 Summary of Significant Accounting Policies

The Condensed Consolidated Financial Statements for the Half-Year were prepared in accordance with the international standard IAS 34 “Interim financial reporting” as adopted by the European Union (EU) and published by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements were prepared based on the same accounting policies as those applied in the consolidated financial statements as of December 31, 2018, except for those described in paragraph “Changes in accounting policies” and for specific requirements provide by IAS 34.

The Company undertakes no early application of any standard or interpretation or associated amendments published in the Official Journal of the EU at June 30, 2019.

Standards amendments and interpretations published by the IASB and not yet approved by the EU do not have a significant impact on the condensed consolidated financial statements for the first half of 2019.

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

Changes in accounting policies

Changes in accounting policies mainly related to IFRS 16. These changes are described hereafter.

Several other amendments and other interpretation apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Group.

IFRS 16 – Leases

On January 13, 2016, the IASB issued the new accounting standard IFRS 16 “Leases”. IFRS 16 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 was recorded within the operating expense.

The Company adopted IFRS 16 for the fiscal year beginning January 1st, 2019 using the simplified retrospective approach. Under this method, the transition effect is accounted for within the consolidated equity at the date of initial application, January 1st, 2019, without any adjustment to the prior year comparative information.

The Company has recognized since January 1st, 2019 a new *Right-Of-Use* asset, mainly related to leased offices and vehicles, in an amount of €390.7 million and a new liability related to rent payable in an amount of €475.7 million.

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. In addition, as part of the simplified retrospective method, the Group has chosen not to restate property leases with a remaining term of less than 12 months and not to take into account the initial direct costs in the evaluation of the rights of use.

To determine the lease liabilities, the Group has discounted future lease payments using marginal borrowing rates as of January1st, 2019. The weighted average of rates applied is 2.99%.

The following table summarizes the change between the operating lease commitments disclosed as at December 31, 2018 in accordance with IAS 17 and the lease liabilities as at January 1, 2019 in accordance with IFRS 16.

(in millions of euros)	**January 1st, 2019**
Commitment under operating leases as disclosed in the consolidated financial statements as at December 31, 2018	469.0
Exemptions related to: Short term leases Low value assets	 (5.6) (2.4)
Reasonable extension and termination options to be exercised	82.9
Discount at the marginal borrowing rate at January 1, 2019	(68.0)
Financing leases as recognized in the consolidated financial statements as at December 31, 2018	5.0
LEASE LIABILITIES AS AT JANUARY 1ST, 2019	**480.7**

The equity adjustment is as follows:

(in millions of euros)	**Impact of adopting IFRS 16 at January 1st, 2019**
RETAINED EARNINGS	
Gross effect	€(46.9)
Related tax	10.9
Impact at January 1st, 2019	**€(36.0)**

The following tables summarizes the impacts of adopting IFRS 16 on the Group's Consolidated Balance Sheet as at January 1st, 2019 for each of the line items affected. Line items that were not affected by the changes are not included.

Impact on the consolidated balance sheet:

(in millions of euros)		**January 1st, 2019**	
	As reported	**Adjustments**	**with adoption of IFRS 16**
Assets			
TOTAL CURRENT ASSETS	**€4,201.8**	**€(17.6)**	**€4,184.2**
Of which Other current assets	185.0	(17.6)	167.4
TOTAL NON-CURRENT ASSETS	**3,772.2**	**407.7**	**4,179.9**
Of which Right Of Use	–	390.7	390.7
Of which Deferred tax assets	164.2	17.0	181.2
TOTAL ASSETS	**€7,974.0**	**€390.1**	**€8,364.1**
Liabilities and equity			
TOTAL CURRENT LIABILITIES	**€2,022.8**	**€57.8**	**€2,080.6**
Of which Other current liabilities	163.3	(13.6)	149.7
Of which Current lease liabilities	3.1	71.3	74.4
TOTAL NON-CURRENT LIABILITIES	**1,325.4**	**368.3**	**1,693.7**
Of which Deferred tax liabilities	262.8	6.1	268.9
Of which Other non-current liabilities	410.7	(42.2)	368.5
Of which Non-current lease liabilities	1.9	404.4	406.3
TOTAL EQUITY	**4,625.9**	**(36,0)**	**4,589.9**
Of which Retained earnings and other reserves	3,949.3	(36.0)	3,913.3
TOTAL EQUITY AND LIABILITIES	**€7,974.0**	**€390.1**	**€8,364.1**

Changes to Accounting Policies related to IFRS 16

In accordance with IFRS 16, leases are recorded as property, plant and equipment under a *Right Of Use*. These contracts are recognized at the commencement date of the contract for the discounted value of the minimum lease payments for a liability corresponding to the lease liabilities due to the lessor.

These assets are amortized on a straight-line basis over the lease term, which corresponds to the non-cancellable period of each contract, unless the Group is reasonably certain to exercise the contractual renewal options.

Under the standard applied, the amortization of the asset is recognized as an operating expense and the cost of the debt to the lessor, in financial charge; see Note 9 "Interest Income and Expense, Net and Other Financial Income and Expense, Net".

Note 3 Seasonality

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

Note 4 Segment Information

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

The assessment of the operating segment's performance is based on the Group's supplemental non-IFRS financial information (see paragraph 2.3.2 "Supplemental Non-IFRS Financial Information"). The accounting policies used differ from those described in Note 2 Summary of Significant Accounting Policies as follows:

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

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018***
TOTAL REVENUE FOR OPERATING SEGMENT	**€1,929.4**	**€1,651.3**
Adjustment for unearned revenue of acquired companies	(9.1)	(4.8)
TOTAL REVENUE	**€1,920.3**	**€1,646.4**

	Six months ended June 30,	
(in millions of euros)	2019	**2018***
INCOME FOR OPERATING SEGMENT	**€612.6**	**€501.8**
Adjustment for unearned revenue of acquired companies	(9.1)	(4.8)
Share-based compensation expense and related payroll taxes	(80.5)	(60.2)
Amortization of acquired intangibles	(101.0)	(82.5)
Other operating income and expense, net	(24.0)	(6.9)
OPERATING INCOME	**€397.9**	**€347.4**

* 2018 comparative information is presented in compliance with IFRS 15.

The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

Note 5 Software Revenue

Software revenue is comprised of the following:

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018**
Licenses revenue	€457.4	€394.4
Subscription and Support revenue (1)	1,240.9	1,078.6
Other software revenue	4.4	2.2
SOFTWARE REVENUE	**€1,702.7**	**€1,475.2**

(1) In 2019, corresponds to €217.4 million of euros at a point in time and €1,023.6 million over time, to be compared to €175.9 million of euros and €902.7 million respectively in 2018.

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

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018**
CATIA software revenue	€550.5	€500.6
SOLIDWORKS software revenue	394.2	355.7
ENOVIA software revenue	189.4	162.0
Other	568.5	456.9
SOFTWARE REVENUE	**€1,702.7**	**€1,475.2**

Note 6 Government Grants

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

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018**
Research and development	€12.2	€14.5
Other expenses	3.1	0.5
TOTAL GOVERNMENT GRANTS	**€15.3**	**€15.0**

Note 7 Share-based Payments

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

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018**
Research and development	€(34.9)	€(23.1)
Marketing and sales	(23.1)	(13.9)
General and administrative	(19.0)	(21.1)
Cost of revenue	(3.5)	(2.1)
TOTAL COMPENSATION EXPENSE RELATED TO SHARE-BASED PAYMENTS	**€(80.5)**	**€(60.2)**

Changes during the six months ended June 30, 2019 of unvested options and performance shares were as follows:

	Number of awards		
	Performance shares	**Stock options**	**Total**
UNVESTED AT DECEMBER 31, 2018	**3,408,480**	**3,615,957**	**7,024,437**
Vested	(502,500)	(1,646,698)	(2,149,198)
Forfeited	(7,650)	(169,310)	(176,960)
UNVESTED AT JUNE 30, 2019	**2,898,330**	**1,799,949**	**4,698,279**

Note 8 Other Operating Income and Expense, Net

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

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018**
Acquisition costs (1)	€(18.9)	€(2.1)
Costs incurred in connection with early retirement plan (2)	(3.7)	(1.9)
Restructuring costs	(0.6)	(2.0)
Costs incurred in connection with relocation activities	(0.8)	(0.9)
OTHER OPERATING INCOME AND EXPENSE, NET	**€(24.0)**	**€(6.9)**

(1) In 2019, primarily corresponds to the direct costs incurred during the acquisition pocess of Medidata Solutions, Inc.

(2) 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. The expense booked in 2019 takes into account the extension of the plan until the end of 2019.

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

Interest income and expense, net and other financial income and expense, net for the six months ended June 30, 2019 and 2018 are as follows:

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018***
Interest income (1)	€17.7	€17.0
Interest expense (2)	(12.0)	(8.9)
INTEREST INCOME AND EXPENSE, NET	**5.7**	**8.2**
Foreign exchange gains (losses), net	(0.3)	0.1
Other, net	(0.1)	0.9
OTHER FINANCIAL INCOME AND EXPENSE, NET	**€(0.4)**	**€1.0**

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

(2) Includes interest expense of €6.0 million in 2019 and €6.8 million in 2018 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 14 Borrowings) and interest expense for €7.1 million in 2019 following the adoption of IFRS 16 as of January 2019.

* The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

Note 10 Trade Accounts Receivable

Trade accounts receivable are measured at amortized cost.

(in millions of euros)	June 30, 2019	December 31, 2018
Trade accounts receivable	€845.8	€1,064.4
Allowance for trade accounts receivable	(35.5)	(20,3)
TRADE ACCOUNTS RECEIVABLE, NET	**€810.3**	**€1,044.1**

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

(in millions of euros)	June 30, 2019	December 31, 2018
Trade accounts receivable past due at closing date:		
Less than 3 months past due	€97.8	€89.4
3 to 6 months past due	31.3	21.3
More than 6 months past due	11.4	13.4
TRADE ACCOUNTS RECEIVABLE PAST DUE	**140.5**	**124.1**
Trade accounts receivable not yet due	669.8	920.0
TRADE ACCOUNTS RECEIVABLE, NET	**€810.3**	**€1,044.1**

Note 11 Property and Equipment

Property and equipment consist of the following:

	Six months ended June 30, 2019			**Year ended December 31, 2018 (1)**		
(in millions of euros)	**Gross**	**Accumulated depreciation**	**Net**	**Gross**	**Accumulated depreciation**	**Net**
Right of use	€410.3	€(43.4)	€366.9	€-	€-	€-
Computer equipment	265.4	(164.1)	101.4	257.1	(160.4)	96.8
Office furniture and equipment	58.2	(43.8)	14.4	55.6	(41.1)	14.5
Leasehold improvements	139.7	(73.0)	66.7	130.9	(68.2)	62.7
Buildings and Lands	18.6	(4.9)	13.8	6.5	(2.3)	4.2
TOTAL	**€892.2**	**€(329.1)**	**€563.1**	**€450.1**	**€(271.9)**	**€178.2**

(1) The Group has initially applied IFRS 16 at January 1st, 2019. Under the transition method chosen, comparative information is not restated.

The change in the carrying amount of property and equipment as of June 30, 2019 is as follows:

(in millions of euros)	**Right of Use**	**Computer equipment**	**Office furniture and equipment**	**Leasehold improvements**	**Buildings and Lands**	**Total**
NET PROPERTY AND EQUIPMENT AS OF DECEMBER 31, 2018	**€-**	**€96.8**	**€14.5**	**€62.7**	**€4.2**	**€178.2**
IFRS 16 first time application (*)	391.8	-	-	(1.1)	-	390.7
NET PROPERTY AND EQUIPMENT ADJUSTED AS OF JANUARY 1, 2019	**391.8**	**96.8**	**14.5**	**61.6**	**4.2**	**568.9**
Additions	7.8	29.6	2,0	10.6	-	50.1
Business combinations	1.6	0.9	0.3	0.1	9.8	12.7
Other changes	-	(5.8)	-	-	-	(5.8)
Depreciation for the period	(35.8)	(20.5)	(2.6)	(6.1)	(0.3)	(65.3)
Exchange differences	1.4	0.4	0.1	0.4	-	2.4
NET PROPERTY AND EQUIPMENT AS OF JUNE 30, 2019	**€366.9**	**€101.4**	**€14.4**	**€66.7**	**€13.8**	**€563.1**

* The rights of use are related to offices for € 382.4 million and vehicles for € 9.4 million.

Note 12 Business Combinations

2019 acquisitions

IQMS

On January 3, 2019, the Group completed the acquisition of 100% of the capital of IQMS, a manufacturing ERP software company, for a purchase price of €379.0 million.

The preliminary allocation of the purchase price resulted in €206.5 million of Goodwill.

Other acquisitions

The Company completed its acquisition of 100% of Argosim on January 9, 2019 and of Trace Software International's technological activities on March 29, 2019 for a total consideration of €20.3 million.

These transactions resulted in €5.2 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 IQMS 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:

(in millions of euros)	**IQMS**	**Other acquisitions**	**Total**
Cash and cash equivalents	7.4	0.3	7.8
Trade accounts receivable	18.2	0.4	18.6
Other assets	14.9	0.2	15.1
Intangible assets acquired(1)	197.9	16.7	214.6
Contract liabilities(2)	(12.6)	(0.1)	(12.7)
Other liabilities	(14.1)	(1.3)	(15.4)
Deferred taxes, net	(39.3)	(1.1)	(40.4)
TOTAL IDENTIFIABLE NET ASSETS	**172.5**	**15.1**	**187.6**
Goodwill	206.5	5.2	211.7
TOTAL PURCHASE PRICE	**379.0**	**20.3**	**399.3**

(1) Intangible assets acquired are subject to amortization and include the following:

(in millions of euros)	**IQMS**	**Other acquisitions**	**Total**
Software	122.8	16.0	138.8
Customer relationships	75.1	0.7	75.8
TOTAL IDENTIFIABLE ASSETS REQUIRED	**197.9**	**16.7**	**214.6**

(2) The carrying values of contract liabilities were reduced to reflect the fair value of obligations assumed. As a result, approximately €6.8 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 six months ended June 30, 2019 as if the acquisitions had occurred at the beginning of the period. This information is presented for information 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.

(in millions of euros)	**Six months ended June 30, 2019 *(unaudited)***
Revenue	1,921.5
Net income	289.2

In addition, the contribution of acquired companies' revenue and net income generated since the acquisition date and included in the Company's consolidated financial statements as of June 30, 2019 is as follows:

(in millions of euros)	**Six months ended June 30, 2019 *(unaudited)***
Revenue	21.4
Net income	(11.4)

Note 13 Intangible Assets and Goodwill

Intangible assets consist of the following:

	Six months ended June 30, 2019			Year ended December 31, 2018		
(in millions of euros)	**Gross**	**Accumulated amortization and Impairment (1)**	**Net**	**Gross**	**Accumulated amortization and Impairment (1)**	**Net**
Software	€1,544.9	€(819.4)	€725.5	€1,394.9	€(753.4)	€641.5
Customer relationships	1,268.8	(748.5)	520.3	1,184.0	(701.4)	482.6
Other intangible assets	32.9	(19.2)	13.7	32.2	(18.5)	13.7
TOTAL INTANGIBLE ASSETS	**€2,846.6**	**€(1,587.1)**	**€1,259.4**	**€2,611.1**	**€(1,473.3)**	**€1,137.8**

(1) including €(7.0) million of acquired software technologies impairment as at 31 December 2018.

The change in the carrying amount of intangible assets as of June 30, 2019 is as follows:

(in millions of euros)	**Software**	**Customer relationships**	**Other intangible assets**	**Total intangible assets**
NET INTANGIBLE ASSETS AS OF DECEMBER 31, 2018	**€641.5**	**€482.6**	**€13.7**	**€1,137.8**
Business combinations	139.4	75.1	-	214.5
Other additions	5.8	0.1	0.2	6.0
Amortization for the period	(63.1)	(41.9)	(0.5)	(105.5)
Exchange differences	1.8	4.4	0.4	6.7
NET INTANGIBLE ASSETS AS OF JUNE 30, 2019	**€725.5**	**€520.3**	**€13.7**	**€1,259.4**

The change in the carrying amount of goodwill as of June 30, 2019 is as follows:

(in millions of euros)	
GOODWILL AS OF DECEMBER 31, 2018	**€2,124.5**
Business combinations	215.6
Exchange differences and other changes	14.2
GOODWILL AS OF JUNE 30, 2019	**€2,354.4**

Note 14 Borrowings

In October 2015, the Company entered into a five-year term loan facility agreement, which maturity can be extended by two additional years, for €650 million. The facility was immediately fully drawn down and bears interest at Euribor 1 month plus 0.50% *per annum*. In October 2016 then October 2017, the Company exercised the extension option 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 and bears interest at Euribor 1 month plus 0.55% per annum. In July 2014, the term of the loan was extended, bringing the new term to July 25, 2019.

The table below provides a breakdown of total borrowings by contractual maturity date as of June 30, 2019:

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

Note 15 Derivatives

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

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

A description of market risks the Company is exposed to is provided in the 2018 Annual Report paragraph 1.7.2 “Financial and Market Risks”.

Foreign currency risk

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

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.

As part of the financing of the future acquisition of Medidata Solutions, Inc. shares in US dollars, the Company hedged the euro/dollar risk, using instruments contingent on the closing of the acquisition. These hedges were undertaken with four banks for a total of $4.2 billion with a possible maturity date until January 13, 2020.

At June 30, 2019 and December 31, 2018, the fair value of instruments used to manage the currency exposure was as follows:

	Six months ended June 30, 2019		Year ended December 31, 2018	
(in millions of euros)	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale (1)	€176.5	€(5.0)	€135.9	€(4.3)
Forward exchange contract euros/Indian rupees – sale (1)	29.8	1.8	24.9	1.3
Forward exchange contract euros/ U.S. dollars – sale (1)	-	-	41.0	(0.2)
Forward exchange contract U.S. dollars/Indian rupees – sale (1)	25.8	0.6	21.2	-
Forward exchange contract Japanese yen/ U.S. dollars – sale (1)	113.2	(0.1)	78.8	0.2
Forward exchange contract British pounds/euros – sale (1)	35.6	0.5	27.5	0.4
Cross currency swaps Canadian dollars/euros (2)	-	-	66.2	3.3
Cross currency swaps Australian dollars/euros (2)	65.8	7.0	65.9	6.9
Contingent forward exchange contract U.S. dollars / euros – sale (3)	3,673.1	(20.0)	-	-
Other instruments(2)	32.4	-	49.2	(0.3)

(1) Instruments entered into by the Company to hedge the foreign currency exchange risk of forecasted sales.

(2) Mainly derivatives not designated as hedging instruments. Changes in the derivatives’ fair value are recorded in other financial income and expense, net in the consolidated statement of income. Cross currency swaps mainly relate to the acquisition of Gemcom.

(3) Instruments entered into by the Company to hedge the foreign currency exchange risk on the acquisition price of the shares of Medidata Solutions, Inc.

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 2019 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 French term loan facility (see Note 14 Borrowings) so that the interest payable effectively becomes fixed at 0.72% from October 2015 until October 2020.

In July 2013 and October 2014, the Company entered into interest rate swap agreements for a total amount of €350 million with the objective of modifying forecasted interest obligations relating to the €350 million French term loan facility (see Note 14 Borrowings) so that the interest payable effectively becomes fixed at 1.48% from June 2014 until June 2018 and 1.04% from June 2018 until July 2019.

The effectiveness of interest rate swap agreements is measured using forward interest rates. During the first half of 2016, hedge accounting has been discontinued as interest rate swaps no longer met the effectiveness criteria for hedge accounting given the expected trend of negative interest rates. Consequently, changes in fair value of interest rate swaps are recognized in interest income and expense, net for €1.5 million at June 30, 2019 and at June 30, 2018. 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 (not material at June 30, 2019 and €(2.0) million at June 30, 2018).

At June 30, 2019 and December 31, 2018, the fair value of instruments used to manage the interest rate risk was as follows:

	Six months ended June 30, 2019		Year ended December 31, 2018	
(in millions of euros)	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swaps in euros	€1,000.0	€(6.6)	€1,000.0	€(8.1)

Note 16 Shareholders' Equity

Shareholders' equity activity

As of June 30, 2019, Dassault Systèmes SE had 263,589,346 common shares issued with a nominal value of €0.50 per share.

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

(in number of shares)	
SHARES ISSUED AS OF DECEMBER 31, 2018	**262,732,941**
Exercise of stock options	856,405
SHARES ISSUED AS OF JUNE 30, 2019	**263,589,346**
Treasury stock as of June 30, 2019	(3,545,042)
SHARES OUTSTANDING AS OF JUNE 30, 2019	**260,044,304**

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.

Dividend rights

In 2019, the General Meeting of Shareholders approved the distribution of a dividend of €168.8 million for 2018.

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 €180 per share or above a maximum annual aggregate amount of €600 million.

Furthermore, the Group signed a liquidity agreement for an initial period until December 31, 2015, automatically renewable for subsequent 12-month terms. On June 30, 2019, 734,151 shares were purchased, at an average price of €127.80 and 810,981 shares were sold, at an average price of €126.98.

Components of other comprehensive income

	Six months ended June 30,	
(in millions of euros)	2019	2018
Cash flow hedges:		
(Losses) Gains arising during the year	€(22.2)	€(7.5)
Less: reclassification adjustments for gains or (losses) included in the income statement	(2.5)	2.2
	€(19.6)	**€(9.8)**

Note 17 Consolidated Statements of Cash Flows

Adjustments for non-cash items consist of the following:

		Six months ended June 30,	
(in millions of euros)	**Notes**	**2019**	**2018**
Depreciation of property and equipment	11	€65.3	€28.2
Amortization of intangible assets	13	105.5	87.0
Non-cash share-based payment expense		49.3	34.7
Deferred taxes		(10.9)	(8.4)
Other		8.8	6.7
ADJUSTMENTS FOR NON-CASH ITEMS		**218.0**	**148.3**

Changes in operating assets and liabilities consist of the following:

	Six months ended June 30,	
(in millions of euros)	**2019**	**2018**
Decrease in trade accounts receivable and contract assets	€252.9	€190.5
Increase (Decrease) in accounts payable	4.3	(14.2)
(Decrease) in accrued compensation	(25.2)	(5.6)
Increase (Decrease) increase in income tax payable	60.4	(25.1)
Increase in contract liabilities - Increase in unearned revenue	88.3	105.6
Changes in other assets and liabilities	5.7	(19.1)
CHANGES IN OPERATING ASSETS AND LIABILITIES	**386.3**	**232.1**

Note 18 Commitments and Contingencies

Medidata Solutions, Inc. proposed acquisition

On June 12th, 2019, the Group announced the signing of a definitive agreement to acquire Medidata Solutions, Inc. (“Medidata”), a leader in the digital transformation of the Life Sciences industry for clinical development, commercial, and real-world data intelligence, in an all-cash transaction at a price of $ 92.25 per share of Medidata, representing an enterprise value of $5.8 billion. The transaction was approved by the Boards of Directors of both companies. Consummation of the transaction is subject to receipt of regulatory approvals, the approval of Medidata Solutions’ shareholders and certain other customary closing conditions.

Financing commitments received in the context of this transaction include €3bn of bridge-to-bond facility to be refinanced with laddered bond tranches, €1 billion of bank term loan and €750 million of revolving credit facility. These financing commitments received are contingent on the closing of the acquisition.

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 June 2019, following the decision of the Appeal Court during the second quarter of 2019, the Company lodged an Appeal in Cassation before the High Court (or Supreme Court) 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 19 Events after the reporting period

Performance shares

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 22, 2018, the Board of Directors at the meeting held on July 1, 2019 decided to grant 307,615 performance shares to some employees of the Group (Plan 2019-A2). It is reminded that, on September 25, 2018, 496,700 “2019-A” performance shares had been granted in anticipation of the July 1, 2019 allocation to some managers and employees of the Group and that these beneficiaries have not been granted any “2019-A2” performance shares.Such 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 presence period ending on May 23, 2021 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).

On July 1, 2019, no shares have been granted to Bernard Charlès, Vice-chairman of the Board and Chief Executive Officer, being reminded that, on September 25, 2018, he had been granted 300,000 “2019-B” shares in advance of the 2019 allocation, as part of a plan of progressively associating him with the Company’s capital.

Stock option

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 23, 2019, the Board of Directors at the meeting held on July 1, 2019 decided to grant 1,632,374 options to subscribe to Dassault Systèmes shares to certain employees of the Group, at an exercise price of €140.00 (Plan 2019-01).

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2019 HALF-YEAR FINANCIAL INFORMATION

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

To the Shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of Dassault Systèmes, for the six months ended June 30, 2019;
- the verification of the information contained in the half-year management report.

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

1. Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to the effects of the application of the IFRS 16 "Leases" as of January 1st, 2019, detailed in the paragraph "Changes in accounting policies" of note 2 of the condensed consolidated financial statements for the half-year.

2. Specific verification

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

Neuilly-sur-Seine and Paris-La Défense, July 24, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	Ernst & Young et Autres
Thierry Leroux	Nour-Eddine Zanouda