



The **3DEXPERIENCE**[®] Company

HALF-YEAR FINANCIAL REPORT JUNE 30, 2020

European company

Share capital: 132,127,159.50 euros

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

Versailles Commercial Register under No. 322 306 440

This document is comprised of the English language translation of Dassault Systèmes' Half Year Report, which was filed with the AMF (French Financial Markets Authority) on July 24, 2020 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, 2020

"I hereby declare that, to the best of my knowledge, the 2020 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 “3DEXPERIENCE Company”, is a global leader in sustainable innovation. Since 1981, the software solutions of Dassault Systèmes transform the way products are designed, simulated, produced, marketed and used, leveraging the virtual world to improve the real world. Dassault Systèmes provides a virtual 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 20,000 Group’s employees are driven by this ambition. This also translates into a high level of market confidence and trust among our 270,000 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 2020 are presented in Section 1.7 “Risk Factors” of the Company’s 2019 *Document d’enregistrement universel* filed with the *Autorité des marchés financiers* (“AMF”, the French Financial Markets Authority) on March 19, 2020 and also available on our website www.3ds.com, it being specified that certain information relating to foreign currency and interest rate risks mentioned in said *Document d’enregistrement universel* are updated in Note 13 to the Condensed consolidated financial statements for the half-year ended June 30, 2020 under Chapter 3 of this Half Year Report.

2.3 Financial Review and Prospects

The executive overview in paragraph 2.3.1. “First Half 2020 Executive Overview” highlights selected aspects of our business during the first six months of 2020. The First Half 2020 Executive Overview, including the Summary Overview, Definitions of Key Metrics We Use, Supplemental non-IFRS Financial Information, and 2.4 “Consolidated Information: Financial Review of First Half 2020” should be read in conjunction with our Condensed consolidated financial statements for the half-year ended June 30, 2020 and the related notes included under Chapter 3 of this Half Year Report.

2.3.1 First Half 2020 Executive Overview

(In millions of euros, except percentage and per share data)	IFRS				Non-IFRS			
	H1 2020	H1 2019	Change	Change in cc*	H1 2020	H1 2019	Change	Change in cc*
Total Revenue	€ 2,203.3	€ 1,920.3	15%	14%	€ 2,215.0	€ 1,929.4	15%	14%
Software Revenue	1,973.0	1,702.7	16%	15%	1,983.5	1,710.5	16%	15%
Services Revenue	230.4	217.6	6%	5%	231.5	218.9	6%	5%
Operating Margin	11.9%	20.7%	(8.8)pts		28.0%	31.8%	(3.7)pts	
Diluted EPS	€ 0.74	€ 1.13	(34%)		€ 1.76	€ 1.69	4%	2%

Software Revenue (in millions of euros)	IFRS				Non-IFRS			
	H1 2020	H1 2019	Change	Change in cc*	H1 2020	H1 2019	Change	Change in cc*
Americas	€ 758.2	€ 514.3	47%	44%	€ 768.1	€ 520.6	48%	44%
Europe	709.8	712.4	0%	0%	710.1	714.0	(1%)	(1%)
Asia	505.0	476.0	6%	5%	505.3	476.0	6%	5%

*in constant currencies

Summary Overview

Strategic Direction – Extending Our Ambitions

In February 2020, we unveiled our strategic direction for the coming decades, extending our ambition from Things to Life, reflecting our belief that we have the capabilities of applying the knowledge and know-how we have acquired in the non-organic world to the living world. We have reasons to believe that we will eventually help our clients create the complete virtual twin of humans, just as we did for airplanes, cars or buildings. This opens up new perspectives for the Healthcare industry, transforming how people are cured and helping them live a better life. To support our new multi-decade ambition, we will focus on developing our leadership in Life Sciences & Healthcare, continuing to extend our investments and leadership in Manufacturing Industries and advancing forward in the promising Infrastructure & Cities sector.

New Product Line Revenue Reporting

In conjunction with our new ambitions and reflecting the integration of Medidata Solutions, Inc., which we acquired in October 2019, we introduced a new product line financial reporting, with Industrial Innovation software revenue, Life Sciences software revenue and Mainstream Innovation software revenue.

Our new product line revenue reporting, with our three product lines encompassing our brands, is as follows:

- **Industrial Innovation** software revenue is comprised of our CATIA, ENOVIA, SIMULIA, DELMIA, GEOVIA, NETVIBES/EXALEAD, and 3DEXCITE brands. For the 2020 First Half, Industrial Innovation software revenue totaled €1.15 billion and represented 58% of total IFRS software revenue.
- **Life Sciences** software revenue is comprised of our MEDIDATA and BIOVIA brands. Under this new presentation, ENOVIA Life Sciences Compliance and Quality Management is included in Life Sciences software revenue. For the 2020 First Half, Life Sciences software revenue totaled €379.4 million and represented 19% of total IFRS software revenue.
- **Mainstream Innovation** software revenue is comprised of our SOLIDWORKS brand as well as CENTRIC PLM, 3DVIA and our new 3DEXPERIENCE.WORKS software products family. For the 2020 First Half, Mainstream Innovation software revenue totaled €443.5 million and accounted for 23% of total IFRS software revenue.

New Industry Sectors

In addition to our new product line reporting, we have changed our Industry groupings in 2020 to reflect our increased focus on three large segments of global GDP.

Dassault Systemes' Industries develop Solution Experiences, industry-focused offerings that deliver specific value to companies and users in a particular industry. We serve eleven industries, structured into three sectors: **Manufacturing Industries** (Transportation & Mobility; Aerospace & Defense; Marine & Offshore; Industrial Equipment; High Tech; Home & Lifestyle; Consumer Packaged Goods &

Retail and a portion of Business Services); Life Sciences & Healthcare (Life Sciences); and Infrastructure & Cities (Energy & Materials; Construction, Cities & Territories; Business Services).

Global Covid-19 Pandemic and Financial Framework for 2020

The global pandemic, which unfolded over the course of the first quarter of 2020, underscored the power of our 3DEXPERIENCE platform to run our business from anywhere and to engage digitally with our customers as well as our partners. While our business is not immune, our financial model and financial strength enables us to continue to invest in our strategic priorities advancing our significant investments in Life Sciences & Healthcare and in Infrastructure & Cities while well supporting our Manufacturing sector.

In April, we set a 2020 Financial Framework, with the objective of maintaining our 2020 non-IFRS diluted earnings per share stable with 2019, thanks to three critical factors: recurring software resiliency, a continued strong level of operating profitability and a thoughtful savings plan enabling investing for the future.

- We are assuming that there will be a significant reduction in global GDP for full year 2020, with restrictions on a number of the industries we serve, with the most important impact in Q2, consistent with what most economists have estimated. Our planning framework assumes a progressive recovery in Q3 and Q4, based upon the current governmental support plans.
- With respect to recurring software revenue, overall we would expect it to maintain a solid resiliency for 2020 in total, while reflecting lower new licenses activity and some increased attrition as the year progresses.
- From an operating margin perspective, we are targeting to offset about half of the non-IFRS revenue reduction compared to our initial 2020 guidance issued in February, from the Covid-19 health crisis as, together with our other expectations, would enable us to reach a stable non-IFRS diluted EPS. Our savings plan target is about €170 million and we anticipate these savings will relate to selective hiring – as we are doing in R&D in particular, and the other half to discretionary expenses. At the end of 2020 First Half, we are in line with our target with approximately half of the savings achieved.
- Our Financial Framework also entails continued investing for the the future, and we will continue to invest in Research and Development.

On July 23, 2020 we provided an update of this framework, refining our 2020 non-IFRS diluted earnings per share growth objective to +1% to +3%.

For more information, see paragraph 2.7 “2020 Financial Framework and Objectives”.

Group Revenue Overview

IFRS total revenue increased 15% as reported and 14% at constant currency. IFRS software revenue increased 16% as reported, and 15% at constant currency. IFRS software revenue growth reflected recurring software revenue growth of 30% in constant currency with the addition of Medidata and organic growth of 5% at constant currency, while new licenses and other software revenue decreased 27% in constant currency on Covid-19 related demand erosion. IFRS recurring software revenue represented 83% of total software and totaled €1.63 billion for the 2020 First Half.

First Half 2020 Regional Review

IFRS software revenue increased 47% as reported and 44% in constant currency in the Americas, led by the addition of Medidata with a large proportion of its software revenue in North America and growth in Aerospace & Defense. IFRS Software revenue increased 6% as reported and 5% in constant currency in Asia on strong growth in Asia Pacific South and with Japan and China showing good resiliency. In Europe, IFRS software revenue was stable with a similar performance across the major geos. Non-IFRS recurring software revenue grew year over year across the three regions with all geos performing well in line with business goals. On an organic basis and at constant currency, IFRS software revenue increased by 1% in the Americas, and was lower by 3% in Asia and by 7% in Europe.

First Half 2020 Industry Sectors Review

By industry sector and in constant currencies in Non-IFRS, while Manufacturing Industries software revenue decreased 5% in total due to a double-digit decrease in Transportation & Mobility, both Aerospace & Defense and Consumer Packaged Goods-Retail grew year over year in the 2020 First Half. Life Sciences & Healthcare software revenue increased significantly with the addition of Medidata and represented 21% of total non-IFRS software revenue in the 2020 First Half. Infrastructure & Cities software revenue increased 6% and represented 9% of total non-IFRS software revenue.

2020 First Half Cash Flow and Balance Sheet Highlights

Net operating cash flow for the 2020 First Half totaled €855.0 million, compared to €893.6 million in the prior year period. During the 2020 First Half, uses of cash were principally for the distribution of cash dividends totaling €182.5 million; capital expenditures, net of

€87.4 million; repurchase of shares of €104.7 million related to our performance share grants programs and payment for lease obligations of €47.4 million. We received cash for stock options exercised of €47.3 million.

At June 30, 2020, our unearned revenue – contract liabilities totaled €1.16 billion. For the 2020 First Half unearned revenue – contract liabilities increased 3% in constant currencies and on an organic basis.

Our net financial debt position totaled €(2.21) billion at June 30, 2020, compared to €(2.66) billion at December 31, 2019 reflecting cash, cash equivalents and short-term investments of €2.40 billion and debt from borrowings of €4.60 billion.

For a discussion of our 2020 business outlook, see paragraph 2.7 “2020 Financial Framework and Objectives”. For further information regarding risks we face, see paragraph 2.2 “Risk Factors” as well as paragraph 1.7.1 “Risks Related to the Dassault Systèmes’s Business” of the 2019 Document d’enregistrement universel.

Definitions of Key Metrics We Use

Supplemental Non-IFRS Financial Information

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 assets and of tangible assets revaluation, (iii) share-based compensation expense and related social charges, (iv) the effect of adjusting the lease incentives of acquired companies, (v) certain other operating income and expense, net, including the impairment of goodwill and other intangible assets, (vi) certain one-time items included in financial income and other, net, and (vii) 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 2019 Document d’enregistrement universel.

Information in Constant Currencies

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

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

While constant currency calculations are not considered to be an IFRS measure, we do believe that they are critical to understanding our global revenue results and to comparing them 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

Dassault Systemes' Industries develop Solution Experiences, industry-focused offerings which deliver specific value to companies and users in a particular industry. We serve eleven industries, structured into three sectors: Manufacturing Industries (Transportation & Mobility; Aerospace & Defense; Marine & Offshore; Industrial Equipment; High Tech; Home & Lifestyle; Consumer Packaged Goods & Retail and a portion of Business Services); Life Sciences & Healthcare (Life Sciences); and Infrastructure & Cities (Energy & Materials; Construction, Cities & Territories; Business Services).

Information on Product Lines

Commencing with the first quarter of 2020 and as previously disclosed, we have introduced a new presentation of our product lines to reflect our broader ambitions. Our new product line financial reporting includes: 1) Industrial Innovation software revenue, comprised of our CATIA, ENOVIA, SIMULIA, DELMIA, GEOVIA, NETVIBES/EXALEAD, and 3DEXCITE brands; 2) Life Sciences software revenue, comprised of our MEDIDATA and BIOVIA brands; and 3) Mainstream Innovation software revenue, comprised of our SOLIDWORKS brand as well as CENTRIC PLM, 3DVIA and our new 3DEXPERIENCE.WORKS family. Under this new presentation, ENOVIA Life Sciences Compliance and Quality Management is included in Life Sciences software revenue.

3DEXPERIENCE Licenses and Software Contribution

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

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.

<i>(in millions of euros, except percentages and per share data)</i>	For the First Half Ended June 30,						Variation	
	2020 IFRS	Adjustment (1)	2020 non-IFRS	2019 IFRS	Adjustment (1)	2019 non-IFRS	IFRS	non-IFRS (2)
Total Revenue	€2,203.3	€11.6	€2,215.0	€1,920.3	€9.1	€1,929.4	15%	15%
Total Revenue breakdown by activity								
Software revenue	1,973.0	10.5	1,983.5	1,702.7	7.8	1,710.5	16%	16%
Licenses and other software revenue	341.5	-	341.5	461.8	-	461.8	(26%)	(26%)
Subscription and Support revenue	1,631.4	10.5	1,641.9	1,240.9	7.8	1,248.7	31%	31%
<i>Recurring portion of software revenue</i>	83%		83%	73%		73%		
Services revenue	230.4	1.1	231.5	217.6	1.3	218.9	6%	6%
Total Software Revenue breakdown by product line *								
Industrial Innovation	1,150.0	0.8	1,150.7	1,202.2	-	1,202.2	(4%)	(4%)
o/w CATIA	521.8	0.8	522.6	550.5	-	550.5	(5%)	(5%)
o/w ENOVIA	164.1	-	164.1	182.4	-	182.4	(10%)	(10%)
Life Sciences	379.4	9.3	388.8	69.2	0.5	69.7	448%	457%
Mainstream Innovation	443.5	0.4	444.0	431.2	7.3	438.5	3%	1%
o/w SOLIDWORKS	400.0	-	400.0	394.2	-	394.2	1%	1%
Total Revenue breakdown by geography								
Europe	799.0	0.3	799.4	802.2	2.0	804.2	0%	(1%)
Americas	856.7	11.0	867.7	602.7	7.1	609.7	42%	42%
Asia	547.6	0.3	547.9	515.5	-	515.5	6%	6%
Total Operating Expenses	(1,941.7)	347.1	(1,594.6)	(1,522.4)	205.6	(1,316.8)	28%	21%
Share-based compensation expense and related social charges	(103.8)	103.8	-	(80.5)	80.5	-		
Amortization of acquired intangibles assets and of tangible assets revaluation	(209.9)	209.9	-	(101.0)	101.0	-		
Lease incentives of acquired companies	(1.5)	1.5	-	-	-	-		
Other operating income and expense, net	(31.8)	31.8	-	(24.0)	24.0	-		
Operating Income	261.7	358.7	620.4	397.9	214.7	612.6	(34%)	1%
Operating Margin	11.9%		28.0%	20.7%		31.8%		
Financial income (loss), net	(13.0)	0.5	(12.5)	5.3	(1.2)	4.1	(344%)	(402%)
Income before Income Taxes	248.7	359.2	607.9	403.3	213.5	616.8	(38%)	(1%)
Income tax expense	(59.4)	(90.7)	(150.1)	(114.0)	(64.5)	(178.5)	(48%)	(16%)
Non-controlling interest	6.1	(2.6)	3.5	5.6	(3.4)	2.2		
Net Income attributable to shareholders	€195.4	€266.0	€461.4	€294.9	€145.6	€440.5	(34%)	5%
Diluted Net Income Per Share(3)	€0.74	€1.01	€1.76	€1.13	€0.56	€1.69	(34%)	4%

- (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 assets and of tangible assets revaluation, share-based compensation expense and related social charges, and the effect of adjusting the lease incentives of acquired companies, 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, certain one-time tax effects and the income tax effect of the non-IFRS adjustments.

* Commencing with the first quarter of 2020, the Group introduced a new presentation of revenue by product lines as presented in the paragraph 2.3.1 "First Half 2020 Executive Overview" – "Information on Product Lines". Under the new presentation, ENOVIA Life Sciences Compliance and Quality Management is included in Life Sciences software revenue (€7.0 million for first-half 2019)

For the First Half Ended June 30,

	2020 IFRS	Share-based compensation expense and relates social charges	Lease incentives of acquired companies	2020 non-IFRS	2019 IFRS	Share-based compensation expense and relates social charges	Lease incentives of acquired companies	2019 non-IFRS
<i>(in millions of euros)</i>								
Cost of revenue	(380.7)	6.0	0.4	(374.3)	(296.1)	3.5	-	(292.6)
Research and development	(473.6)	36.8	0.7	(436.2)	(357.2)	34.9	-	(322.3)
Marketing and sales	(647.2)	30.2	0.2	(616.8)	(591.7)	23.1	-	(568.6)
General and administrative	(198.4)	30.9	0.2	(167.3)	(152.3)	19.0	-	(133.3)
Total		103.8	1.5			80.5	-	

(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 262.8 million diluted shares for the 2020 First Half and 260.8 million diluted shares for the 2019 First Half.

2.4 Consolidated Information: Financial Review of First Half 2020

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 2020 First Half IFRS software revenue represented 89.5% (88.7% in H1 2019) and services revenue represented 10.5% (11.3% in H1 2019) of our IFRS total revenue.

Software revenue is comprised of subscription and support revenue and licenses revenue and other software revenue. Subscription and support revenue are referred to together as "recurring revenue".

Our software applications are licensed principally 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. Subscription revenue also is derived from multi-year cloud arrangements, including access to cloud solution, hosting and support services. 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, support, training services and engineering services. In addition, services and other revenue also include digital content production for use in 3D visualization, advertising, sales and marketing.

	For the First Half Ended June 30,			
<i>(in millions of euros, except percentages)</i>	2020	2019	Change	Change in cc
Total Revenue	2,203.3	1,920.3	15%	14%
Total Software Revenue	1,973.0	1,702.7	16%	15%
- Licenses and Other software	341.5	461.8	(26 %)	(27 %)
- Subscription and Support revenue	1,631.4	1,240.9	31%	30%
Americas total software	758.2	514.3	47%	44%
Europe total software	709.8	712.4	0%	0%
Asia total software	505.0	476.0	6%	5%
Services Revenue	230.4	217.6	6%	5%

Total Revenue

IFRS Total revenue increased 14.7% or €283.0 million, reflecting software growth of €270.3 million and services growth of €12.8 million.

On a non-IFRS basis, total revenue of €2.22 billion (H1 2019 €1.93 billion) increased 14.8% as reported and 14% in constant currency on the inclusion of the Medidata acquisition. On an organic basis and in constant currency, non-IFRS total revenue decreased 5% under the effect of the Covid-19 pandemic economic impact.

Software Revenue by Type

IFRS software revenue increased 15.9% or €270.3 million, reflecting subscription and support revenue growth of €390.5 million, offset in part by a decrease of €120.3 million in new licenses and other software.

On a non-IFRS basis, software revenue of €1.98 billion (H1 2019 €1.71 billion) increased 15% in constant currencies, reflecting recurring software revenue growth of 30% with the addition of Medidata and organic growth of 5%, while new licenses and other software revenue decreased 27% in constant currencies on Covid-19 related demand erosion. Non-IFRS recurring software revenue represented 83% of non-IFRS total software and totaled €1.64 billion for the 2020 First Half.

Software Revenue by Region

IFRS software revenue increased 44% (non-IFRS 44%) in constant currencies in the Americas, led by the addition of Medidata with a large proportion of its software revenue in North America and growth in Aerospace & Defense. IFRS software revenue increased 5% (non-IFRS 5%) in constant currencies in Asia on strong growth in Asia Pacific South, and with Japan and China showing good resiliency. In Europe, IFRS software revenue was flat (non-IFRS 1% decrease) with a similar performance across the three largest geographies on an organic basis.

On an organic basis, recurring software revenue grew year over year across the three regions with all geographies performing well in line with business goals. On an organic basis and at constant currency, non-IFRS software revenue was flat in the Americas, and lower by 3% in Asia and by 8% in Europe.

Services Revenue

Services revenue increased 5% in constant currencies (IFRS and non-IFRS), reflecting the addition of services from Medidata offset in part by an organic decrease of 10% (IFRS) and 11% (non-IFRS) impacted by Covid-19 related disruptions to new business and to service engagements.

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,	
<i>(in millions of euros, except percentages)</i>	2020	2019
Cost of software revenue (excluding amortization of acquired intangibles and of tangible assets revaluation)	€ 152.8	€ 89.8
(as % of total revenue)	6.9%	4.7%

IFRS cost of software revenue (excluding amortization of acquired intangibles) increased 70.2% or €63.0 million. The increase largely reflected the impact of the Medidata acquisition and to a lesser extent negative currency effects.

Non-IFRS cost of software revenue increased 71.3% to €151.1 million compared to €88.2 million in the 2019 First Half. On an organic basis and at constant currency, non-IFRS cost of software revenue increased 3% driven by higher payroll costs.

Currency effect had a negative impact on cost of software of approximately 2 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,	
<i>(in millions of euros, except percentages)</i>	2020	2019
Cost of services revenue	€ 227.9	€ 206.3
(as % of total revenue)	10.3%	10.7%

IFRS cost of services revenue increased 10.5% or €21.6 million.

Non-IFRS cost of services revenue increased 9.1% to €223.1 million from €204.4 million.

The increase in IFRS and non-IFRS cost of services was largely due to external growth from the Medidata acquisition and to a lesser extent negative currency effects of 1 percentage point. On an organic basis and at constant currency, non-IFRS cost of services revenue decreased 5% in both IFRS and non-IFRS reflecting lower travel and services subcontracting.

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 mostly in France.

	For the First Half Ended June 30,	
<i>(in millions of euros, except percentages)</i>	2020	2019
Research and development expenses	€ 473.6	€ 357.2
(as % of total revenue)	21.5%	18.6%

IFRS research and development expenses increased 32.6% or €116.4 million.

Non-IFRS research and development expenses totaled €436.2 million in the 2020 First Half, compared to €322.3 million in the year-ago period and increased 35.3%.

The increase in IFRS and non-IFRS R&D expenses was largely due to external growth from acquisitions with currency having a limited impact. On an organic basis and at constant currency, non-IFRS R&D expenses increased 3% in IFRS and 4% in non-IFRS reflecting higher personnel costs and related costs in relation with the average headcount increase.

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,	
<i>(in millions of euros, except percentages)</i>	2020	2019
Marketing and sales expenses	€ 647.2	€ 591.7
(as % of total revenue)	29.4%	30.8%

IFRS Marketing and sales expenses increased 9.4%, or €55.5 million.

Non-IFRS marketing and sales expenses were €616,8 million in the 2020 First Half, compared to €568.6 million in the 2019 First Half, increasing 8.5% in total.

The increase in IFRS and non-IFRS marketing and sales expenses was largely due to external growth from acquisitions with currency having a limited impact. On an organic basis and at constant currency, IFRS and non-IFRS sales and marketing expenses decreased, respectively by 4% and 6%, reflecting restrictions on physical events and lower travel expenses in connection with the Covid-19 health crisis.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs of the finance, 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,	
<i>(in millions of euros, except percentages)</i>	2020	2019
General and administrative expenses	€ 198.4	€ 152.3
(as % of total revenue)	9.0%	7.9%

IFRS General and administrative expenses increased 30.3% or €46.1 million mainly from acquisitions.

Non-IFRS General and administrative expenses were €167.3 million for the 2020 First Half compared to €133.3 million in 2019 First Half, increasing 25.5%.

On an organic basis and at constant currency, general and administrative expenses decreased 3% (IFRS) and 1% (non-IFRS). Currency had a net negative impact on general and administrative expense growth by about 1 percentage point (IFRS) and 2 percentage points (non-IFRS).

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,	
<i>(in millions of euros)</i>	2020	2019
Amortization of acquired intangible assets and of tangible assets revaluation	€ 209.9	€ 101.0

IFRS Amortization of acquired intangibles increased 107.8% or €108.9 million in the 2020 First Half, reflecting principally the Medidata acquisition completed in the fourth quarter of 2019.

See Note 11 to the Condensed consolidated financial statements for the half-year ended June 30, 2020.

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,	
<i>(in millions of euros)</i>	2020	2019
Other operating income (expense), net	€(31.8)	€(24.0)

IFRS Other operating income (expense), net totaled €(31.8) million for the 2020 First Half. It mainly includes the costs incurred in connection with the voluntary early retirement plan (€21.6 million) and the costs incurred in connection with relocation activities (€6.8 million). For the 2019 First Half, IFRS Other operating income (expense), net totaled €(24.0) million and included acquisition costs (€18.9 million) primarily related to Medidata Solutions, Inc.

See Note 8 to the Condensed consolidated financial statements for the half-year ended June 30, 2020.

2.4.3 Operating income

	For the First Half Ended June 30,	
<i>(in millions of euros)</i>	2020	2019
Operating income	€ 261.7	€ 397.9

IFRS Operating income decreased 34.2% reflecting higher total revenue of €283.0 million, up 14.7%, offset by a €419.3 million increase in operating expenses notably R&D costs, amortization of acquired intangible assets and of tangible assets revaluation and cost of software due to external growth from acquisitions. IFRS Operating margin decreased from 20.7% to 11.9% for the 2020 First Half.

Non-IFRS Operating income increased 1%, as reported and decreased 1% in constant currency and totaled €620.4 million for the 2020 First Half compared to €612.6 million for the 2019 First Half. The non-IFRS operating margin was 28.0% compared to 31.8% in the year-ago First Half, and principally reflected acquisition dilution of about 170 basis points and an estimated 230 basis points adverse impact of the Covid-19 pandemic on new licenses and services activities.

See also 2.7 “2020 Financial Framework and Objectives” for a detailed discussion of the Company’s full year non-IFRS operating margin outlook.

2.4.4 Financial income (loss), net

Financial income (loss), 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,	
<i>(in millions of euros)</i>	2020	2019
Financial income (loss), net	€(13.0)	€ 5.3

IFRS financial income (loss), net decreased to €(13.0) compared to €5.3 million for the 2019 First Half principally reflecting a decrease in interest income from lower cash balances and an increase in interest expense related to an increase in debt to fund a portion of the acquisition of Medidata Solutions, Inc. See Part 3 Note 9 to the Condensed consolidated financial statements herein.

Similarly, non-IFRS financial income (loss), net totaled €(12.5) million, compared to €4.1 million for the 2019 First Half with the decrease principally driven by the same factors.

2.4.5 Income tax expense

	For the First Half Ended June 30,	
<i>(in millions of euros, except percentages)</i>	2020	2019
Income tax expense	€ 59.4	€ 114.0
Effective consolidated tax rate	23.9%	28.3%

IFRS income tax expense decreased by 47.9%, reflecting primarily a 38.3% decrease in pre-tax income.

On a non-IFRS basis, income tax expense decreased by 15.9% to €150.1 million for the 2019 First Half, compared to €178.5 million in the year-ago period, principally due to a decrease in the estimated tax rate due to a positive impact of US legislation changes. On a non-IFRS basis, the estimated effective tax rate was 24.7% for the 2020 First Half compared to 28.9% for the 2019 First Half.

2.4.6 Net income and net income per diluted share

	For the First Half Ended June 30,	
<i>(in millions of euros, except per share data)</i>	2020	2019
Net income attributable to shareholders	€ 195.4	€ 294.9
Net income per diluted share	€ 0.74	€ 1.13
Weighted average diluted shares outstanding	€ 262.8	€ 260.8

IFRS net income per diluted share decreased by 34.2% to €0.74, principally driven by a decrease in operating income of 34.2% compared to the year-ago period, largely reflecting intangible assets amortization and by net financial expenses.

Non-IFRS diluted net income per share totaled €1.76 compared to €1.69 in the prior year period, and was up 4.1% as reported principally reflecting an increase in non-IFRS operating income of 1.3% combined with a decrease in the effective tax rate from 28.9% to 24.7%. Excluding currency effects, non-IFRS diluted net income per share grew 2%.

2.4.7 Variability in Quarterly Financial Results

Our quarterly licenses revenue growth may have varied significantly in the past and may vary significantly in the future. Over the near-term, we are seeing the impact of the Covid-19 pandemic affecting macroeconomic conditions due to significant restrictions affecting demand as well as triggering supply constraints. In addition, quarterly licensing revenue growth reflects 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. In addition, the Covid-19 health crisis is also impacting services activities due to a lower level of new licenses activities reducing the demand for services as well as the timeline and scope of services agreements underway prior to the Covid-19 pandemic.

Our total software revenue growth has generally been less sensitive to quarterly variation due to the significant level of recurring software revenue, which is comprised of subscription revenue and support revenue. IFRS and non-IFRS Recurring software revenue represented 83% and 73% of total software revenue for the First Half of 2020 and 2019, respectively but could be subject to renewal delays. With the implementation of IFRS 15 effective as of January 1, 2018, sequential comparisons of our recurring software revenue growth need, however, to take into account the fact that a high proportion of on-premise, subscription software contracts renew for an annual period as of January 1. Therefore, under IFRS 15 we record a higher percentage of the annual amount of the on-premise subscription in the first quarter of our fiscal year. In addition, year-over-year growth comparisons may be impacted by changes in the duration of on-premise subscriptions upon renewals. Revenue from cloud subscriptions are generally recognized ratably over the contractual terms.

<i>(in millions of euros)</i>	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Recurring Software revenue (Non-IFRS)	646.2	602.5	601.1	724.2	850.7	791.2

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. In addition, software revenue, total revenue, operating income, operating margin and net income have generally been higher in the fourth quarter.

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.

Therefore, 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 paragraphs 1.7.1.1 “Uncertain Global Economic Environment” and 1.7.1.12 “Variability in Dassault Systèmes’ Quarterly Operating Income” in Risk Factors in our 2019 Document d’enregistrement universel.

2.4.8 Capital Resources

We have significant financial flexibility thanks to our available cash and short-term investments positions and strong level of annual cash flow. Principal uses of cash are for select acquisitions, repayment of debt, cash dividends and share repurchases to minimize share count dilution from performance share plans.

Our net financial position improved to €(2,21) billion at June 30, 2020, compared to €(2.66) billion at December 31, 2019, with an increase in cash and cash equivalents of €0.45 billion to €2.40 billion from €1.95 billion, less debt related to borrowings of €4.60 billion.

For the 2020 First Half, our principal sources of liquidity were cash from operations aggregating €855.0 million, and proceeds from the exercise of stock options totaling €47.3 million. During the 2020 First Half cash obtained from operations was used principally to distribute cash dividends of €182.5 million; repurchase of shares of €104.7 million related to share-based performance plans; capital expenditures, net of €87.4 million; and payment for lease obligations of €47.4 million.

For the 2019 First Half, our principal sources of liquidity had been 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 had principally been used 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.

Exchange rate fluctuations had a negative translation effect on cash and cash equivalent balances, of €(10.5) million as of June 30, 2020, and a positive translation effect of €9.7 million as of June 30, 2019.

We follow a conservative policy for investing our cash resources, mostly relying on investment grade short-term maturity investments from major banks and financial institutions counter-parties.

See also the Consolidated Statements of Cash Flows presented in the Condensed Consolidated Financial Statements for the half-year ended June 30, 2020.

2.5 Related party transactions

Related-party transactions were identified and described in the *Document d'enregistrement universel*, in Chapter 4.1.1 "Consolidated Financial Statements", Note 26. No new related party transaction occurred during the 2020 First Half.

The transactions entered into with Dassault Aviation and mentioned in the 2019 *Document d'enregistrement universel* continued during the first six months of 2020. There was no modification which could significantly impact the financial position or the income of Dassault Systèmes during the 2020 First Half.

2.6 2020 First Half Significant Events

Significant events

Dassault Systèmes Acquires Proxem to Extend Information Intelligence on the 3DEXPERIENCE Platform. On July 23, 2020 the Company announced that it had completed the acquisition of Proxem, a specialist in artificial intelligence-based semantic processing software and services, and provider of consumer experience analysis solutions. With this acquisition, Dassault Systèmes extends information intelligence on the 3DEXPERIENCE platform to semantics with natural language processing technologies. Customers can automate the interpretation of unstructured text data to become more innovative, agile and sustainable. Proxem customers include Air France, Air Liquide and Total among others.

On February 10, 2020, Dassault Systèmes introduced the new 3DEXPERIENCE.WORKS commercial offers that provide SOLIDWORKS users with a connected, integrated and automated way to streamline their creative process, and save time and money. The new offers – Standard, Professional and Premium – feature SOLIDWORKS standard, professional and premium applications that are installed from, licensed from, and updated in the 3DEXPERIENCE platform, with data stored in it. With this connection, SOLIDWORKS customers use the same desktop applications that they rely on to design and engineer new customer experiences, all while benefitting from the advantages of a digital platform: improved collaboration, embedded and easy-to-use data management, automatic software updates, and flexible access to the latest project data readily available in one place. **The scalable offers also include 3D Creator and 3D Sculptor - next generation design applications that run in any browser, anywhere - and enable users to extend and improve what they can do with SOLIDWORKS by selecting from dozens of other powerful 3DEXPERIENCE.WORKS applications and use only the ones they need for their tasks.**

Other information

On May 26, 2020, at the Annual Shareholders' Meeting, Dassault Systèmes' shareholders approved a dividend for the fiscal year 2019 equivalent to €0.70 per share, compared to €0.65 per share in the prior year, up 8%. On June 2, 2020, the dividend was fully paid in cash in an aggregate amount of €182.5 million.

2.7 2020 Financial Framework and Objectives

Following the global health emergency, which unfolded over the course of the first quarter, we updated our initial 2020 financial objectives on April 23, 2020. We provided a financial framework with the objective of targeting a stable year-on-year non-IFRS EPS of about €3.65 for 2020. On July 23, 2020, we provided an update, refining our non-IFRS diluted EPS objective to €3.70 to 3.75.

More specifically, we outlined the following framework as the basis for our quarterly and full year 2020 financial objectives, and for conducting our internal planning. This financial framework continues to assume some underlying improvement in global GDP in the second half of 2020 based upon current governmental plans in the major geographies we serve and also the progressive reopening of our clients sites, of the borders and the ability of professional travels. We also anticipate that changes in Covid-19 outbreaks will continue to result in a choppy demand recovery environment. Therefore, we believe our framework assumptions presented in April remain relevant. This financial framework and financial objectives are subject to the assumptions and cautionary statements set forth below and are subject to revision, as health, market and business conditions as well as currency exchange rates evolve during the second half of 2020.

Key framework assumptions made on April 23, 2020 and confirmed or refined on July 23, 2020 are as follows:

- A significant deceleration in global GDP and restrictions in a number of industries based upon current government plans in the Americas, Europe and Asia, leading to non-IFRS licenses and other software revenue to decrease year over year by approximately -18% to -16% in constant currencies for FY 2020 (refining from -20% to -17% previously);
- Non-IFRS recurring software revenue to maintain a strong resilience, while reflecting lower new licenses activity and some increased attrition, leading to growth of recurring software revenue in the range of 26% to 27% (no change) in constant currencies for FY 2020.
- Cost savings targeting to achieve a non-IFRS operating margin in the range of 29.3% to 29.4% for FY 2020 (refining from about 29.5% previously);
- Non-IFRS effective tax rate of about 25.2% (unchanged) for FY 2020.

These framework assumptions led to our updated 2020 financial objectives, which we are reconfirming as of the date of this Half Year Report. Our financial framework objectives have been prepared and communicated only on a non-IFRS basis, and reflect the principal 2020 currency exchange rate assumptions below for the US dollar and Japanese yen as well as the potential impact from additional non-Euro currencies:

- 2020 non-IFRS revenue growing 12% to 13% in constant currencies to an objective of €4.51 billion to €4.56 billion;
- 2020 non-IFRS operating margin of about 29.3% to 29.4%;
- 2020 non-IFRS diluted earnings per share of €3.70 to €3.75, stable to slightly increasing (+1 to +3%) over FY 2019.

These financial objectives are based upon an average exchange rate assumption of US dollar 1.13 per euro for 2020 and Japanese yen of 122.3 per euro for 2020. These exchange rates 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 2020 non-IFRS financial objectives/framework set forth above do not take into account the following accounting elements and are estimated based upon the 2020 principal currency exchange rates above: contract liabilities write-downs estimated at approximately €13 million, share-based compensation expense, including related social charges, estimated at approximately €209 million and amortization of acquired intangibles and of tangibles reevaluation, estimated at approximately €400 million, largely impacted by the Medidata acquisition; and lease incentives of acquired companies at approximately €3 million. The above objectives also do not include any impact from other operating income and expenses, 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. Finally, these estimates do not include any new stock option or share grants, or any new acquisitions or restructurings completed after June 30, 2020.

The information above includes statements that express our operating framework and 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 2020 are presented in Section 1.7 "Risk Factors" of the Company's 2019 *Document d'enregistrement universel* (Annual Report) filed with the AMF on March 19, 2020, with the exception of foreign currency and interest rate risks which are updated in Note 13 to the Condensed consolidated financial statements for the half-year ended June 30, 2020 under Chapter 3 of this Half Year Report.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF- YEAR ENDED JUNE 30, 2020

Consolidated Statements of Income

	Note	Six months ended June 30,	
		2020 (unaudited)	2019 (unaudited)
<i>(in millions of euros, except per share data)</i>			
Licenses and other software revenue		€341.5	€461.8
Subscription and support revenue		1,631.4	1,240.9
Software revenue	5	1,973.0	1,702.7
Services revenue		230.4	217.6
TOTAL REVENUE		2,203.3	1,920.3
Cost of software revenue		(152.8)	(89.8)
Cost of services revenue		(227.9)	(206.3)
Research and development		(473.6)	(357.2)
Marketing and sales		(647.2)	(591.7)
General and administrative		(198.4)	(152.3)
Amortization of acquired intangible assets and of tangible assets revaluation		(209.9)	(101.0)
Other operating income and expense, net	8	(31.8)	(24.0)
OPERATING INCOME		261.7	397.9
Interest income and expense, net	9	(11.0)	5.7
Other financial income and expense, net	9	(2.0)	(0.4)
INCOME BEFORE INCOME TAXES		248.7	403.3
Income tax expense		(59.4)	(114.0)
NET INCOME		€189.3	€289.3
Attributable to:			
Equity holders of the Group		€195.4	€294.9
Non-controlling interest		€(6.1)	€(5.6)
Earnings per share			
Basic net income per share		€0.75	€1.14
Diluted net income per share		€0.74	€1.13

Consolidated Statements of Comprehensive Income

	Note	Six months, ended June 30,	
		2020 (unaudited)	2019 (unaudited)
<i>(in millions of euros)</i>			
NET INCOME		€189.3	€289.3
Gain (Loss) on hedging reserves	14	2.7	(19.6)
Income tax on items to be reclassified		(2.3)	6.2
Foreign currency translation adjustment		(5.8)	24.9
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods, net of tax		(5.4)	11.5
Remeasurements of defined benefit pension plans		(0.7)	(23.4)
Remeasurements of investments in non-consolidated equities		3.7	-
Income tax on items not being reclassified		(0.6)	7.0
Other comprehensive income not being reclassified to profit or loss in subsequent periods, net of tax		2.5	(16.4)
OTHER COMPREHENSIVE INCOME, NET OF TAX		(3.0)	(4.9)
TOTAL COMPREHENSIVE INCOME, NET OF TAX		€186.3	€284.3
Attributable to:			
Equity holders of the Group		€192.1	€289.3
Non-controlling interest		€(5.8)	€(5.0)

Consolidated Balance Sheets

<i>(in millions of euros)</i>	Note	June 30, 2020 (unaudited)	December 31, 2019 (audited)
Assets			
Cash and cash equivalents		€2,399.7	€1,944.9
Trade accounts receivable, net	10	965.3	1,319.2
Contract assets		29.0	26.9
Income tax receivable		53.7	115.4
Other current assets		249.2	262.6
TOTAL CURRENT ASSETS		3,696.8	3,669.0
Property and equipment, net		920.2	899.7
Other non-current assets		268.1	249.5
Deferred tax assets		150.0	137.4
Intangible assets, net	11	4,003.3	4,186.1
Goodwill	11	4,768.5	4,730.9
TOTAL NON-CURRENT ASSETS		10,110.2	10,203.7
TOTAL ASSETS		€13,807.0	€13,872.6

(in millions of euros)

Liabilities and equity			
Trade accounts payable		€148.3	€220.0
Accrued compensation and other personnel costs		478.4	497.3
Contract liabilities		1,164.1	1,093.5
Borrowings, current	12	7.8	4.4
Income tax payable		13.5	55.4
Other current liabilities		240.9	263.3
TOTAL CURRENT LIABILITIES		2,053.0	2,133.8
Deferred tax liabilities		823.3	830.2
Borrowings, non-current	12	4,600.1	4,596.8
Other non-current liabilities		966.7	1,049.2
TOTAL NON-CURRENT LIABILITIES		6,390.1	6,476.2
Common stock		132.3	132.0
Share premium		916.3	863.3
Treasury stock		(392.1)	(450.2)
Retained earnings and other reserves		4,652.0	4,653.2
Other items		7.2	10.4
Parent shareholders' equity		5,315.7	5,208.7
Non-controlling interest		48.2	53.9
TOTAL EQUITY	14	5,363.9	5,262.6
TOTAL LIABILITIES AND EQUITY		€13,807.0	€13,872.6

Consolidated Statements of Cash Flows

<i>(in millions of euros)</i>	Note	Six months ended June 30,	
		2020 (unaudited)	2019 (unaudited)
Net income		€189.3	€289.3
Adjustments for non-cash items	15	377.8	218.0
Changes in operating assets and liabilities	15	287.9	386.3
Net cash provided by operating activities		855.0	893.6
Additions to property, equipment and intangibles	11	(87.4)	(48.2)
Payment for acquisition of businesses, net of cash acquired	15	(19.5)	(402.8)
Other		2.4	(17.1)
Net cash used in investing activities		(104.4)	(468.1)
Proceeds from exercise of stock options		47.3	46.0
Cash dividends paid	14	(182.5)	(168.8)
Repurchase and sale of treasury stock	14	(104.7)	9.2
Proceeds from borrowings		1.8	-
Repayment of borrowings		-	(0.8)
Repayment of lease liabilities		(47.4)	(37.3)
Net cash used in financing activities		(285.4)	(151.7)
Effect of exchange rate changes on cash and cash equivalents		(10.5)	9.7
INCREASE IN CASH AND CASH EQUIVALENTS		454.8	283.5
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,944.9	2,809.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD		€2,399.7	€3,092.8
Supplemental disclosure			
Income taxes paid		€54.6	€20.8
Cash paid for interest		€16.0	€12.4
Total cash outflow for leases		€58.8	€47.1

Consolidated Statements of Shareholders' Equity

<i>(in millions of euros)</i>	Note	Common stock	Share premium	Treasury stock	Retained earnings and other reserves	Other items	Parent shareholders' equity	Non-controlling interest	Total equity
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)		-	-	-	(36.0)	-	(36.0)	-	(36.0)
January 1, 2019 Adjusted balance		€131.4	€766.3	€(353.8)	€3,967.5	€14.6	€4,526.0	€63.9	€4,589.9
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		-	-	-	(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 compensations		-	-	-	49.3	-	49.3	-	49.3
Other changes		-	-	-	29.2	-	29.2	(1.5)	27.8
JUNE 30, 2019 (UNAUDITED)		€131.8	€829.5	€(308.9)	€4,136.4	€9.0	€4,797.9	€57.6	€4,855.4
DECEMBER 31, 2019		€132.0	€863.3	€(450.2)	€4,653.2	€10.4	€5,208.7	€53.9	€5,262.6
Net income		-	-	-	195.4	-	195.4	(6.1)	189.3
Other comprehensive income, net of tax		-	-	-	-	(3.3)	(3.3)	0.3	(3.0)
COMPREHENSIVE INCOME, NET OF TAX		-	-	-	195.4	(3.3)	192.1	(5.8)	186.3
Dividends	14	-	-	-	(182.5)	-	(182.5)	-	(182.5)
Exercise of stock options		0.3	53.0	-	-	-	53.3	-	53.3
Treasury stock transactions		-	-	58.2	(162.8)	-	(104.7)	-	(104.7)
Share-based compensations	7	-	-	-	85.7	-	85.7	-	85.7
Transactions with non-controlling interests		-	-	-	50.5	-	50.5	-	50.5
Other changes		-	-	-	12.5	-	12.5	-	12.5
JUNE 30, 2020 (UNAUDITED)		€132.3	€916.3	€(392.1)	€4,652.0	€7.2	€5,315.7	€48.2	€5,363.9

* The Group has initially applied IFRS 16 at January 1, 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

<i>(in millions of euros)</i>	Investments in non-consolidated equities	Hedging reserves	Foreign currency translation adjustment	Actuarial gains and losses	Parent shareholders' equity	Non-controlling interest	Total other comprehensive income
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
DECEMBER 31, 2019	€3.4	€4.1	€82.6	€(79.6)	€10.4	€1.1	€11.6
Variations	2.9	0.4	(6.1)	(0.5)	(3.3)	0.3	(3.0)
JUNE 30, 2020 (UNAUDITED)	€6.3	€4.4	€76.5	€(80.1)	€7.2	€1.4	€8.6

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended June 30, 2020

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

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

Note 1 Description of Business

The “Group” refers to Dassault Systèmes SE and its subsidiaries. The Group 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.

The Group serves eleven industries structured into three sectors: *Manufacturing Industries* (Transportation & Mobility; Aerospace & Defense; Marine & Offshore; Industrial Equipment; High-Tech; Home & Lifestyle; Consumer Packaged Goods & Retail; and a portion of Business Services); *Life Sciences & Healthcare* (Life Sciences); and *Infrastructure & Cities* (Energy & Materials; Construction, Cities & Territories; Business Services). To serve its customers, the Group has developed a broad software applications portfolio, comprised of 3D modeling applications, simulation applications, social and collaborative applications, and information intelligence applications, powered by its 3DEXPERIENCE platform.

Dassault Systèmes SE is a European company (*Societas Europaea*), incorporated under the laws of France. The Company’s registered office is located at 10, rue Marcel Dassault, in Vélizy-Villacoublay, France. The Dassault Systèmes SE shares are listed in France on Euronext Paris.

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). These condensed interim consolidated financial statements were established under the responsibility of the Board of Directors on July 22, 2020.

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, 2019, except for specific requirements provide by IAS 34.

New standards, interpretations or amendments effective beginning on January 1, 2020 did not have a significant impact on the Company’s condensed interim consolidated financial statements. New standards, interpretations or amendments effective beginning on January 1, 2021 were not early adopted by the Company.

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 2020.

The Company’s significant accounting policies are summarized in the notes to the annual consolidated financial statements for the year ended December 31, 2019.

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

Note 3 Seasonality

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

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

- the measures of operating segment revenue and income include 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 Compensation),
 - amortization of acquired intangible assets and of tangible assets revaluation,
 - and other operating income and expense, net (see Note 8 Other Operating Income and Expense, Net);
- the measure of operating segment income takes into account the impact of the lease incentives, including rent-free periods, which are not recognized in the right-of-use asset under a business combination.

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
TOTAL REVENUE FOR OPERATING SEGMENT	€2,215.0	€1,929.4
Adjustment for unearned revenue of acquired companies	(11.6)	(9.1)
REPORTED TOTAL REVENUE	€2,203.3	€1,920.3

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
INCOME FOR OPERATING SEGMENT	€620.4	€612.6
Adjustment for unearned revenue of acquired companies	(11.6)	(9.1)
Share-based compensation expense and related payroll taxes	(103.8)	(80.5)
Amortization of acquired intangibles assets and of tangible assets revaluation	(209.9)	(101.0)
Lease incentives of acquired companies	(1.5)	-
Other operating income and expense, net	(31.8)	(24.0)
REPORTED OPERATING INCOME	€261.7	€397.9

Note 5 Software Revenue

Software revenue is comprised of the following:

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
Licenses and other software revenue	€341.5	€461.8
Subscription and support revenue ⁽¹⁾	1,631.4	1,240.9
SOFTWARE REVENUE	€1,973.0	€1,702.7

(1) In 2020, corresponds to €217.0 million at a point in time and €1,414.4 million over time, to be compared to €217.4 million and €1,023.6 million respectively in 2019.

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

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019*
Industrial Innovation	€1,150.0	€1,202.2
Of which CATIA	521.8	550.5
Of which ENOVIA	164.1	182.4
Life Sciences	379.4	69.2
Mainstream Innovation	443.5	431.2
Of which SOLIDWORKS	400.0	394.2
SOFTWARE REVENUE	€1,973.0	€1,702.7

* Commencing with the first quarter of 2020, the Group introduced a new presentation of revenue by product line which includes: 1) Industrial Innovation software revenue, comprised of its CATIA, ENOVIA, SIMULIA, DELMIA, GEOVIA, NETVIBES/EXALEAD, and 3DEXCITE brands; 2) Life Sciences software revenue, comprised of its MEDIDATA and BIOVIA brands; and 3) Mainstream Innovation software revenue, comprised of its SOLIDWORKS brand as well as CENTRIC PLM, 3DVIA and its new 3DEXPERIENCE.WORKS family. Under the new presentation, ENOVIA Life Sciences Compliance and Quality Management is included in Life Sciences software revenue (€7.0 million for first-half 2019)

Note 6 Government Grants

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

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
Research and development	€21.7	€12.2
Other expenses	1.7	3.1
TOTAL GOVERNMENT GRANTS	€23.3	€15.3

Note 7 Share-based Compensation

The expense related to compensation based on performance shares and stock options, including associated payroll taxes, is recorded in the consolidated statements of income as follows:

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
Research and development	€(36.8)	€(34.9)
Marketing and sales	(30.2)	(23.1)
General and administrative	(30.9)	(19.0)
Cost of revenue	(6.0)	(3.5)
TOTAL EXPENSE RELATED TO SHARE-BASED COMPENSATION	€(103.8)	€(80.5)

Changes during the six months ended June 30, 2020 of unvested performance shares, Medidata Program and stock options were as follows:

	Number of awards			Total
	Performance shares	Medidata Program	Stock options	
UNVESTED AS OF DECEMBER 31, 2019	3,194,495	1,867,463	3,299,277	8,361,235
Granted	1,161,687	-	2,161,919	3,323,606
Vested	(1,029,050)	(594,040)	(1,584,064)	(3,207,154)
Forfeited	(10,000)	(76,912)	(122,611)	(209,523)
UNVESTED AS OF JUNE 30, 2020	3,317,132	1,196,511	3,754,521	8,268,164

Performance shares

New plans granted in 2020

Pursuant to an authorization granted by the General Meeting of Shareholders held on May 22, 2018, the Board of Directors decided on May 26, 2020 to grant 804,966 performance shares (Plan 2020-A) to some employees and executives of the Group and 300,000 performance shares (Plan 2020-B) to Mr. Bernard Charlès, Vice Chairman of the Board of Directors and Chief Executive Officer as part of a plan of progressively associating him with the Company's capital implemented since several years. Such shares shall be acquired as at May 26, 2024. They shall be vested subject to the condition that the beneficiary is an employee, an executive or a director of the Group at the end of a presence period ending on May 26, 2023 and subject to the achievement of a condition based on the Group 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 2023, excluding foreign currency effects, and the one achieved in the year 2019 (non-vesting condition).

The weighted average grant-date fair value of 2020-A and 2020-B performance shares was €58.42. It was estimated based on the quoted price of Dassault Systèmes SE's common stock on the date of grant, adjusted to include the non-vesting condition based on the non-IFRS diluted earnings per share using a Monte Carlo model. The model simulates the performance of the non-IFRS diluted earnings per share of the Group excluding foreign currency effects, assuming an expected volatility of 8.22%.

Pursuant to an authorization granted by the General Meeting of Shareholders held on May 22, 2018, the Board of Directors decided on May 26, 2020 to grant 56,721 performance shares (Plan 2020-M) to some employees and executives of the Group. Such shares shall be acquired as at May 26, 2023. They shall be vested subject to the condition that the beneficiary is an employee or an executive of the Group at the end of a presence period ending on May 26, 2023 and subject to the achievement of a double condition on the growth of the Non-IFRS revenue and of the Non-IFRS operating margin of the MEDIDATA activity. This double condition is based on targeted growths between the year 2022, excluding foreign currency effects, and the one achieved in the year 2019 (vesting condition).

The weighted average grant-date fair value of 2020-M performance shares was €141.26. It was estimated based on the quoted price of Dassault Systèmes SE's common stock on the date of grant, and assuming an expected volatility of 8.22%.

Amendments to plans

On April 22, 2020, the Board of Directors amended the rules of the 2019-A, 2019-B and 2019-A2 performance shares plans. These plans were initially granted by the Board of Directors on September 25, 2018 (2019-A and 2019-B plans) and July 1, 2019 (2019-A2 plan). The modifications were related to the condition based on the Group non-IFRS diluted earnings per share growth (non-vesting condition). As a consequence, the incremental fair value measured at the date of modification is recognized over the modified vesting period.

The incremental fair value at the date of modification was €38.68. It included the non-vesting condition based on the non-IFRS diluted earnings per share using a Monte Carlo model, with an expected volatility of 8.22%.

Stock options

The main features of the Group stock option plans are as follows: options vest over various periods ranging from one to four years, subject to continued employment, options expire eight to ten years from grant date, or after termination of employment or term of office, whichever is earlier (except for the plan 2020-01 detailed below), options have generally been granted at an exercise price equal to or greater than the grant date market value (or the market value the day before the grant) of the Group's share.

New plans granted in 2020

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 26, 2020, the Board of Directors decided on May 26, 2020 to grant 1,490,316 options to subscribe to Dassault Systèmes SE shares to certain employees and executives of the Group, at an exercise price of €145.45 (Plan 2020-01).

Such options are divided in four tranches. They shall be vested subject to the condition that the beneficiary is an employee or an executive of the Group at the end of a presence period of respectively one year (tranche 1), one year and a half (tranche 2), two years and a half (tranche 3), and three years and a half (tranche 4), and subject to the achievement of certain performance conditions for the years 2020, 2021, 2022 and 2023 (non-market vesting condition for the tranche 1 and non-vesting condition for the tranches 2, 3 and 4). The options expire ten years from grant date or in case of termination of employment before the end of the presence period.

The weighted average grant-date fair value of options granted in 2020 was €16.57. It was estimated on the date of grant using a Black-Scholes option pricing model. Assumptions used are as follows: weighted-average expected life of around 6 years, expected volatility rate of 21.13%, expected dividend yield of 0.53% and average risk-free interest rate of (0.34)%, adjusted to include the non-vesting condition (for tranches 2, 3 and 4) using a Monte Carlo model. The expected volatility was determined using a combination of the historical volatility of Dassault Systèmes SE's stock and the implied volatility of the Group's exchange-traded options.

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 26, 2020, the Board of Directors decided on May 26, 2020 to grant 658,410 options to subscribe to Dassault Systèmes SE shares to certain employees and executives of the Group, at an exercise price of €145.45 (Plan 2020-M-02).

Such options shall be vested at the end of an acquisition period of one to three years, subject to the condition that the beneficiary be an employee or an executive of the Group at the acquisition date and subject to the achievement of a non-market performance objective for the years 2020, 2021, and 2022. The options expire ten years from grant date or upon termination of employment, whichever is earlier.

The weighted average grant-date fair value of options granted in 2020 was €23.80. It was estimated on the date of grant using a Black-Scholes option pricing model. Assumptions used are as follows: weighted-average expected life of around 6 years, expected volatility rate of 21.13%, expected dividend yield of 0.53% and average risk-free interest rate of (0.34)%. The expected volatility was determined using a combination of the historical volatility of Dassault Systèmes SE's stock and the implied volatility of the Group's exchange-traded options.

Pursuant to an authorization granted by the shareholders at the General Meeting of Shareholders held on May 23, 2019, the Board of Directors decided on March 11, 2020 to grant 13,193 options to subscribe to Dassault Systèmes SE shares to certain employees and executives of the Group, at an exercise price of €131.00 (Plan 2020-M-01).

Such options shall be vested at the end of an acquisition period of one to three years, subject to the condition that the beneficiary be an employee or an executive of the Group at the acquisition date and subject to the achievement of a non-market performance objective for the years 2020, 2021, and 2022. The options expire ten years from grant date or after termination of employment, whichever is earlier.

The weighted average grant-date fair value of options granted in 2020 was €22.97. It was estimated on the date of grant using a Black-Scholes option pricing model. Assumptions used are as follows: weighted-average expected life of around 6 years, expected volatility rate of 21.13%, expected dividend yield of 0.53% and average risk-free interest rate of (0.34)%. The expected volatility was determined using a combination of the historical volatility of Dassault Systèmes SE's stock and the implied volatility of the Group's exchange-traded options.

Amendments to plans

On April 22, 2020, the Board of Directors amended the rules of the 2018-01, 2019-01 and 2020-M-01 stock option plans. These plans were initially granted by the Board of Directors on May 22, 2018 (2018-01 plan), July 1, 2019 (2019-01 plan) and March 11, 2020 (2020-M-01 plan). The modification of the non-market performance conditions (vesting conditions) did not change significantly the amount of awards expected to vest on these plans.

Note 8 Other Operating Income and Expense, Net

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

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
Costs incurred in connection with voluntary early retirement plan ⁽¹⁾	€(21.6)	€(3.7)
Costs incurred in connection with relocation activities ⁽²⁾	(6.8)	(0.8)
Restructuring costs and other ⁽³⁾	(3.2)	(0.6)
Acquisition costs ⁽⁴⁾	(0.3)	(18.9)
OTHER OPERATING INCOME AND EXPENSE, NET	€(31.8)	€(24.0)

(1) The Group implemented a new voluntary early retirement plan over 3 years, effective in February 2020. This plan is accounted for as a post-employment benefit which estimated costs are based on an assumption of expected proportion of employees to enter the plan and are accrued taking into account the employees estimated residual service period.

(2) In 2020, primarily composed of right-of-use impairments for vacant leasehold properties related to the reorganization of Medidata Solutions, Inc. premises in North America.

(3) In 2020, primarily related to redundancies costs regarding restructuring plans in Medidata Solutions, Inc.

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

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, 2020 and 2019 are as follows:

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
Interest income ⁽¹⁾	€8.6	€17.7
Interest expense ⁽²⁾	(19.6)	(12.0)
INTEREST INCOME AND EXPENSE, NET	(11.0)	5.7
Foreign exchange losses, net	(2.1)	(0.3)
Other, net	0.2	(0.1)
OTHER FINANCIAL INCOME AND EXPENSE, NET	€(2.0)	€(0.4)

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

(2) Mainly includes:

(i) in 2020, interest expenses related to several financing operations as part of the acquisition of Medidata Solutions, Inc., including an interest expense of €4.1 million related to the bond issuance and €6.9 million related to the borrowings from banking institutions.

(ii) in 2019, an interest expense of €6.0 million due pursuant to two borrowings entered into in October 2015 for €650 million and in June 2013 for €350 million and fully repaid on September 23, 2019 and July 25, 2019, respectively.

(iii) an interest expense related to the cost of the debt towards lease lessors for €8.3 million in 2020 and €7.1 million in 2019.

Note 10 Trade Accounts Receivable, Net

Trade accounts receivable are measured at amortized cost.

<i>(in millions of euros)</i>	June 30, 2020	December 31, 2019
Trade accounts receivable	€1,011.9	€1,350.9
Allowance for trade accounts receivable	(46.6)	(31.7)
TOTAL TRADE ACCOUNTS RECEIVABLE, NET	€965.3	€1,319.2

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

<i>(in millions of euros)</i>	June 30, 2020	December 31, 2019
Trade accounts receivable past due at closing date:		
Less than 3 months past due	€155.8	€173.9
3 to 6 months past due	46.1	34.9
More than 6 months past due	39.2	45.6
TRADE ACCOUNTS RECEIVABLE PAST DUE	241.1	254.4
Trade accounts receivable not yet due	724.2	1,064.8
TOTAL TRADE ACCOUNTS RECEIVABLE, NET	€965.3	€1,319.2

In the context of the health crisis linked to the Covid-19 and its impact on the economic environment, the Group has updated its assessment of customer risk in the context of the signing of new contracts and of assessment for allowance of customer accounts. In particular, the Group has strengthened its comprehensive credit rating and monitoring system of its customers and distributors.

Note 11 Intangible Assets and Goodwill

Intangible assets consist of the following:

<i>(in millions of euros)</i>	Six months ended June 30, 2020			Year ended December 31, 2019		
	Gross	Accumulated amortization and Impairment	Net	Gross	Accumulated amortization and Impairment	Net
Software	€3,382.4	€(1,052.0)	€2,330.4	€3,354.3	€(913.1)	€2,441.1
Customer relationships	2,393.6	(876.9)	1,516.7	2,390.0	(810.0)	1,580.0
Other intangible assets	183.8	(27.5)	156.3	186.9	(21.9)	165.0
TOTAL	€5,959.8	€(1,956.4)	€4,003.3	€5,931.2	€(1,745.1)	€4,186.1

The change in the carrying amount of intangible assets as of June 30, 2020 is as follows:

<i>(in millions of euros)</i>	Software	Customer relationships	Other intangible assets	Total
NET INTANGIBLE ASSETS AS OF DECEMBER 31, 2019	€2,441.1	€1,580.0	€165.0	€4,186.1
Business combinations	12.7	-	-	12.7
Other additions	10.6	-	0.5	11.1
Amortization for the period	(142.6)	(68.1)	(5.5)	(216.2)
Exchange differences and other changes	8.6	4.8	(3.7)	9.7
NET INTANGIBLE ASSETS AS OF JUNE 30, 2020	€2,330.4	€1,516.7	€156.3	€4,003.3

The change in the carrying amount of goodwill as of June 30, 2020 is as follows:

(in millions of euros)

GOODWILL AS OF DECEMBER 31, 2019	€4,730.9
Business combinations	32.3
Exchange differences and other changes	5.3
GOODWILL AS OF JUNE 30, 2020	€4,768.5

In the context of the health crisis linked to the Covid-19 and its impact on the economic environment, and in accordance with IAS 36, Impairment of assets, the Group analyzed if possible indications of impairment on the intangible asset allocated to cash-generating units ("CGU") existed as at June 30, 2020.

Due to the above context, these analyses have been performed based on a broad set of hypothesis (including operating margin and revenue growth projections or discount rate) along with sensitivity analyses. Some analyses included update of mid-term plans.

At June 30, 2020, based on management estimates, the Group concluded that the CGUs or groups of CGU's value in use exceeded their carrying value, and that no impairment of goodwills or acquired intangible assets was required in the first half of 2020.

Note 12 Borrowings

The table below provides a breakdown of total borrowings by contractual maturity date as of June 30, 2020:

<i>(in millions of euros)</i>	Payments due by period			
	Total	Less than 1 year	1-5 years	5-10 years
Bond	€3,630.2	-	€1,591.3	€2,038.9
Term loans	971.7	1.8	969.9	-
Accrued interests	6.0	6.0	-	-
TOTAL	€4,607.9	€7.8	€2,561.2	€2,038.9

Bond

On August 27, 2019, Standard & Poors Global Ratings assigned to Dassault Systèmes SE and to its long-term credit a rating of « A- » with a Stable outlook.

On September 16, 2019, the Group issued its four-tranche fixed rate bond for a total of €3,650 million. This issuance was part of the financing of the acquisition of Medidata Solutions, Inc. completed in October 2019.

The terms and conditions of this loan are detailed in the transaction note having obtained the AMF visa n° 19-434 dated September 12, 2019.

Term loans

In connection with the acquisition of Medidata Solutions, Inc., the Group also subscribed in October 2019 a term loan of €500.0 million bearing interest at Euribor 3 months +0.50% per annum and a term loan of \$530.0 million bearing interest at Libor USD 3 months +0.60% per annum. Both loans have a 5-year term.

The Group's financing contracts do not have "covenants" linked to the change in the Group's rating. A lower credit rating would result in an increase (capped) in the margins applicable to the credit facilities; symmetrically, a higher rating would lead to a decrease in the applicable margin (with a floor).

Line of credit

The Group received a financing commitment in the form of a revolving line of credit of €750 million for a period of 5 years from October 28, 2019. In May 2020, the Group exercised its option to extend its term for one year, bringing the new termination date to October 2025. As of June 30, 2020, the line of credit was not drawn down.

Note 13 Derivatives

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

All financial instruments are related to the foreign currency hedging strategy of the Group and have maturity dates of less than 2 years. Management believes that counter-party risk on financial instruments is minimal since the Group deals with major banks and financial institutions.

A description of the Group market risks exposure is provided in paragraph 1.7.2 "Financial and Market Risks" of the 2019 Document d'enregistrement universel.

Foreign currency risk

The Group operates internationally and transacts in various foreign currencies, primarily Japanese yen, U.S. dollars and British pounds.

The Group 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 Group may also cover occasional exchange rate risks 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.

At June 30, 2020 and December 31, 2019, the fair value of instruments used to manage the currency exposure was as follows:

<i>(in millions of euros)</i>	Six months ended June 30, 2020		Year ended December 31, 2019	
	Nominal amount	Fair value	Nominal amount	Fair value
Forward exchange contract Japanese yen/euros – sale ⁽¹⁾	€137.3	€(0.1)	€143.0	€(2.0)
Forward exchange contract Japanese yen/U.S. dollars – sale ⁽¹⁾	101.0	3.6	83.7	1.9
Forward exchange contract euros/Indian rupees – sale ⁽¹⁾	44.7	(0.7)	23.9	0.9
Forward exchange contract British pounds/euros – sale ⁽¹⁾	39.5	1.6	54.6	(1.6)
Forward exchange contract U.S. dollars/Indian rupees – sale ⁽¹⁾	34.4	(0.8)	30.9	0.1
Forward exchange contract Chinese yuan/euros – sale ⁽¹⁾	22.1	(0.1)	35.2	-
Forward exchange contract euros/U.S. dollars – sale ⁽¹⁾	-	-	42.0	(0.5)
Other instruments ⁽²⁾	33.5	-	35.9	-

(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.

Interest rate risk

Except for their possible impact on the general economic environment, which is difficult to quantify, the Group believes that changes in interest rates during the first semester 2020 did not materially affect its revenue and earnings before financial income and that it would be the same in the future. Therefore, the Group's interest rate risk is primarily a risk related to a reduction of financial revenue.

Note 14 Shareholders' Equity

Shareholders' equity activity

As of June 30, 2020, Dassault Systèmes SE had 264,692,100 common shares issued with a nominal value of €0.50 per share.

Changes in shares outstanding are as follows:

(in number of shares)

SHARES ISSUED AS OF DECEMBER 31, 2019	264,038,001
Exercise of stock options	654,099
SHARES ISSUED AS OF JUNE 30, 2020	264,692,100
Treasury stock as of June 30, 2020	(3,717,102)
SHARES OUTSTANDING AS OF JUNE 30, 2020	260,974,998

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

The General Meeting of Shareholders of May 26, 2020 approved the distribution of a dividend of €182.5 million for 2019.

Stock repurchase programs

The General Meeting of Shareholders of May 26, 2020 authorized the Board of Directors to implement a share repurchase program limited to 5,000,000 of Dassault Systèmes SE' shares. Under this authorization, the Company may not buy shares above a maximum annual aggregate amount of €800 million.

Furthermore, the Group signed a liquidity agreement under which 566,071 shares were purchased, at an average price of €141.74 and 569,056 shares were sold, at an average price of €142.70 as of June 30, 2020.

Components of other comprehensive income

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
HEDGING RESERVES:		
(Losses) arising during the year	-	€(22.2)
Less: reclassification adjustments for (losses) included in the income statement	(2.7)	(2.5)
	€2.7	€(19.6)

Note 15 Consolidated Statements of Cash Flows

Adjustments for non-cash items consist of the following:

<i>(in millions of euros)</i>	Note	Six months ended June 30,	
		2020	2019
Depreciation of property and equipment		€91.7	€65.3
Amortization of intangible assets	11	216.2	105.5
Non-cash share-based compensations expense		87.3	49.3
Deferred taxes		(31.1)	(10.9)
Other		13.6	8.8
Adjustments for non-cash items		€377.8	€218.0

Changes in operating assets and liabilities consist of the following:

<i>(in millions of euros)</i>	Six months ended June 30,	
	2020	2019
Decrease in trade accounts receivable and contract assets	€352.3	€252.9
(Decrease) Increase in accounts payable	(70.1)	4.3
(Decrease) in accrued compensation	(52.2)	(25.2)
(Decrease) Increase in income tax payable	(4.4)	60.4
Increase in contract liabilities	58.1	88.3
Changes in other assets and liabilities	4.2	5.7
Changes in operating assets and liabilities	€287.9	€386.3

Other information:

Payment for acquisition of businesses, net of cash acquired is mainly related to the acquisition of Proxem SAS in 2020 for a purchase price of €21.2 million and the acquisition of IQMS in 2019 for a purchase price of €379.0 million.

Note 16 Commitments and Contingencies

Litigation and other proceedings

The Group is involved in litigation and other proceedings, such as civil, commercial and tax proceedings, incidental to normal operations.

The Group is subject to ongoing tax audits and tax reassessments in jurisdictions in which it has or had operations. Certain of these reassessments, in particular those related to acquisition financing, are being challenged by the Group 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 Group has made payments to the French tax authorities for a total amount of €144.9 million from 2014 to 2020, but has disputed them with the relevant authorities. In June 2019, following the decision of the Appeal Court during the second quarter of 2019, the Group lodged an Appeal in Cassation before the High Court (or Supreme Court) in relation to this dispute. The Appeal was accepted on December 20, 2019. The hearing date is not known yet.

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 on going proceedings should not have a material effect on the consolidated financial statements of the Group.

Future lease commitments

In December 2019, the Group signed a new lease contract for a fixed term of 10 years from the delivery of an additional building for its Vélizy-Villacoublay campus of approximately 28,000 square meters of office space, scheduled to be delivered during the second quarter of 2023. The minimum future lease payments over the lease term amount to approximately €81.1 million.

Medidata signed in December 2018 a new lease contract for additional office space in Boston scheduled to be delivered during 2020 and 2021. The corresponding minimum future lease payments amount to approximately \$40.2 million.

In accordance with IFRS 16, the right-of-use assets and the lease liabilities will be recognized upon the delivery of the new offices.

4 STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In 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-yearly consolidated financial statements of Dassault Systèmes SE, for the period from January 1, 2020 to June 30, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 22, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. 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-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review prepared on July 24, 2020.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 24, 2020

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Thierry Leroux

Nour-Eddine Zanouda