

## REFERENCE DOCUMENT

# 2001



Pursuant to the Regulation N° 95-01, the COB filed this reference document the May, 9th2002 under Number R.02-095. It can be used in support of a financial transaction only if it is completed by an operation note agreed by the COB. This reference document was drawn up by the issuer and engages the liability of its signatories. This record, carried out after examination of the relevance and of the consistency of the information given on the situation of the company, does not involve the authentication of the accounting and financial elements presented.

### **COB's warning**

The COB draws the audience's attention ont the paragraph 2.2.7 dealing with the potential capital and in especially with the dilution that would come from the exercise of the stock-options.

### **Translation disclaimer**

This English version is provided as a translation from the original document drafted in French to help English-speaking readers to get the gist of financial data provided by SYSTRAN. SYSTRAN is not responsible for any consequence resulting from the use of this English version instead of the French one. In any case, readers should rely on and refer to the original document drafted in French.

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# 1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND PERSONS RESPONSIBLE FOR THE CONTROL OF THE FINANCIAL STATEMENTS

## 1.1 CERTIFICATION BY PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Dimitris SABATAKAKIS, President of the Board of Directors  
Address: 1, rue du Cimetière B.P. 7 - 95230 Soisy-sous-Montmorency

"To the best of our knowledge and belief, the information contained in this document is accurate and complete and contains all the information necessary for investors to make an informed judgement on the assets, activity, financial condition and prospects of the SYSTRAN Group. It does not miss any data that could impair their good understanding."

Soisy sous Montmorency, April 29, 2002

Dimitris SABATAKAKIS  
President of the Board of Directors

## 1.2 PERSONS RESPONSIBLE FOR THE CONTROL OF THE FINANCIAL STATEMENTS

### Incumbent statutory auditors

Mr Michel GOFFINON, 1bis, rue Hoche - 75008 Paris

Statutory auditor of the Company appointed by the Stockholders General meeting of December 30, 1988 and renewed since, his last term of 6 financial years expiring after the Stockholders General meeting ruling on the financial statements of the financial year ended on 31 December 2005<sup>1</sup>.

RSM SALUSTRO REYDEL, 8, avenue Delcassé - 75008 Paris,  
Represented by Mr Jean-Louis MULLENBACH

Statutory auditor of the Company appointed by the Stockholders General meeting of March 6th, 2000 for a term of 6 financial years expiring after the Stockholders General meeting ruling on the financial statements of the financial year ended on 31 December 2005. The second statutory auditor was appointed as from the financial year 2000 with a complementary assignment of co-certification of the financial statements of the financial year ended on 31 December 1999.

### Substitute statutory auditors

Mr Roger HANSE, 17bis, Boulevard Victor Hugo - 92200 Neuilly sur Seine

Substitute statutory auditor of the Company appointed by the stockholders General meeting of 30 December 1988 and renewed since, his last term of 6 financial years expiring after the Stockholders General meeting ruling on the financial statements of the financial year ended on 31 December 2005<sup>2</sup>.

Mr Patrick IWEINS, 8, avenue Delcassé – 75008 Paris,

Substitute statutory auditor of the Company appointed by the stockholders General meeting of March 6th, 2000 for a term of 6 financial years expiring after the Stockholders General meeting ruling on the financial statements of the financial year ended on 31 December 2005. The second substitute statutory auditor was appointed as from the financial year 2000.

## 1.3 STATUTORY AUDITORS OPINION

In our capacity as statutory auditors of the SYSTRAN company and pursuant to the COB's regulation n°95-01, we conducted, in accordance with the applicable professional standards in France, the audit of the information relating to the financial situation and the historical financial statements data included in this reference document.

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<sup>1</sup> Renewed by the mixed Stockholders General meeting of May 3, 2000.

<sup>2</sup> Renewed by the mixed Stockholders General meeting of May 3, 2000.

This reference document was drawn up under the responsibility of the President of the Board of Directors of SYSTRAN S.A. Our role is to express an opinion on the sincerity of the information that it contains dealing with the financial situation and the financial statements.

We conducted our audit in accordance with the professional standards applicable in France, in order to assess the sincerity of the information dealing with the financial situation and the financial statements, to control their agreement with the financial statements having been the subject of a report. They also consisted to review the other informations contained in the reference document, in order to identify if necessary the significant inconsistencies with the information dealing with the financial situation and the financial statements, and to point out the manifestly incorrect information that we would have raised on the basis of our general knowledge of the company acquired in the frame of our assignment. As far as isolated estimated and forward-looking data resulting from a structured development process, are concerned, this review took into account the assumptions retained by the management and their quantified translation.

The year-end financial statements and the consolidated financial statements for the financial years ended on December 31, 2001 and on December 31, 2000 resolved by the Board of Directors, were the subject of an audit, according to the professional standards applicable in France, and were certified with neither qualification nor observation.

On the basis of our audit, we do not have any observation to notice as to the sincerity of the informations dealing with the financial situation and the financial statements, presented in this reference document.

Paris on April 29, 2002

The statutory auditors

RSM Salustro-Reydel

Michel Goffinon

Jean-Louis Mullenbach

#### **1.4 PERSON RESPONSIBLE FOR THE INFORMATION**

Mr Dimitris Sabatakakis  
SYSTRAN SA  
1, rue du Cimetière B.P. 7  
95230 Soisy-sous-Montmorency  
Tel: 01.39.34.97.97  
fax: 01.39.89.49.34  
e-mail: [sabatakakis@systran.fr](mailto:sabatakakis@systran.fr)  
Internet site: [www.systransoft.com](http://www.systransoft.com)

## 2 GENERAL INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

### 2.1 INFORMATION ABOUT THE COMPANY

#### 2.1.1 *Company's name*

The denomination of the Company is SYSTRAN SA.

#### 2.1.2 *Date of incorporation*

The SOISY TRADUCTION company, Limited liability company, was incorporated on December 4th, 1985, and adopted subsequently, as from December 30th, 1988, the form of public limited liability company, and the denomination "SYSTRAN S.A."

#### 2.1.3 *Registered office*

1, rue du Cimetière B.P. 7  
95230 Soisy-sous-Montmorency

#### 2.1.4 *Lifetime*

The lifetime of the Company is of 99 years and will expire on December 3, 2084.

#### 2.1.5 *Legal form*

"Société Anonyme" which is public limited liability company governed by the French commercial law of July 24 ,1966 on the commercial companies and its application decree.

#### 2.1.6 *financial year*

Each financial year lasts a year, which starts on 1 January and is completed on December 31.

#### 2.1.7 *Object/Purpose (Article 2 of the by-laws)*

The Company has as an aim, directly or indirectly, in France and abroad:

- development, use, promotion and sale of machine translation systems on computers (softwares and equipment), of all natural language pairs.
- All activities covering dictionaries and terminological data banks and all multilingual natural language treatment applications.
- Management, acquisition, activities of trade in the field of the language industries.

#### *Trade and Companies Register*

334 343 993 R.C.S PONTOISE

#### 2.1.8 *Activity code*

Activity code: 722 Z - software maker

#### 2.1.9 *Appropriation and distribution of the profits (Articles 27 of the by-laws)*

On the profit of each financial year decreased, if necessary, of the previous losses, first of all it is taken five per cent to constitute the legal reserve fund; this levy ceases being obligatory when the aforementioned fund reaches the tenth of the authorized capital; it goes on again when, for an unspecified cause, the statutory reserve is below this fraction.

The balance, increased if necessary by the unappropriated earnings, constitutes the distributable profit.

The ordinary Stockholders general meeting, on a proposal from the Board of Directors, can again resolve the allocation of a part or of the totality of this distributable profit to the unappropriated earnings fund or to the appropriation of all made up reserve or to be constituted, extraordinary, general or special reserve, in particular pursuant to the tax provisions. The Stockholders General meeting rules the assignment or the use of these funds. It can also entrust the assignment or employment of it in the Board of Directors.

On the balance, if there is one, the required amount is taken to be used for all the shares an interest at the rate of five per cent a year of their par value, released and not cancelled, as first dividend, without possibility, if the profit of a financial year does not allow the integral payment of this first dividend, for the stockholders to ask for it on the profits of the following financial years.

The surplus is to the provision of the StockholdersgGeneral meeting, which decides supremely on its assignment. In this frame, it may, entirely or partially, assign it to the appropriation of all general or special retained earnings accounts, keep it in unappropriated earnings or distribute it to the shareholders.

Losses, if there are some, after the approval of the financial statements by the Stockholders general meeting, are recorded to the balance-sheet on a separate account.

The Stockholders general meeting can resolve to distribute the amounts being recorded in retained earnings accounts of which it has the disposition ; in this case the decision indicates expressly the retained earnings accounts on which levies are carried out.

Out of the case of capital reduction, no distribution can be made to the shareholders when the net assets are or would become lower than the amount of the capital increased by the retained earnings that the law does not make it possible to distribute.

The Stockholders general meeting can offer to the stockholders, for all or part of the dividend to be paid, an option between the payment of the dividend in cash or in shares issued by the Company, in the terms fixed or allowed by the legal or regulatory provisions.

#### *2.1.10 Payment of the dividends and instalments on dividends (Article 28 of the by-laws)*

When a balance-sheet issued in the course or at the end of the financial year and certified by the statutory auditors, make clear that the Company, since the end of the prior financial year, after deduction of the depreciations or amortizations and required provisions and after deductions, if necessary, of previous losses and of amounts to be carried in retained earnings, pursuant to the law and pursuant to the by-laws, performed a profit, it can be paid down- payments on dividends before approval of the financial statements of the financial year.

The amount of these down-payments cannot exceed the amount of the profit defined above.

They are distributed to the terms and according to the methods laid down by the regulations.

It could be given to the shareholders, for all or part of the payments on accounts on dividends put in distribution, an option between the payment in cash or in shares.

#### *2.1.11 Stockholders general meetings (Article 23 of the by-laws)*

1°/the stockholders' collective resolutions are made during Stockholders general meetings considered to be ordinary or extraordinary. The Stockholders ordinary general meeting is that which is required to take all decisions which do not change the by-laws.

It takes place at least once a year, within six months following the end of the related financial year.

The Stockholders extraordinary general meeting is the only one entitled to change the by-laws in all their provisions, and to decide the transformation of the Company in any other legal form, civil or commercial. It cannot, however, increase the shareholders' commitments, subject to the operations resulting from a share grouping legally carried out.

Stockholders general meetings are summoned either by the Board of Directors or, failing this, by the statutory auditors or by a justice agent in the terms and according to the rules provided by the Laws and Regulations.

2°/ Any shareholder has the right, on justification of his identity, to take part in the meetings while assisting there personally, by returning an absentee ballot or by designating an agent according to the legal and regulatory applicable provisions, under the term:

- for the registered stockholder, to sign-in personally in the registers of the Company;
- for the holders of unregistered (anonymous) shares, to deposit in the places mentioned in the notice of meeting, a certificate issued by a competent intermediary noting the unavailability (locking) of their shares on their account until the date of the stockholders meeting.

These formalities are supposed to be filled out five (5) days at least before the session of the meeting.

The Board of Directors can reduce the period above via general measure benefiting to all the shareholders.

3°/ For any proxy addressed to the Company by a stockholder, without agent's indication, the President issues a favourable vote for the adoption of the draft resolutions submitted or approved by the Board of Directors, and an unfavourable vote for the adoption of all the other draft resolutions.

4°/ [refer to the paragraph on the rights of double votes, cf. paragraph 2.1.14 ]

5°/At each meeting is held an attendance sheet.

This attendance sheet, duly signed by the attending stockholders and the agents, is certified accurate by the Bureau of the stockholders meeting.

The Meeting is chaired by the President of the Board of Directors and failing this by a Director delegated to replace it.

The functions of scrutinizers are filled by both shareholders, present and acceptors, representing as themselves and as agents, the greatest number of shares. The thus composed Bureau, appoints a Secretary who cannot be shareholder.

### *2.1.12 Quorum and majority (Article 24 of the by-laws)*

1°/the Stockholders ordinary general meeting resolves validly based on first meeting notice only if the attending shareholders or counted as have at least a quarter of the shares having voting right. On second meeting notice, no quorum is necessary.

It rules by a majority of the votes expressed by the attending shareholders or counted as. The Company itself cannot validly vote with its ownshares whatever subscribed, or acquired ; account is not taken of these shares for the calculation of the quorum.

2°/the stockholders extraordinary general meeting can resolve validly only if the attending shareholders or counted as have at least, on first meeting notice, the third, and on second meeting notice, a quarter of the shares having voting right.

It rules by a majority of the two third of the votes expressed by the attending shareholders or counted as.

Notwithstanding the provisions which precede, the Stockholders general meeting which resolves an increase in capital via capitalization of retained earnings, profits or premiums can rule on the base of quorum and of majority terms of a Stockholders ordinary General meeting.

The Stockholders general meeting required to decide the transformation of the Company, rules on the base majority terms provided for in article L.225-245 of the Commercial law and which differ according to the new form which is supposed to be resolved.

3°/ In the event of vote by correspondence, the latter is issued by means of a paper form in conformity with the regulatory regulations.

For the calculation of the quorum, account is taken only of the forms received by the Company, before the session of the Stockholders general meeting, in the period terms set by the regulatory provisions.

The forms giving no vote direction or expressing an abstention are considered negative.

#### *2.1.13 Crossings of threshold (Article 13 of the by-laws)*

Any person, operating alone or in unison, who comes to hold or ceases to hold, in any way, a percentage of shares equal to or higher than 3% of authorized capital, and/or of voting right has to notice the Company about the detention of each fraction of 3%, of capital and/or of voting right until 5%, within a period of fifteen days as from the crossing of this threshold, by registered letter with request for acknowledgment of receipt addressed to its head office, precisising the total number of shares or of titles giving access to capital as well as of numbers of voting rights he hold, alone or indirectly or in unison.

In the event of inobservance of this information obligation, one or more stockholders, holding a portion of the capital or of the voting rights at least equal to three per cent (3 %), will be able to require that the shares exceeding the portion, which would has been supposed to be declared,are deprived of voting right for any stockholders meeting which would be held until the expiry of a two-year deadline following the date of regularisation of the notification. The request is countersigned in the minutes of the Stockholders general meeting. In the same terms, the vote rights attached to these shares and which were not regularly declared cannot be delegated by the failing stockholder.

At the information obligation below, is added the obligation of information of the crossings of threshold as provided for by the law.

#### *2.1.14 Voting rights (Article 23 of the by-laws)*

4°/In addition to the voting right attached to the shares, a double voting right in comparison with that conferred to the shares, in consideration of the portion that they reflect in the Company's capital, is granted to all the fully paid and duly registered shares,, once they have been hold at least 4 years by the same stockholder, pursuant to article L.225-123 of the Commercial law. The voting right belongs to the life estate/income beneficiary in the Stockholders ordinary general meetings and to the capital-only owner in the Stockholders extraordinary general meetings.

In the event of increase in the capital by capitalization of retained earnings, profits or premiums, the double voting right is conferred, as from their issue, to the registered shares granted for free to a stockholder in the proportion of old shares for which it benefits from this right.

Any registered share converted in unregistered (anonymous) form or disposed loses the double voting right. Nevertheless, the transfer as a consequence of succession, of settlement of a community between spouses, or from donation between living spouses to the profit of a spouse or of a parent at the degree entitled to succeed, doesn't make the right to be lost and does not stop the deadlines provided for in article L.225-123 of the Commercial law.

The Company's merge is without effect on the double voting right which can be carried on within the taking-over Company, if its by-laws provide for it.

#### *2.1.15 Repurchases by the Company of its own shares*

##### **a) Legal scope**

The StockholdersgGeneral meeting of November 9, 2001 resolved, in its 1st and 3rd resolutions, to renew the authorisation given to the Company, operating via its Board of Directors, to buy shares of the Company, in accordance with the provisions of articles L225-209 and followings of the Commercial law, by set of priorities, in order to:



- the purchase and the sale of shares of the Company according to the situations of market,
- the purchase of shares of the Company which could be used, in particular, completely or part, to be preserved, sold, transferred or exchanged in order to encourage the occurrence of financial transactions (including the handing-over of shares at the time of the exercise of rights attached to securities giving right by refunding, conversion, exchange, presentation of a warrantor in any other way to shares of the Company), or of growth operations of the Company,
- the purchase of shares of the Company to grant them pursuant to the provisions of articles L 225 –177 and following of the Commercial law, or by means of a company saving plan,
- the purchase of shares of the Company in order to cancel them, within the limit of a maximum number which cannot exceed 10% of the authorized capital, within the frame of the authorisation of decrease in the authorized capital referred to in the third resolution of the meeting of November 9, 2001, in the frame of its extraordinary part.

The meeting set the following limiting purchase and sale prices:

- maximum purchase prices per share: 10 €, after rounding off, out of acquisition fees,
- minimum sale prices per share: 2 €, after rounding off, out of sale fees. However, if all or part of the shares acquired under the terms of this delegation were used to grant stock-options pursuant to the provisions of article L 225 –179 of the Commercial law, the sale price would then be determined, in accordance with the legal provisions relating to the stock-options.

In the event of increase in capital by capitalization of retained earnings or premiums and distribution of free shares as well as in the event of division or in the event of regrouping of the titles, the prices indicated –above will be adjusted by a multiplying coefficient equal to the ratio between the number of shares composing the capital before the operation and this number after the operation.

This authorisation is valid for an eighteen-month duration as from the date of the Stockholders ordinary and extraordinary general meeting held on November 9, 2001. This programme of repurchase of shares received the visa 01-1371 from the COB. The complete information note can be obtained upon request from the Company.

## **b) Terms**

### **Maximum acquired share of the capital and maximum payable amount**

The mixed Stockholders general meeting of November 9, 2001 resolved to allow the Company to repurchase its shares within the following limits:

- the maximum amount of the funds been targeted to the purchase of the shares of the Company will not be able to exceed 9,896,250 €;
- the maximum number of shares which the Company will be able to acquire under this resolution will not be supposed to exceed the limit of 10% of the authorized capital, fixed by article L 225 –209 of the Commercial law, including the shares bought in the frame of purchase authorisations previously granted by stockholders General meeting.

### **Methods of repurchases**

The acquisition, the transfer, the disposal or the exchange of these shares can be carried out by all means, on the market or privately, including by the use of any derived financial instrument negotiated on a regulated or private market, and the adoption of any other optional formula.

### **Duration and timetable of the repurchase program**

In accordance with the resolution approved by the stockholders General meeting of November 9, 2001, the program of repurchase of shares can be implemented for an eighteen-month period as from the aforementioned meeting, i.e. until 8 May 2003. The Board of Directors plans to renew this program.

### **Financing of the repurchase program**

The financing of the repurchases of shares will be carried out exclusively by using the own resources of the SYSTRAN. The consolidated cash of the SYSTRAN group amounts to euros 2.7 million as of December 31, 2001.

## **c) Elements making it possible to assess the incidence of the program on the financial situation of the group**

The incidence of the intended repurchase program has been calculated, as an indication, from the consolidated financial statements as of December 31, 2001, and on the basis of the following assumptions (reactualisation of the information of November 9, 2001):

Repurchase of shares	1% of the capital, i.e. 98,963 shares
Price by share	EUR 6.9
Financing cost (net of taxes)	4% a year

In MEUR, except for the net earnings per share	Before the repurchase of shares	After the repurchase of 1% of the capital after cancellation of the shares
Stockholders'equity (group share)	21.20	20.50
Net income (group share)	(0,53)	(0,56)
Total number of shares retained for the calculation of the net profit per share	9,896,250	9,797,287
Net earnings per share	(0.053)	(0,057)
Impact in % on the net profit per share		7.5%

#### d) Tax frame of the repurchase

This information is given as an indication and constitutes only an abstract of the applicable tax system.

##### **For the Company SYSTRAN S.A.**

The program of repurchase of shares, without later cancellation of the shares, would not affect the taxable income in another way than that which could result from capital gains or losses that SYSTRAN is likely to achieve on the occasion of the resale of bought shares.

In addition, pursuant to the article 112-6 of the French Tax Code, this operation of repurchase of shares carried out in the terms provided for in article L. 225-209 of the Commercial law does not make the withholding tax due.

##### **For the sellers**

The repurchases of shares being carried out in the terms defined in article L. 225-209 of the Commercial law, the gains made on this occasion, under the article 112-6 of the French tax Code, are subject to the capital gains or losses system.

The gains made by a legal entity in France would be subject to the arrangement of the professional capital gains and losses provided for in Article 39 duodecies of the French Tax Code.

The gains made by an individual living in France would be, in practice, subject to the arrangement of capital gains and losses on securities or of social rights in the common right terms provided for in Article 150 OA of the General Tax Code. According to this arrangement, gains are taxable, at the rate of 16% (26% including the social security contributions), only if the annual overall amount of the disposal carried out by the stockholder whose titles are repurchased exceeds the given threshold each year by the tax law and set at 50,000 francs i.e. euros 7 622.43.

Taxation of the gains provided for in article 150-OA of the French Tax Code does not apply to the gains carried out on the occasion of disposals subject to payment of securities carried out by persons who are not fiscally domiciled in France within the meaning of the article 4B of the French Tax code or whose registered office is located out of France (Article 244 a) C of the French Tax Code).

#### e) Break-down of the capital of SYSTRAN S.A.

The break-down of the capital of SYSTRAN S.A. is indicated in Chapter 2.2.3 of the reference document.

#### f) Intentions of persons controlling the capital of the issuer

The principal founder stockholders do not expect to dispose the shares belonging to them in the frame of this repurchase program.

## 2.1.16 Access to the Company's documents

By-laws, minutes and other Company's legal documents can be accessed at the registered office of the Company.

## 2.2 INFORMATION ABOUT THE AUTHORIZED CAPITAL

### 2.2.1 Authorized capital

The authorized capital is EUR 15,086,735, divided into 9,896,250 shares of similar category.

### 2.2.2 History of the capital

Date	Nature of the transaction	Variation of the capital	Variation of the premium and/or of contribution	No. shares before	No. shares afterwards	Par value	Authorized capital
Janv-86	Initial capital of the S.A.R.L. SOISY TRANSLATION	50,000 FRF			500	FRF 100	50,000 FRF
dec-88 (SHARE HOLDERS EXTRAORDINARY GENERAL MEETING of 12.30.88)	Increase in capital by transfer from with liquid and due credits and transformation into the SYSTRAN SA	550,000 FRF	110,000 FRF	500	6,000	FRF 100	600,000 FRF
Juin-89 (SHARE HOLDERS EXTRAORDINARY GENERAL MEETING of 06.30.89)	Reduction of the face value	0	0	6,000	12,000	FRF 50	600,000 FRF
Juin-89 (ditto)	Increase in capital by partial assets contribution	300,000,000 FRF	145,844,423 FRF	12,000	6,012,000	FRF 50	300,600,000 FRF
August-90 (SHARE HOLDERS EXTRAORDINARY GENERAL MEETING of 10.26.89)	Increase in capital by transfer from liquid and due liabilities	1,700,000 FRF	544,000 FRF	6,012,000	6,046,000	FRF 50	302,300,000 FRF
Juin-91 (SHARE HOLDERS MIXTE GENERAL MEETING of 06.28.91)	Increase in capital by transfer from the contribution premium account	100,766,650 FRF	FRF -100 766,650	6,046,000	8,061,333	FRF 50	403,066,650 FRF
(ditto)	and by transfer from liquid and due liabilities	46,933,350 FRF	0	8,061,333	9,000,000	FRF 50	450,000,000 FRF
march-00 (SHARE HOLDERS MIXTE GENERAL MEETING of 3.06.00)	Decrease in earnings to offset losses carried forward from previous years	0	FRF -45 731,773	9,000,000	9,000,000	FRF 50	450,000,000 FRF
(ditto)	and decrease in capital to offset losses carried forward from previous years with a reduction in the par value of each share *	FRF -360 000,000	0	9,000,000	9,000,000	FRF 10	90,000,000 FRF
11 may-00 (SHARE HOLDERS MIXTE GENERAL MEETING of 5.3.00)	Increase in capital reserved by transfer from liquid and due liabilities, and conversion into Euros	1,350,000 FRF	0	9,000,000	9,135,000		EUR 13,926,217
1 sept-00 (SHARE HOLDERS MIXTE GENERAL MEETING of 5.03.00)	Increase in capital carried out on the occasion of the IPO on the Nouveau Marché of the Paris Stock Exchange.	7,612,500 FF	26,842,461 FRF	9,135,000	9,896,250		EUR 15,086,735

\* The Extraordinary stockholders General meeting of March 6th, 2000 decided in order to write-off the previous losses of SYSTRAN SA carried over for 488.3 MFRF at the end of 1999 to offset them for 45.7 MFRF with the premium account and, on the other hand, for 360 MFRF by reduction in the capital and the nominal of the shares from FRF 50 to FRF 10. After this operation, the authorized capital of the Company was about 90 MFRF, made up of 9,000,000 of shares of FRF 10 as the following table indicates:

In MFRF	Capital	Premium accounts	Unappropriated earnings	Result of the financial year	Stockholders' equity total
Situation on 12.31.99	450	45.73	-488.31	97.71	105.13
Offsetting prior losses against premium		45.73	45.73		
Capital reduction	-360		360		
Situation after the Extraordinary stockholders General meeting of March 6th, 2000	90		82.58	97.71	105.13

Since September 14, 2000, date of its IPO on the Nouveau Marché of the Paris Stock Exchange, the SYSTRAN company has not changed its capital.

### 2.2.3 Break-down of the capital and of the voting rights

#### On September 14, 2000 after the IPO on the Nouveau Marché

	No. shares	%	Vote rights	%
Jean Gachot	1,092,546	11.04%	2,185,092	15.11%
SOPI SA (1)	1,017,429	10.28%	1,132,815	7.83%
Dimitris Sabatakakis	873,467	8.83%	1,693,773	11.71%
Valfinance SA	300,000	3.03%	300,000	2.07%
Denis Gachot	233,474	2.36%	244,622	1.69%
Scheffer SA	101,403	1.02%	101,403	0.70%
Norbert Von Kunitzki	90,000	0.91%	90,000	0.62%
Musman Pierre	45,000	0.45%	45,000	0.31%
Members of the Board of Directors and dependent companies	3,753,319	37.93%	5,792,705	40.06%
SOPREX AG (2)	1,420,719	14.36%	2,841,438	19.65%
<b>Public</b>	<b>4,722,212</b>	<b>47.72%</b>	<b>5,826,200</b>	<b>40.29%</b>
<b>TOTAL</b>	<b>9,896,250</b>	<b>100%</b>	<b>14,460,343</b>	<b>100%</b>

\* Rights of double vote granted to the shares held for more than 4 years by the same shareholder (before AG of November 9, 2001, this period was of 5 years)

(1) SOPI, 26bis, Paris 95230 Soisy sous Montmorency avenue. Public limited liability company to the capital of 11 MFRF. President of the Board of Directors: Jean GACHOT. Shareholding: SOPREX AG (76.30%) and Jean GACHOT (23.65%).

(2) SOPREX AG, Malzgasse 18, 4052 Basel (Switzerland). Swiss financial Company, the shareholding of which is in 100% DEXIA private Bank, of which the head-office is in Zurich.

#### On March 22, 2002

	No. shares	%	Vote rights	%
Jean Gachot	1,092,546	11.04%	2,085,092	14.13%
SOPI SA	1,017,429	10.28%	1,781,766	12.08%
Dimitris Sabatakakis	873,467	8.83%	1,746,934	11.84%
Valfinance SA	300,000	3.03%	300,000	2.03%
Norbert Von Kunitzki	90,000	0.91%	90,000	0.61%
Musman Pierre	45,000	0.45%	45,000	0.31%
Members of the Board of Directors and dependent companies	<b>3,418,442</b>	<b>34.54%</b>	<b>5,295,631</b>	<b>41.00%</b>
SOPREX AG	1,420,719	14.36%	2,841,438	19.26%
<b>Public</b>	<b>4,994,534</b>	<b>50.47%</b>	<b>5,863,551</b>	<b>39.74%</b>
Treasury shares (*)	62,555	0.63%		
<b>TOTAL</b>	<b>9,896,250</b>	<b>100%</b>	<b>14,000,620</b>	<b>100%</b>

(\*) the Company acquired on the Market its own shares, in the frame of the programme of repurchase of shares permitted by the Extraordinary stockholders General meeting of the May 3, 2000 and renewed by Ordinary and extraordinary Stockholders General meeting of November 9, 2001. On December 31, 2001, the Group held 62,555 SYSTRAN S.A. shares, for 228 thousand euros.

To the knowledge of the Company, no other shareholder holds more than 5% of the capital.

The Company comprises approximately 2,000 shareholders in the public.

#### 2.2.4 Changes in the break-down of the capital during the last three years

##### Development of the shareholding over 2 years

Shareholders concerned	Share purchases	date	Share sales	Date
Norbert Von Kunizki	90,000	5/3/2002		
Musman Pierre	45,000	5/3/2002		
Denis Gachot			233,474	2001
Scheffer SA			101,403	2001

The company Scheffer SA and Mr. Denis Gachot have gone out of the capital by the disposition of their shares directly on the Market.

May 2000: increase in capital reserved by transfer from liabilities for the profit of M Norbert Von Kunitzki (90,000 shares) and M Pierre Musman (45,000 shares) by emission of 135,000 shares. This increase in capital was carried out on the basis of a price by share of EUR 13.72.

September 2000: increase in capital in cash of 761,250 shares, in the frame of the IPO of the Company on the Nouveau Marché of the Paris Stock Exchange, emitted at a price by share of EUR 6.90.

#### 2.2.5 Shareholders' agreements

None

#### 2.2.6 Shareholders' commitments

Since March 13, 2001, the commitments for conservation of shares taken by the reference shareholders on the occasion of the IPO of the Company on the Nouveau Marché has expired. However, these shareholders committed themselves not to dispose their shares in the frame of the programme of repurchase of clean shares, described in paragraph 2.1.15. Shareholders did not enter into other commitments.

The situation on 1 May of the number of titles that they hold is exposed to paragraph 2.2.3.

#### 2.2.7 Potential capital

##### Stock-options

The ordinary and extraordinary Stockholders General meetings of March 6th, 2000, then of November 9, 2001 permitted the Board of Directors to put in place a new stock-option plan ("Subscription Options") within the current limit of 20% of the capital of the Company SYSTRAN S.A., this threshold being appreciated at the time of attribution of the options by the Board of Directors. The Board of Directors of March 6th, 2000, of February 1st, 2001 and of November 9, 2001 made use of this authorisation in the following terms:

Situation of the subscription options allotted to the employees of the Group			
Date of the Stockholders General meeting		03.06.2000	11.09.2001
Date of the Board of Directors	03.06.2000	02.01.2001	11.09.2001
Total number of the shares which can be subscribed or bought	1,020,000	136,000	283,000
Among which options allotted to the Directors (§ 5.1.2)	500,000		
Among which options allotted to the first ten employees during the financial year (*)	520,000	85,000	281,000
Starting point of exercise period	3.06.2005	2.01.2006	11.09.2005
Expiry date of exercise period	3.05.2008	1.31.2009	11.08.2009
Strike price (EUR)	7.60	4.60	1.64
Number of shares subscribed on 12/31/2001	-		
Maximum potential dilution	10.31%	1.37%	2.86%

(\*) the first 10 employees in number of options allotted during the financial year concerned (L225-184 new of the Commercial Code).

Exercise provisions: options will be definitively vested to the recipients only by equal third at the time of the 1st, the 2nd and the 3rd anniversary of their granting by the Board of Directors and under the term, for each section, whether the recipient is still Director or employee of the Company, or of its subsidiary companies. Moreover, a portion of 183,000 options allotted on September, 2001 is subject to the occurrence of certain performances by a subsidiary company. On the expiry of the period of lock-up and for each attribution plan, recipients will be able to exercise constantly the options definitively acquired..

If all the options were raised, the result would be maximum potential dilution of 14.54%,

### 2.2.8 Authorized but non issued capital

The stockholders general meeting of May 3, 2000 have resolved, in its 20th resolution, to permit the Board of Directors, within a period of twenty-six months, in one or more time, to increase the authorized capital by issuance of shares, of warrants, of bonds and/or of all securities giving access immediately or in the long term, at any moment or at fixed-date to the capital of company, of a maximum nominal amount not exceeding 100.000.000 FRF (15.244.902 euro), with or without premium, to subscribe and to release fully in cash at the time of subscription, being specified that only the aforementioned new shares can be subject to all the old provision and will enjoy the same rights as from the first day of the financial year during which they were created and were issued. In the event of removal of the indication of the nominal of the shares on the occasion of the conversion of the capital into Euros, this authorisation is remained stationary at FRF 500,000,000 (euros 76,224,509).

The Stockholders general meeting furtherresolved that this delegation takes away in full right, to the profit of holders of securities giving access in the long term to shares of the Company, the shareholders' express renunciation of their preferential right of subscription for the shares to which these securities give right. In the event of issuance with maintenance of the subscription preferential right of the shareholders,, the Board of Directors will be able to confer the shareholders a preferential right on a reducible basis.

The Stockholders general meeting furtherresolved that if subscriptions did not represent the totality of a share or security issuance as defined above, the Board of Directors will be able to use, in the order that it will determine, one or several of following faculties:

- limit the issue to the amount of the subscriptions under the term that it reaches the three-quarters at least of the decided issue ;
- decide that the balance of the issue which had not been subscribed, if any, will be allocated completely or partially by the Board of Directors.

The stockholders General meeting, has resolved in its 22<sup>nd</sup> resolution, in accordance with the Article 180 III subparagraph 3 of the Company Law, as part of the authorisation given to Board of Directors in the 20th resolution, to suppress the preferential right of subscription by shareholders of the Company to the securities to be issued, being specified that the securities thus issued will give access immediately or in the long term to the capital of the Company for a maximum

amount of capital which should not exceed a ceiling of 100.000.000 FRF (15.244.902 euro) or the exchange-value of this amount in euros, with or without premium; in the event of removal of the indication of the par value of the shares on the occasion of the conversion of the capital into Euros, this authorisation is remained stationary at FRF 500,000,000 (euros 76,224,509); the issuance of the aforesaid securities will be the subject of a public offering without indication of the recipients' name and the Board of Directors will be able to confer subscription faculty to shareholders by priority on all or part of the emission; this priority will not give rise to creation of tradable rights.

At the end of the concomitant increase in capital to the IPO on the Nouveau Marché, the balance of the authorisation amounts to euros 70,971,884.

### 2.2.9 Pledging of the shares, guarantees (SYSTRAN S.A. and its subsidiary companies)

Hypothecation of the SYSTRAN S.A. shares and of its subsidiary companies: none

In addition, SYSTRAN SA guarantees regularly its SYSTRAN Luxembourg subsidiary company. On December 31, 2001, the given guarantees were as follows:

Date	Deadline	Creditor		Subject	Amount
01. 20.98		Banque duLuxembourg	Générale	Authorisation of overdraft	248 KEUR
04.10.01	February 2002	The Commission	European	MCA4 contract	180 KEUR
02.0399	May 2002	Eurolease Factor		Financial lease contracts guarantee	5 KEUR
07.07.00	Sept.2002	The Commission	European	TRANSLEX contract	77,6 KEUR
12.04.00	Sept. 2002	Taalunie		TRANSLEX contract	19,4 KEUR
	February 2003	The Commission	European	MT contract EC.	48 KEUR
02.00	March 2003	Eurolease Factor		Financial lease contracts guarantee	3 KEUR
	February 04	The Commission	European	TRADAUT contract	55 KEUR

KEUR: thousands of euros

### 2.2.10 Dividends and policy of distribution

The Company did not distribute dividends during the last five financial years. For the future, the Company intends to reinvest its profits to finance growth and does not plan itself a priori to deliver dividends within the two next years..

The dividends not called for within five years as from the date of their setting in payment are prescribed to the profit of the French Government.

### 2.2.11 Development of the Stock exchange price

The Company was listed on the OTC of the Paris Stock Exchange, on February 14,1992. The first traded quote was of EUR 2.44. On June 11, 1998, the SYSTRAN S.A. share was transferred on the new OTC of the Paris Stock Exchange. On 14 September 2000, SYSTRAN S.A.joined the Nouveau Marché of the Paris Stock Exchange, with a share quotingEUR 6.90.

The SYSTRAN S.A.share (Euroclear code: 7729) is traded in continuous A. SYSTRAN S.A. is member of the NextEconomy segment of Euronext. The market trends of the share since 1 January 2001 have been as follows:

Date	First quote (EUR)	Higher (EUR)	Lower (EUR)	Last quote (EUR)	Volume
Octobre-00	7.03	7.70	5.80	6.50	161,321
November-00	6.67	6.79	5.14	5.30	196,816
December-00	5.57	5.80	3.65	4.01	123,543
January-01	4.10	5.10	4.00	4.90	123,054
February-01	4.70	6.80	4.50	5.34	136,355
March-01	5.00	6.10	4.52	4.59	116,882
April-01	4.56	4.80	3.50	4.20	82,597
May-01	4.15	5.20	3.80	5.03	105,499
June-01	5.00	5.15	3.40	3.85	146,777
July-01	3.87	3.95	2.05	2.35	70,608
Agust-01	2.35	2.50	2.26	2.41	53,565
September-01	2.45	2.45	1.05	1.53	148,653
October-01	1.68	1.75	1.41	1.45	128,174
November-01	1.43	2.00	1.43	1.85	242,952
December-01	1.99	2.46	1.76	1.98	209,744
January-02	1.96	2.18	1.70	1.82	137,530
February-02	1.77	1.77	1.16	1.39	191,066
March-02	1.35	3.07	1.35	2.55	299,253

Source: Euronext



## 3 INFORMATION ABOUT THE ACTIVITY OF SYSTRAN

### 3.1 GENERAL PRESENTATION OF SYSTRAN

#### 3.1.1 SYSTRAN: Translation technology for the Internet

##### **2001 devoted the end of the monopoly of English on the Internet**

Created by the United States to respond to military and scientific needs, Internet conveyed at its beginnings, in 1969, only the data in English. In 2001, the number of Internet users reaching the Web in another language than English was 57% (Source: Global Reach - December 2001).

##### **Multilingual Internet users involve the development of multilingual sites**

As Forrester Research underlines (the multilingual site blueprint - June 2000), this development influences logically the incomes and the productivity of the companies by the development of the e-trade, of the services to the customers globally (information on the packages, technical support) and by that of the communication to international audiences (employees, investors, press, audience).

The Cisco success, Dell, Lycos or Yahoo! which offer sites located in 10 to 20 languages and different countries illustrate perfectly the need of the Internet users to communicate and buy in their own language. All the studies show that an Internet user buys three times more out of one site located in her or his language.

Internet created the need to get information, communicate and publish without delay and without excess cost. But paradoxically, although the communication barriers fall gradually, the linguistic barriers remain and are perceptible in the new information society due to the amplification of the volumes of exchanged data. It is hereby clear that the Internet impact on the economy will be all the stronger since the actors of these media will have succeeded in exceeding these barriers.

##### **But translating the contents published via the Internet requires the use of new technological solutions.**

Companies are hereby confronted with the need to translate in real-time more and more bulkier multilingual data. The human translation cannot respond to this need both for obvious reasons of capacity and for questions of cost.

The only rapid and economically profitable solution to cope with the volumes of available information on the Web, is namely the translation by computer. Its acceptance by the users is natural because it is a concept which finds fully its effectiveness on the Web.

##### **SYSTRAN, through its services on the Internet, showed the added value of the computer-based translation on these new media.**

SYSTRAN started in 1998 the first computer-based translation service on the Internet, in partnership with AltaVista. The success of this service showed that the computer-based translation corresponds to a need and real expectations of the market. **The level of quality of the translations, although imperfect, allows research and information collection, multilingual text gisting and the instantaneous communication.**



SYSTRAN extended its offer gradually to other sites of international audience, such as AOL, Apple, Google, Lycos making of SYSTRAN technology the reference in the field of translation on the Internet. **Today, translation services "Powered by SYSTRAN " translate several million pages daily.**

### 3.1.2 The assets of SYSTRAN

#### An image associated with the **QUALITY of the translations**

SYSTRAN, since its creation has been the administrative body person receiving benefits whose principal objective is the quality of the translations:

- q the European Commission by using SYSTRAN sought the improvement of the productivity of its translation services,
- q the US Department of Defense financed the development of SYSTRAN in order to make a reliable tool of it to deal with the volumes of information out of reach for the human translators.

Various translation systems have since the beginning been positioned on the General public market as comprehension tools, easy of use without claim on quality of the translations. The SYSTRAN software price reflects moreover its positioning difference in relation to its competitors.

#### A very wide range of **LANGUAGE COMBINATIONS**

The inheritance of SYSTRAN includes more than 35 language pairs and of numerous specialised subject dictionaries. The data banks of SYSTRAN are the 30-year result of research and of development co-financed by public services and multinational corporations.

#### DEVELOPPEES LANGUAGE PAIRS BY SYSTRAN

Marketed language pairs	Language pairs in development but not yet marketed
English>French French>English	
English>German German>English	
French>German German>French	
English>Spanish Spaniard>English	
French>Spanish Spaniard>French	
English>Portuguese Portuguese>English	
French>Portuguese	
English>Italian Italian>English	
French>Italian Italian>French	
English>Dutch Netherlander>English	
French>Dutch Netherlander>French	
English>Japanese Japanese>English	Japanese>French French>Japanese

Chinese>English English>Chinese	Chinese>French French>Chinese
Korean>English English>Korean	Japanese>Korean Korean>Japanese
	Chinese>Japanese Japanese>Chinese
English>Russian	
English>Arabic	Arabic>English
Greek>English English>Greek	
Greek>French French>Greek	
	English>Swedish
	English>Norwegian Norwegian>English
	English>Danish Dane>English
	English>Polish Polish>English
	English>Hungarian Hungarian > English
	English>Czech

Source: SYSTRAN

Its modular architecture allows the creation of a new language combination within a very short time. Indeed, these two last years, SYSTRAN carried the essence of its efforts of Research and of Development on the rationalisation of the cycle of development and of customization of its technology in order to be able to propose professional solutions within a time tailored to the new constraints of its customers (companies and *portals*).

### Numerous subject dictionaries

Aeronautics Business Farming and food industry Automobile Chemistry Defense Right Economy Electronics Informatics	Navy Mathematics Mechanics Medicine Metallurgy Photography Nuclear physics Politics Geosciences Life sciences
--	--

Source: SYSTRAN

### CUSTOMIZED translation solutions

Even if all the internet users were then equipped with translation softwares integrated into their office automation applications like Microsoft Word or Internet Explorer, each web site wishes to propose a translation of its contents as precise as possible. This offer of customized solutions to the companies publishing contents ("Server Side Translation") is the heart of the activity of SYSTRAN.

### AN HOMOGENEOUS system

All the language pairs use the same translation engine, which makes it possible to optimise the use and the administration of the system. SYSTRAN not having conducted by acquisitions of various technologies, developed all the language pairs with "SYSTRAN methodology" which today makes it possible to have an integrated solution easy to manage.

### Architecture tailored to the INTERNET constraints

SYSTRAN made changes in 1998 by starting the first translation service on the Internet in partnership with AltaVista. Since, SYSTRAN has been supporting almost the whole of the Internet *Portals* having incorporated the computer-based translation as well as of the thousands of web sites which have permanent links with sites "Powered by SYSTRAN ". SYSTRAN technology proved its worth in environments as demanding in terms of traffic as the AltaVista search engines, AOL, Apple Google and Lycos.

### Classification of the most attended directories and search engines (source: Mediametrix Global Top 50, November 2001)

N°	Site	Number of single visitors * per month (in thousands)
1	<b>AOL</b>	<b>113,119</b>
2	Yahoo!	100,990
3	<b>Google</b>	<b>36,541</b>
4	<b>Lycos</b>	<b>35,225</b>
5	Excite	27,031

\* Single visitors: number of users who visited the web site once during the month. All the single visitors are counted only once.

### A software which INTEGRATES into all the office automation and computer applications

The softwares marketed by SYSTRAN comprise very advanced linguistic treatment modules which allow their integration into office automation suites like Microsoft Office, but also into real-time computer processes like research and the abstract or the update and the multilingual database treatment.

### **An important INSTALLED DATABASE**

SYSTRAN is the system used by the Commission and the European Bodies, the NAIC, the American information, the US Air Force and numerous public service agencies in Europe and in the United States all of them which benefit from perpetual use licences in exchange of recurring financing. In addition, SYSTRAN offers a free access of its services on the Internet, which enabled it to constitute an important base of regular users.

### **3.1.3 Background of SYSTRAN, going from services to administrations to the translation services on the Internet**

#### **THE ORIGIN OF SYSTRAN: 1968 - 1996: DEVELOPMENT OF MACHINE TRANSLATION SYSTEMS FOR THE AMERICAN AND EUROPEAN PUBLIC ADMINISTRATIONS.**

The idea of describing natural languages by mathematical techniques became reality after the Second World War. In the 50s, research on computer-based translation started with the literal translation, generally known under the name of word for word translation, without the use of linguistic rules.

In 1968, Dr. Toma created a Company established in La Jolla (California) with a software called SYSTRAN, the acronym for SYStem TRANslation. Shortly after, his company was chosen to develop the Russian →English system for the US Air Force. The first system developed by SYSTRAN is tested at the beginning of 1969 on the air base from Wright-Patterson in Dayton (Ohio), and since 1970, the system has been supporting translations for the Foreign Technology Division of the US Air Force. In 1996, SYSTRAN thus received a contract of US National air Intelligence Center to develop several language pairs of Eastern Europe. On the occasion of the dispute in Yugoslavia, SYSTRAN developed the first Serbo-croat →English system on behalf of the American administration.

Patented technology SYSTRAN was also used by NASA for the Apollo-Soyuz American-Soviet project in 1974-1975. This historical event prepared the ground for the setting up of a first English →French prototype for the European Commission. Shortly after, SYSTRAN was chosen by the Commission to support translation systems for all the European language pairs. Our time, the Commission and of numerous European bodies uses 17 SYSTRAN translation systems.

#### **DEVELOPMENT OF SYSTRAN: FROM MAINFRAMES TOWARDS MICRO-COMPUTERS (PC)...**

In 1992, SYSTRAN began the migration of its technology in order for it to be used on micro-computers. Thus SYSTRAN started in 1997 SYSTRAN Professional for Windows in a standalone release for PCs and a Customer/Server release. Since 1997, the Company markets 6 new softwares for the private individuals and for companies.

#### **... AND SYSTRAN TECHNOLOGY COMES INTO COMMERCIAL APPLICATIONS AND THE INTERNET**

In 1997, SYSTRAN signed a licence settlement with SEIKO Instruments, Inc., to support dictionaries for the pocket translators of SEIKO. Pursuing this integration strategy, SYSTRAN supported its technology at the end of 1998 for the first online editor game, ELECTRONIC ARTS for its game "Ultima online: The Second Age".

At the beginning of 1998, SYSTRAN made the Internet community aware of the utility and of the capacities of the computer-based translation by supporting its technology for the AltaVista translation service: Babelfish.

In 2001, SYSTRAN delivers operational solutions for the Autodesk's online technical support or the platform of SONY games web based being based on its PlayStation 2.

### **3.1.4 Legal organisation of the group**

#### **LEGAL BACKGROUND**

**1986:** GACHOT SA, a French company, the principal activity of which is valves industry and fittings and the control of the fluids, acquires both companies of American Right, STS (anc. WTC) and LATSEC, at the source of

developments and exclusive owners of SYSTRAN technology, as well as 76% of the capital of the German company SYSTRAN INSTITUT GmbH.

The years 1986 to 1988 are devoted to the development of the system and of the linguistic assets of SYSTRAN.

**1989:** In order to ensure efficient development, it was decided to give to the activity of Computer-based translation an operational and legal autonomous structure. SYSTRAN S.A. comes up as a spin-off of GACHOT SA's branch of "Computer-based translation". This contribution is compensated by SYSTRAN SA with a share issuance to the profit of GACHOT SA, which holds, following this operation, 99.9% of its capital.

**1992 (fév):** Listing of SYSTRAN SA on the OTC Market of the Paris Stock Exchange

**1994 (Nov.):** GACHOT SA transfer to its shareholders the shares of SYSTRAN SA that it holds. Henceforth both companies will no longer have straightforward legal links.

**1995 (August):** For reasons of rationalisation and of reduction of the administrative costs, LATSEC takes over STS. The new entity resulting from the merger takes the company name SYSTRAN SOFTWARE Inc. (SSI).

**1998:** SYSTRAN SA, is associated with the Luxemburgian company TELINDUS Luxembourg and its management, in the new company SYSTRAN Luxembourg SA, dedicated to the public administrations in Europe and especially the European Commission.

In December 1998, TELINDUS sells its shares of SYSTRAN Luxembourg SA, i.e. 30% of the authorized capital, and SYSTRAN SA carries its participation to 78.4% in its Luxemburgian subsidiary company.

**2000 (March):** SYSTRAN SA purchases the stake of the minority shareholders of SYSTRAN Luxembourg SA.

#### Legal flow chart of the group (on December 31, 2001)

Company	Part. (%)	Acquisition date	Manpower	Capital	Activity
SYSTRAN SA (France)	Parent company		42	15,08 M€	1. publishing and marketing of softwares 2. Corporate & portal solutions
SYSTRAN USA (The United States)	100%	03/1986	0	0,05 MUSD	1. Holding company. Holds 100% of SSI
SYSTRAN SOFTWARE Inc. (The United States)	100% *	01/1986	31	4,07 MUSD	1. publishing and marketing of softwares 2. corporate and portal solutions 3. development contracts with the American administrations.
SYSTRAN Luxembourg SA (Luxembourg)	100%	1998	25	5,0 MLUF	Development contracts with the European administrations.
AURORA (France)	100%	2001	17	0,2 M€	IT services

\* Indirect stake held by SYSTRAN USA

The SYSTRAN Institute company, dormant for several years, has been closed definitively in 2001.

An information table on the subsidiary companies and financial investments is presented at the end of Chapter 4.5

#### Links between subsidiary companies

There are just few economic flows between the companies of the group. As part of the service contract with the European Commission, SYSTRAN Luxembourg acquired the non-exclusive concession of certain softwares and utilities which are the property of SYSTRAN Software Inc. In addition, SYSTRAN SA grants advances of cash to its subsidiary companies in order to speed up their commercial development. SYSTRAN SA, parent company of the group, charges its subsidiary companies SYSTRAN Software Inc and SYSTRAN Luxembourg with management fees. These fees count less than 1.5% of the consolidated revenue in 2001. Lastly, Aurora is sub-contractor of SYSTRAN S.A., for some technical developments and application integration services among its customers.

### 3.1.5 Key figures of the group

#### The key figures of SYSTRAN (consolidated data)

##### Revenue

	<b>1999</b> (12 months)	<b>2000</b> (12 months)	<b>2001</b> (12 months)
MEUR	6.90	9.26	8.18

##### Revenue by segment

MEUR	<b>2000</b> (12 months)	<b>2001</b> (12 months)
Corporate solutions *	0.5	1.8
Portal solutions *	1.8	1.1
Software publishing (shrink-wrapped products)	3.0	2.5
Development contracts	1.4	0.8
Services to the Administrations	2.5	2.0

\* also named e-Services

MEUR	<b>2000</b> (12 months)	<b>2001</b> (12 months)
Operating income	1.13	(1,2)
Current profit	1.04	(1,0)
Net income from consolidated companies	0.94	(0,5)
Net income, group share	0.94	(0,5)
Stockholders'equity, group share	21.14	20.45
Financial indebtedness	0.23	0.27
Cash	4.46	2.71

SYSTRAN net earnings per share (out of reversal of provisions for depreciation of the goodwill in 1999)	<b>2000</b> (12 months)	<b>2001</b> (12 months)
On the basis of average number of shares: number of shares in EUR by share	9,310,964 0.09	9,833,695 (0,05)
On the basis of average number of shares after exercise of stock options: number of shares in EUR by share	10,660,964 0.11	11,272,695 (0,03)

The notes to the consolidated financial statements on December 31, 2001 (cf. note 4.4) gives precise details on the computation method of the net earnings per share.

## 3.2 THE TRANSLATION WORLD MARKET

The translation world market can be divided into three segments: the human translation, the computer-based translation and the localisation.

Billion EUR	<b>1999</b>	<b>%</b>	<b>2004 (p)</b>	<b>%</b>
Human translation	7.6	70%	9.3	58%
Computer-based translation	0.3	3%	1.4	9%
Localisation	3.0	27%	5.2	33%
<b>World market of the translation</b>	<b>10.9</b>		<b>15.9</b>	

Source: Allied Business Intelligence Inc.

Despite the size of the market and its strong growth, it's still a very fragmented industry, composed by a large number of independent translators. On a worldwide scale, few companies record more than 5 Million MEUR annual revenue.

However, for a few years regroupings and mergings which will create world size companies are to be seen.

This tendency of industry to the consolidation was accelerated by the arrival of the Internet. Indeed, at the time when Internet makes the barriers of the communication and of trade fall globally, the only major obstacle that

companies have to cross in order to reach the foreign markets remains the language. The increase in expenditure via the Internet urges all the Internet product and service providers to develop multilingual sites. This new source of growth for the translation market encouraged logically the traditional participants to acquire technological competences and marketing in order to answer to the new demands of the market.

Lernout and Hauspie (L&H), Belgian company acquired Trantex (Finland), Kermit s.r.l. (Italy), Wordwork (Sweden), GMS (Germany), Globalink and AppTech (the United States), Me'ndez (Belgium). The British companies Polyglot and RMS recently merged their operations to become RWS Rlyglot, the greatest translation company of the United Kingdom. The American company Bowne Global Solutions acquired of I&G COM (France), GECAP (Germany), ME&TA (Spain) and Pacifitech (Japan). The Belgian company ALPNET acquired the English company Computype Ltd, which specialises in electronic publishing. The British company SDL acquired Polylang (Great Britain), specialised in the web site localisation and the division on "computer-based translation" of the company Transparent Language.

### 3.2.1 *The human translation*

Allied Business Intelligence Inc. (ABI) evaluated the translation world market on the basis of the number of translators. Thus, the 140,000 full-time translators and the 252,000 part-time translators count as a market estimated at more than 7.4 Billion EUR in 1998. This market would be supposed to account for 9.3 Billion EUR in 2003.

Billion EUR	1998	1999	2000(p)	2004(p)	Annual growth rate
	7.4	7.6	7.9	9.3	4%

Source: ABI

The average annual growth of about 4%, reflects the limitations of the market connected with the number of translators and with the potential productivity earnings. However these forecasts do not take account of the contribution of the computer-based translation in the frame of the computer-assisted translation.

The translation service request would be supposed to remain concentrated in Western Europe with 49% of the world market, followed of the Far East countries with a share of 39 %. In Western Europe, the greatest markets are Germany, the United Kingdom, Italy, France and the Netherlands. The translation needs in Japan count as a market of 925 MEUR in 2000, three times higher than the German market, which dominates in Western Europe.

Demand of the public sector would be supposed, for its part, to grow at much slower intervals than that of industry: from MEUR 264 in 1994 to 354 in the year 2000.

### 3.2.2 *The computer-based translation*

Human translation triggers three major problems which limit the growth of its market:

- the time: a human translator reflects on average 2,000 words per day.
- the cost: it is on average EUR 40 by translated page.
- capacity: the volumes of information available electronically and being supposed to be translated are out of the human translators' scope.

In view of these constraints, computer-based translation is the only technological supply making it possible to cope with this new request.

The computer-based translation is the translation by computer of a natural language into another. The grammatical structure of each language is analysed with precise rules to transfer the source language (text to be translated) towards the target language (translated text). The computer-based translation is an imperfect technology. In view of the complexity of natural languages, the development of a machine translation system is a very complex process which requires a continuous effort:

- Each language has its own structure -it is the asymmetry of languages;
- there are very numerous grammatical combinations and stylistics variations for each language, and the number of combinations increases as sentences become more complex;

- automated translation softwares cannot understand the meaning of a sentence: they can only be based on information known by the system.

In order to develop a machine translation system, bilingual linguistic resources must be built up, be analysed and the grammatical, syntactic and semantic rules of the source language and of the target language be described and algorithms be created. This requires consequently a high expertise level in computational linguistics. ABI considers that an automated translation system needs on average 200 to 300 year men in order to be developed and 5 to 10 men per year to tailor it in a new field and in new typology. This means that there should be investment between MEUR 6 and 9 to develop a machine translation system and between MEUR 0.15 to 0.30 to tailor it.

Given the importance of the development costs, machine translation systems were for a long time reserved for the major administrations or for the governments. In fact to very recently the market of the computer-based translation was public. The METEO system (translation system of English-French and French-English weather reports), developed in Canada in 1977, had illustrated the utility of application to reduced field where the computer-based translation was very effective. In 1993, one considered the words translated by computers for users of large volume datas to be 380 million per year. Among those the European Union on its own translated with SYSTRAN 30 million words in thirteen language combinations. This data did more than double in 1998 exceeding 70 million words.

For a few years now, as a result of the drop in the prices of the computer components and to the progression of the power of the computers, machine translation systems have democratised themselves. The market of the computer-based translation counted as Euro 320 Million in 1999 and according to ABI, the machine translation system sales would be supposed to exceed Euro 1.4 Billion in 2004, i.e. annual growth even more of 30%.

Billion EUR	1999	2000(p)	2004(p)	Annual growth rate
	0.32	0.45	1.41	34%

Source: ABI

### 3.2.3 The localisation

The localisation can be defined as the adaptation of a text or of foreign application to language and culture. More than one simple literal translation in a given language, the localisation endeavours to incorporate the totality of the features of the package in a coherent way in language and the cultural context of the country concerned. If the localisation is effective, the French purchaser of a foreign package will have the impression that it was conceived and was developed in its own country for its own needs.

The market of the localisation has been concerning primarily the softwares, documentation (information on the packages, technical booklets, use handbooks, training equipment, etc.) and recently the web sites.

The world market of the localisation was evaluated at Euro 2.7 Billion in 1998 and would be supposed to reach Euro 5.2 Billion in 2004,

#### World market of the localisation (for softwares)

Billion EUR	1998	1999	2000(p)	2004(p)
	2.69	3.00	3.34	5.16

Source: ABI

### 3.2.4 Impact of the Internet on the translation market: towards the "computer-based localization"

The arrival of the Internet involved a confusion in the translation market, imposing on those involved in the market a redefinition of their services. The translation market is subject to several underlying tendencies:

**The Internet users** necessitated the computer-based translation like the only solution, making it possible to reflect in real-time multilingual information flow available on these new media. This demand would not be supposed to cease increasing in view of the exponential trend in the number of Internet users in the world.



**The content publishers on the Internet** online support accesses to automated translation services in order to promote an overall communication without barriers for the Internet users.

Before the Web, the localisation concerned primarily the softwares. Today, all the companies build websites for their customers and an *Intranet* for their intern needs.

The request of the companies on computer-based translation first covers applications compatible with the professional needs to know the translation of documentary flows (document, URL, e-mail), but also the translation in real-time of databases.

The computer-based translation allows a instant localisation without to count for an excess cost. Thus services like the technical support, the applications of management of the customer-relation and information diffusion in real-time need more and more the computer-based translation. The offer of SYSTRAN computer-based translation for the Web can hereby be connected in an offer of "automatic localisation".

In addition, the Internet made concepts such as time spent for localisation or translation degree of accuracy evolve. Although editors endeavour to have quality of high publication, it is noted that the short publication deadlines applied to the Internet allow to pass numerous shells on the HTML published pages but they make less negative effect than extremely rare shells in the newspaper industry. This development of mentalities is very favourable to the computer-based translation industry and for this reason one notes that companies historically opposed to the use of the computer-based translation make use of its services.

### 3.2.5 Competition

The computer-based translation is a very important market to justify strategic alliances between the technology holders and the translation service suppliers, knowing that the first one benefit from a key advantage. Indeed, they are protected by strong barriers to the entrance which prevent the arrival of new newcomers in view of required investments and at the development time to carry out a machine translation system.

The competition landscape of SYSTRAN changed deeply in 2001:

- \* Lernout & Hauspie, a Belgian company which was listed on the Nasdaq (code : LHSP), bankrupted in 2001, consecutively to the proceedings for financial embezzlements carried out against it. Its activities in the human translation, the Mendez group, were sold to Bowne Global Solutions, an important American northern human translation company. A research center on the voice recognition and the machine translation also spined off from the Group by taking the denomination "Sail Labs";
- \* IBM started in spring 2001 an automatic translation solution for server, "WebSphere translation Server" proposing 11 language pairs;
- \* SDL international, British human translation company listed on the London Stock Exchange (code : SDL) took over at the beginning of 2001 the activity of "Transcend" machine translation of Transparent Language, company based in the United States.

There is locally some competing companies, in particular the French company Softissimo which publishes in collaboration with the Russian company Project MT the general public translation softwares for Windows (Reverso software).

In this context, SYSTRAN benefits from four major advantages, namely:

- Its offer of 35 language pairs,
- The homogeneity of its technology which allows it an optimized use in particular in network,
- The quality of its systems and of its linguistic data banks,
- Its long experience of the linguistic customization of the translation applications.

## 3.3 ACTIVITY OF SYSTRAN

SYSTRAN offer is composed of services said "background" to the European and American administrations and new solutions to the businesses, but also to the retail market.

**SYSTRAN is today the world leading computer-based translation provider (source: International Data Corporation - IDC, 2002).**

### 1/Linguistic services to the administrations

SYSTRAN, since its inception, has been a service provider with added value for the administrative bodies in search of tools allowing the treatment, the retrieval and the translation of multilingual data.

### 2/Software Publishing (shrink-wrapped products)

SYSTRAN range is composed of software packages answering the translation needs of the retail market of the businesses or of the professionals of the translation. Depending on the packages:

- They integrate into the office automation applications and the Internet: *Plugins* for Microsoft Word, Internet Explorer, Excel, Outlook, Powerpoint, Netscape Communicator, Lotus Notes, Eudora Mail,
- They make it possible to translate whole files while preserving formatting, or to create and incorporate its own terminological dictionary;
- They include specialised dictionaries.

### 3/Corporate and Portal solutions

The experience gained to the major administrations and on the Internet made it possible to develop an offer of integrated solutions, tailored to the Internet and major company requirements. SYSTRAN also proposes its services to thousands of users of the Web, either through its own sites, or through the translation services on the sites of its customers.

Since 1998, the new activities of SYSTRAN have taken a growing share in the revenue of the Company:

- Corporate and Portal solutions generated in 2001 a revenue of almost M€ 2.9, which counts as more than 1/3 of the revenue;
- Software Publishing for the retail market generates 31% of the consolidated revenue 2001. On a 2001 revenue of M€ 2.5, 25% of the sales were carried out via download.

Thus in 2001, on a consolidated revenue of M€ 8.2, the *new activities* (out of co-financed development of systems) resulting from the development plan of SYSTRAN count today to the 2/3 of the revenue of the Group.

### TABLE OF SYSTRAN'S PRODUCTS AND SERVICES

	Products hosted by customer	by ASP services hosted by SYSTRAN	CA 1998 (MEUR)	CA 1999 (MEUR)	CA 2000 (MEUR)	CA 2001 (MEUR)
<b>Corporate &amp; Portal solutions</b>			0.3	0.5	2.3	2.9
<b>Internet portals applications</b>	Web SYSTRANWebServer	SYSTRANBox SYSTRANLinks Silver SYSTRANLinks Gold				
<b>Companies Intranet Software publishing</b>	SYSTRANIntranetServer SYSTRAN Personal SYSTRANet SYSTRAN Professional SYSTRAN Enterprise _OEM offer	SYSTRANet	1.7	2.4	3.0	2.5
<b>Linguistic services provided to the administrations</b>	Contracts with the European and American administrations		4.2	3.0	2.5	2.0

Source: SYSTRAN

#### 3.3.1 Corporate and Portal solutions

SYSTRAN's Corporate and Portal solutions consist of an offer of Internet/Intranet products and services to the businesses, to the portals and to the Websites.

Broadly, the SYSTRAN translation services on the Internet generate several million "daily viewed pages".

SYSTRAN developed a free offer of translation services automated on the Internet with objective of quickly generating a *community of users*. These services gained an impressive success, since more than 300,000 sites have already incorporated "links" with the sites handled by SYSTRAN or giving a translation service "Powered by SYSTRAN" and more of 300,000 people subscribed in the service [www.SYSTRANet.com](http://www.SYSTRANet.com).

## THE OFFER FOR THE INTERNET APPLICATIONS

- SYSTRANWebServer

Companies, *Portals*, the Internet service providers, the editors of contents (newspapers, specialised informations, etc.) and of services on the Internet (e-mail address, chatroom shelters), the community sites and generally all the professionals who give a service via Internet, have the possibility of incorporating the computer-based translation into their own services.

Eg., Autodesk, designer of the CAD "AutoCAD" software, embedded a SYSTRAN customized translation solution into its online technical support. To date, more than 4 million people use the Autodesk's packages. With more than 60% of its Sales carried out outside the United States, Autodesk is confronted with genuine communication problems with its customers. Indeed, to respond to their needs as for technical informations, Autodesk put more than 10,000 extremely technical articles and specialised by industry type online on its site. Of an average of 1000 words each one, these documents are available only in English, which excludes their comprehension for those who do not understand this language. This language barrier, encourages the users of the Autodesk's packages to run itself towards its hot-Line. The maintenance of this customer support increases considerably the running costs of the company.

The screenshot shows the Autodesk Point A website interface. At the top, there are navigation tabs: Centre professionnel, Collaboration, Téléchargements, Formation, Assistance, and Liens sur les produits. Below these, there is a search bar with the text "Vos critères de recherche actuels sont:" and a search button labeled "Recherche avancée". A list of search results is displayed, with a green arrow pointing from a text box on the left to the first result.

**Automated translation of the online knowledge base**

ID	Title	Category	TS#	Date
%96	<a href="#">Assigning named plot styles (STB files) - Application</a>	Application	TS64524	Mar-05-2001
%95	<a href="#">Assigning a style to objects in a named plot style table (STB file) - Affecter un style aux objets dans une table de style de tracé nommée (fichier de STB) - Des fichiers de table de style de tracé sont créés pendant l'installation d'AutoCAD 2000 Application</a>	Application	TS22797	Jun-06-2001
	<a href="#">Using Plot style tables - Utilisation des tables de style de tracé</a>	Application	TS21857	Jun-15-2001
%95	<a href="#">Ten Steps to Plotting a Model Space Drawing - 02</a>	02	TD135577	Mar-08-2000
%95	<a href="#">Setting up plot screening - Initialiser le criblage de travail</a>	Application	TS45373	Jun-15-2001

Mirko Plitt, analyst in the Autodesk's localisation department declares that *"the innovative and customized approach of SYSTRAN was the only possible response for our needs. The translations produced by the traditional software solutions of MT (machine translation) were not sufficiently customizable to meet these expectations and a solution putting in motion a human translation was not a realistic option. The computer-based translation solution developed by SYSTRAN for Autodesk enables us today to give a technical support of quality comprehensible by all our customers."*

International Data Corporation ("IDC") greeted this major innovation in a report entitled "SYSTRAN enables multilingual customer support for Autodesk" (report #25019 – June 2001).

The offer of SYSTRAN constitutes itself of an **integrated translation platform, SYSTRANWebServer**, which enables each customer to format the translations according to specific requirements of its service.

This platform consists of several modules which integrate itself into applications such as content management, search fonction, email or online chat. Editors can integrate public and private data in order to satisfy the navigation needs of their users.

This offer is not standardised because it is supposed to correspond to the technical needs for each site in terms of operating system, interface or integration.

In general, such contracts have a duration from 1 to 3 renewable years by tacit renewal. The principle of these contracts is relatively simple: SYSTRAN possibly supports its technology and its services if the translation service is hosted at SYSTRAN. As a compensation, SYSTRAN perceives three type of revenues , the mixt of which varies in function of situations:

- Annual incomes of recurring use licences (companies and *Portals*),
- Incomes connected with the SYSTRAN standard software sales by download (Internet *Portals*)
- Advertising incomes generated by the translation service (marginal source of income)

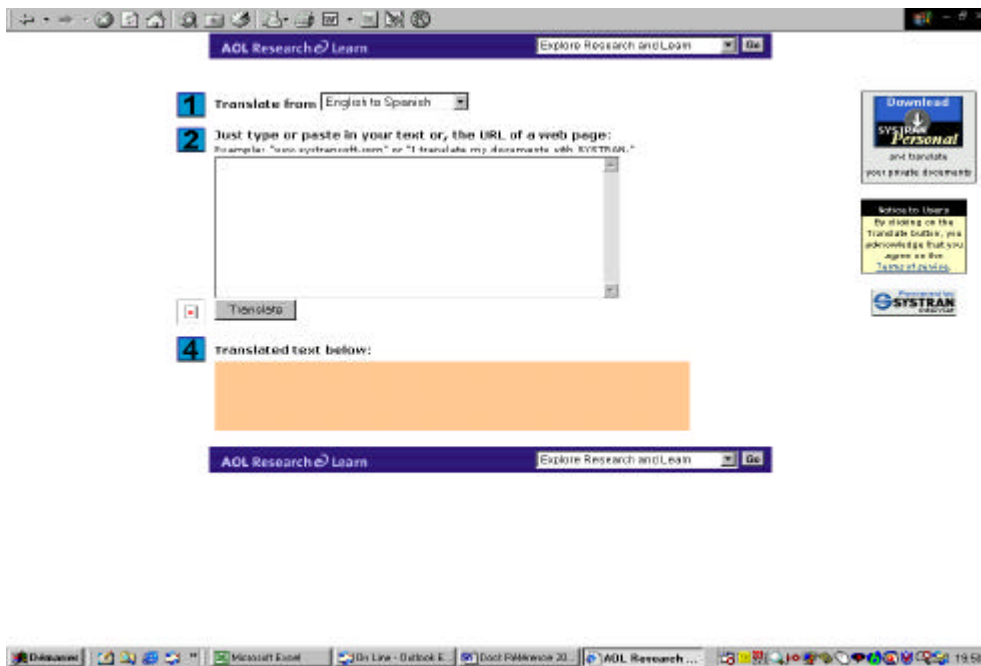
Each partnership also has indirect repercussions because the pages of each "translation service" have links towards SYSTRAN website which proposes professional solutions to the sale.

Altavista, Autodesk, Bixyte, Easyspace, Google, Multicity, NEC, OntheFrontier, OTENet, Registrars, Worldlingo are part of the customers of the SYSTRANWebServer Platform.

- **SYSTRANBox for the Internet Portals**

SYSTRAN developed the first translation services on the Internet for Altavista and Go Network. Gradually, the new customers wished "to outsource" the translation service and SYSTRAN set up a web-based alternative with its SYSTRANWebServer translation platform which supports its current offer. SYSTRANBox is a "OEM" type service which is entirely integrable in the sites of each customer.

SYSTRAN has already concluded numerous SYSTRANBox contracts with sites of which the audience is international e.g: AOL, Compuserve, Free, Illiclic (It), Lycos, and others.



The offer of SYSTRAN is completed by subsets of multilingual data categorised such as financial information, sport, medicine, information on companies. Such datas are on only one page of results which could be formatted by each site according to its needs. The editors and the tradesmen on the Web can use the SYSTRAN solutions in order to categorise, index, translate, up to date and display their owner contents as public data, all in real-time.

- **SYSTRANLinks Free**

With the aim of widening the adoption of SYSTRAN by the Internet community and to constitute an important base of regular users, SYSTRAN proposes that the web sites incorporate a "translation button" which allows the instant translation of their contents via the servers of SYSTRAN. This basic service *SYSTRANLinks Free* is as its name says free, prosecuting a dual objective:

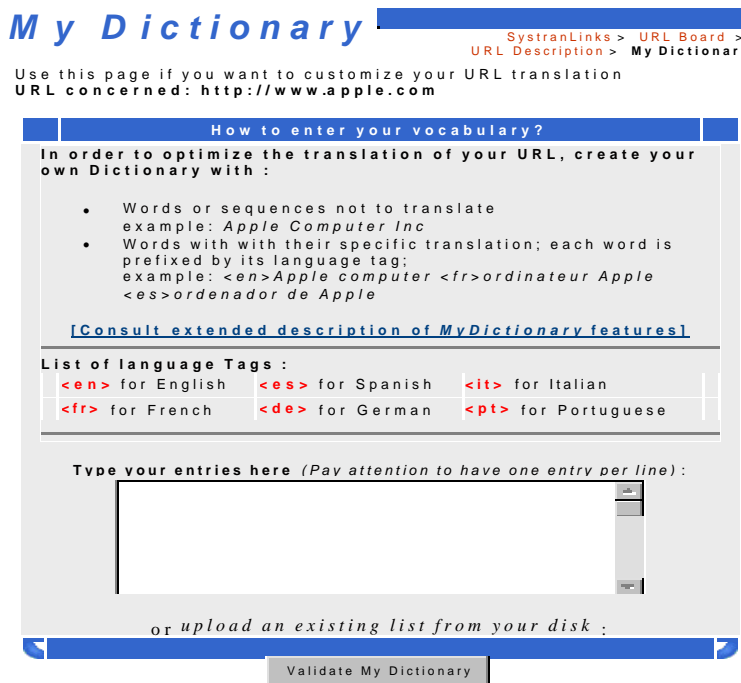
- allow the webmasters to test the service and to evaluate their needs before evolving towards a customization service;
- build up a database used by of even more than one million regular persons, the objective being quantitative. SYSTRAN thus becomes the destination for computer-based translation.

- **Customization services : SYSTRANLinks Silver and SYSTRANLinks Gold**

The quality of the translations which are given for free is acceptable to get information but insufficient for the professional applications such as e-trade or specialised services. The editors noting that their requirements are not met by a "general" translation, evolve into customization services for which they pay. The passage from the service *Free* to the services *Silver* and *Gold* is done gradually with the development of the Web and with the e-trade. Quality and precision of the translations become then a critical point for these sites.

The improvement of the precision of the translations can be reached only with a customization of the dictionary used by the translation system. Even if the browsers and the text treatment softwares will integrate translation functionalities, it is obvious that each site is obliged to display its contents in several languages with a translation as precise possible. Editors will not be able to depend on the quality of translation gained via the browsers or "customer" applications, for reasons of image, of commercial effectiveness or of liability.

The interest of this service, launched in march 1999, is based hereby on the principle that each site can have a customized translation solution and completely outsourced, by means of a subscription. The editor of the site can thus incorporate the multilingual terminology which is typical of it and the translation system takes it into account automatically.



The pricing of the service, based on the customer's real consumption - the site -, is today fixed at EUR 999 a year for SYSTRANLinks Silver and at EUR 6,480 a year, for SYSTRANLinks Gold. This tariff can be regarded as a basic price insofar as the customization charges can increase the budget appreciably according to the customers' requests.

## **THE CORPORATE OFFER**

Today, the computer-based translation enters the heart of the information system of the companies. The internal and external communication of the companies is strongly influenced by the Globalisation and by increased recourse to the electronic media (e-mail, Intranet, extranet, Web site). These international companies feel even more strongly the linguistic barriers as the borders of trade and from the communication disappear.

To respond to their needs, the SYSTRAN offer to companies is composed of integrated translation platforms, and of customized terminology and integration service range. They have the same functionalities as the SYSTRAN Internet services but integrate additional and customized options. This offer is a outsourced or internally hosted solution.

In the past the translation services of the multinational corporations used the translation softwares for the purpose of productivity. The functionality offered by the translation softwares is perceived gradually like that of one needed service for every network of companies. Decision-makers are no longer the translation departments but the directions of the information systems, the directions of marketing or the communication which wishes to make it to the users possible to make inquiries in real-time without engaging human translation costs. This development of mentalities makes it possible to anticipate very strong growth of the sales on this market segment.

SYSTRAN develops the straightforward sales and sets up a network of retailers, of VAR (Value Added Resellers) and of prescribers (software editors, integrators, consultancies).

- **SYSTRANIntranetServer**

Showing the template which made its success on the Internet, the offer of SYSTRAN constitutes itself of an **integrated translation platform, SYSTRANIntranetServer**, which enables each company to incorporate the computer-based translation into its information system. IntranetServer SYSTRAN is available under Linux, various releases of Unix and under Windows.

The company has had then an accessible translation portal since its Intranet allowing the translation of all the internal documents (pages of the Intranet, office automation documents, e-mail). Moreover, the modules of this platform integrate into the information retrieval applications, email, internal chatrooms, databases and documentary management applications. They also integrate electronic market places and applications of management of the customer-relation (technical support, FAQ) of the company into the Websites.

The terminology used by SYSTRANIntranetServer is entirely personalisable to the needs of the customer who can thus build up genuine linguistic knowledge banks.

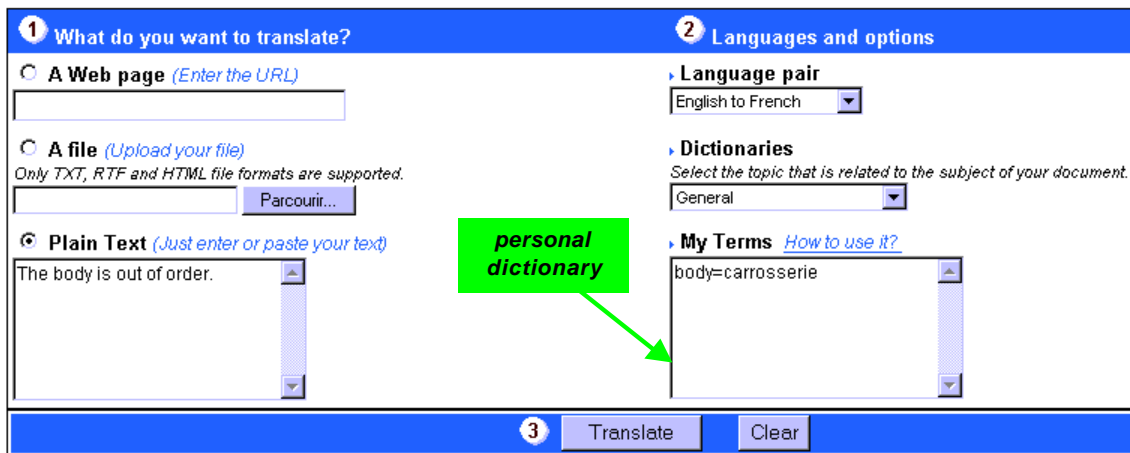
Addecco, DaimlerChrysler, Dalkia, Dow Corning, Ford, McDonald' s, Saint-Gobain are customers of the SYSTRANIntranetServer platform.

- **[www.SYSTRANet.com](http://www.SYSTRANet.com)**

[www.SYSTRANet.com](http://www.SYSTRANet.com) a translation extranet is been targeted to the companies which wish to outsource this function. Login and Pass secure, incorporating if necessary the encryption of the transferred data, this extranet lays on the SYSTRANIntranetServer

A free SYSTRANet's test service is proposed by SYSTRAN on the Internet, which counts today more than 300,000 regular registered users. It gives functionalities like the translation of files with conservation of the formatting, the specialised dictionary use (information technology, right, mechanics, medicine, etc.) and taking into account of dictionaries created by the user.

To translate your documents, follow the three steps below.



EDF and PriceWaterhouseCoopers make part of the customers who use the platform web based SYSTRANet

### CUSTOMIZED TERMINOLOGY SERVICES

- **Automatic treatment of multilingual informations**

For any type of needs in terms of adaptation for accurate translations, it is required to respect some basic principles:

- prefer specific equivalents to the general translations,
- not translate certain words like the proper names, in order to avoid ambiguities.

Eg., the names of companies such as *Apple, Carrefour, read, New Holland, Sun, Virgin* are not supposed to be translated.

More generally, the quality of the translation will be improved if the system is informed of specific information pertaining to a document; this information type can be classified in various categories and requires an individual customization:

- document style (familiar, topicalities), subject of the document (subject glossaries for aeronautics, information technology, medicine etc),
- specific terminology: additions of new dictionaries, integration of lists of words "not to be translated", individual grammatical structures (detailed syntactic description).

To tailor the translation in a specific field, various customization levels are possible. Linguistics work is based on the customers' resources, in other words on their texts (corpora), their dictionaries and lists of terms not to reflect.

- ▶ the linguistic tools developed by SYSTRAN enable the customers to type directly their terminology.
- ▶ for a more consequent volume of data, the linguists of SYSTRAN can support customization work of first level. This task consists in incorporating the customers' terminology and in respecting the various quality control policies.
- ▶ for the complex study of the resources of a customer and the implementation of the extracted terminology, SYSTRAN proposes a higher customization level.



- **Free customization selfmade by the customer**

On the online solutions, the customer can use the tools of SYSTRAN which enable it to create its own dictionary. No knowledge of languages is necessary. Respecting simply some basic rules, the customer can customize the results of translation.

Thanks to one advanced technological recently developed by the research workers of SYSTRAN, the translation system is able to analyse the entrances of a dictionary. The customer can also, by mentioning the context of the term, allot several equivalents to a word source.

Eg., the polysemous words, such as the English verb TO SAVE, inevitably cause problems being translated.

The standard softwares like SYSTRAN Professional and SYSTRAN Enterprise also have a module offering the possibility for the user to create its own specific terminology dictionary.

- **Professional customization**

### Standard customization

When a major volume of terms and of specific expressions are required for a customer, the computational linguists of SYSTRAN incorporate its terminology. It is supposed to contain the bilingual or multilingual data and to be sent in a file under a simple TXT format or XLS. type

For a complete and effective integration of a dictionary, some stages which are impossible to circumvent must be followed:

- Semantic and grammatical analysis of each entry,
- Semi-automatic coding,
- Test and validation of the translations into context,
- Implementation of the dictionary specialised in a way that each translation request refers to.

### Detailed customization

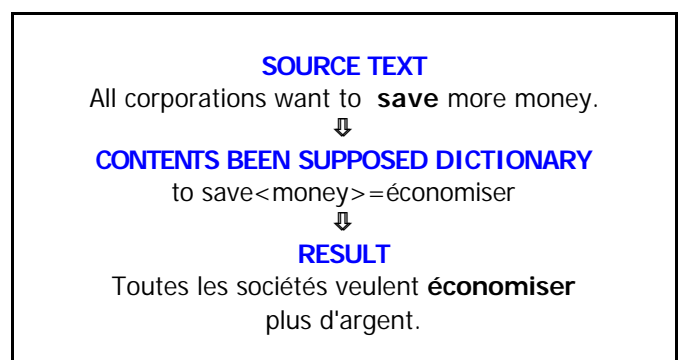
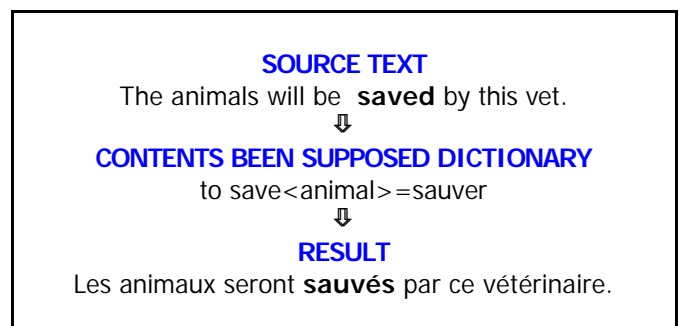
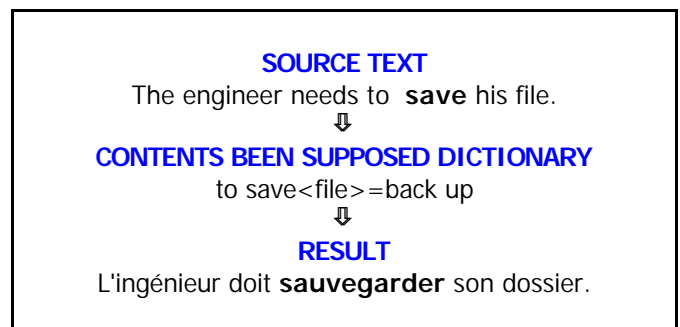
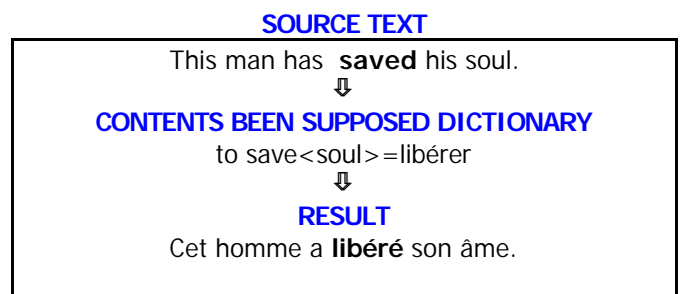
The computational linguists and the engineers of SYSTRAN developed a broad range of complex tools with the following aims:

- Extract the terminology of a customer,
- Facilitate bilingual lexicography work,
- Describe complex expressions which cannot be treated by the dictionaries,
- Combine the translation and the checking of orthography/checked language,
- Incorporate data coming from translation memories (Trados, IBM).

To quote an example, Autodesk provides the users of its softwares with a technical support on its web site thanks to SYSTRAN technology.

The examples which follow illustrate what results one can gain thanks to linguistic customization work from documents source.

Overall customization work is based on the principle of identification of the terminological needs. Then comes the process of implementation of the data in a specialised dictionary which will be connected permanently directly to the translation of the web site.





**Example of improvement of the translation on the keyword:"select"**

Textes source	Traduction brute	Traduction améliorée
In the Reference Edit dialog box, <b>select</b> the block or xref from the Reference name section and then choose OK.	Dans la <b>référence éditez la zone de dialogue</b> , choisissez le bloc ou le xref à partir de la <b>section de nom de référence</b> et puis choisissez <b>BIEN</b> .	Dans la boîte de dialogue "Edition des références", choisissez le bloc ou le xref à partir de la <b>section Reference Name</b> et puis choisissez <b>OK</b> .
On the Add Plotter-Begin page, you must <b>select</b> one of the following options.	À la <b>page de l'ajouter Plotter-Begin</b> , vous devez choisir une des options suivantes.	À la <b>page Ajouter un traceur - Début</b> , vous devez choisir une des options suivantes.
From the Tools menu, <b>select</b> System Configuration Utility. You <b>select</b> a drawing in the <b>Select</b> File dialog box, but you cannot choose Partial Open, because the button is unavailable.	À partir du <b>menu d'outils</b> , choisissez l'utilité de configuration de système. Vous choisissez un <b>schéma</b> dans la <b>zone de dialogue choisie de dossier</b> , mais vous ne pouvez pas choisir <b>partiel vous ouvrez</b> , parce que le bouton est indisponible.	À partir du <b>menu "Outils"</b> , sélectionnez "System Configuration Utility". Vous choisissez un <b>dessin</b> dans la <b>boîte de dialogue Sélectionner un fichier</b> , mais vous ne pouvez pas choisir <b>Ouverture partielle</b> , parce que le bouton est indisponible.
On the Fit tab, in the Fine Tuning section, <b>select</b> the Place text manually when dimensioning option.	Sur <b>l'étiquette convenable</b> , dans la section <b>d'accord fins</b> , choisissez le texte d'endroit manuellement en dimensionnant l'option.	Dans <b>l'onglet Plein Format</b> , dans la section <b>Fine Tuning</b> , choisissez l'option "Place text manually when dimensioning".

Example of incorrect translation

The corrected translation is immediately visible once the dictionary has been added

- Translation and maintenance of multilingual Databases**

SYSTRAN offers the translation, the correction and the update of multilingual databases. Since these bases are consulted by professionals, the level of quality is a key element. SYSTRAN proposes services such as the extraction and the integration of the customer's terminology, which improves the quality of the translations appreciably. The cost remains however marginal compared with the human translation. Among, the customers of SYSTRAN are the European Commission, Ford, Gaumont or Xerox as well as of numerous other companies and of the Internet operators.

- Services to the administrations**

The US Government has been using SYSTRAN over 30 years. For its part, the European Commission has been using SYSTRAN for more than 20 years. The release used by the latter was tailored to the internal needs of the European administration. The Commission ensures the promotion of SYSTRAN within the European bodies and the admin audience establishments in Europe which access SYSTRAN via the Extranet of the Translation service. Although these administrations there have access for free, the use of a translation system always requires a customization which means integration of the terminology of each institution. This provided service as well as the technical support are still charged.

This market segment will know a growth movement in view of the extremely important translation needs both of the French administrations and of the administrations of the other European countries members of the European Union<sup>3</sup>.

### 3.3.2 The software publishing

Originally, SYSTRAN could be exploited only on major systems ("Mainframe"); the activity of publishing and of marketing hereby started only in 1997 after the migration of the system towards an Unix platform and Windows. The Company first developed an offer to the private individuals and to the companies via 5 softwares

#### "RETAIL" SOFTWARE PUBLISHING

Since its launch in 1997, the activity of shrink-wrapped products has known strong growth, first in France, then in the United States where the packages such as SYSTRAN Professional complied immediately with a request of the market, in particular on the part of the general public and on the part of the companies. In four years, the revenue of this activity were multiplied by three.

The range of packages developed by SYSTRAN is addressed mainly to the Soho ("Small Office, Home Office") general retail markets and Middlemarket with the following feature: SYSTRAN softwares integrate into the office automation applications by means of the text treatments and by means of the office automation suite like Microsoft Office. They allow an interactive and customized use, personal data import and the creation of dictionaries by the user.

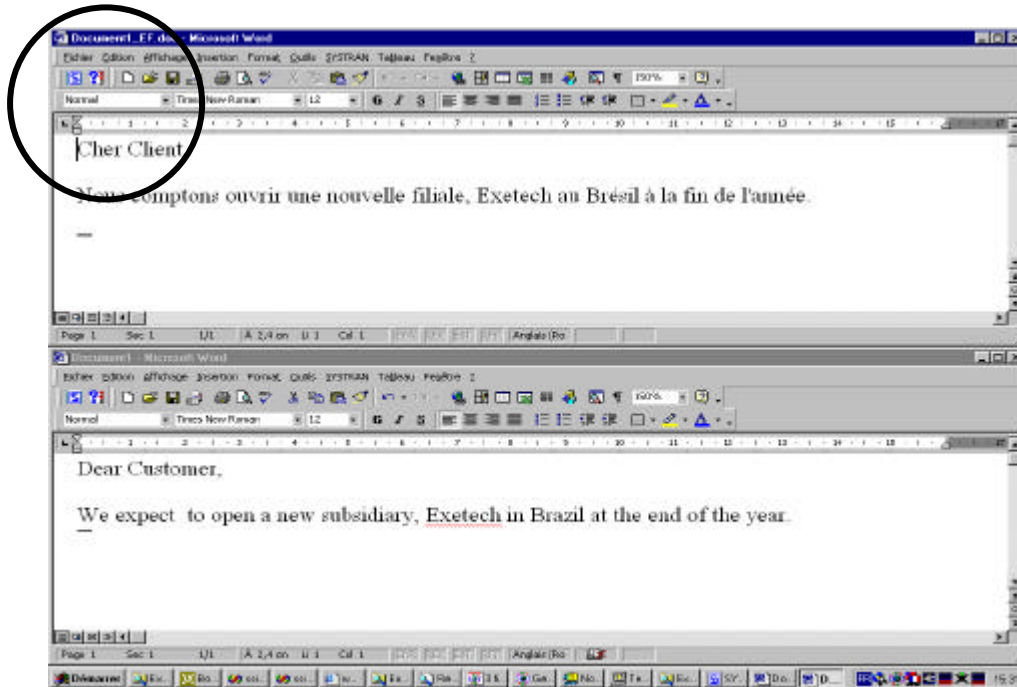
Standard softwares are marketed by electronic shops and the professional solutions by a network of retailers and of VAR. Among the most important distributors and VARs, let us quote: Digital River (the United States), Mysoft (France), Softline (Germany), Heisoft (Germany), Innaware (Switzerland), MLS (Greece)...

#### LIST OF THE SOFTWARES MARKETED BY SYSTRAN

	Launching date	Target	Distribution network	Advised sale price for the public
<b>SYSTRAN Personal</b> translates texts placed in the "clipboard". The translated text can then be embedded in any application. Includes 5 language pairs with English.	January 1998 (v. 1) February 2000 (v. 2)	General public	Download Distributors	EUR 69 *
<b>SYSTRANET</b> is a <i>Plugin</i> for Web browser which allows to translate "online" webpages and "offline" HTML documents. Includes 5 language pairs with English.	June 1999 (v. 1) February 2000 (v. 2)	General public	Download Distributors	EUR 69 *
<b>SYSTRAN Professional Standard and Premium</b> The standard version integrates into Microsoft Word and Outlook and allows the creation of dictionaries by the user.  The Premium release contains 20 specialised dictionaries. In addition to Microsoft Word and Outlook it integrates into Excel and Powerpoint Lotus Notes and other applications and allows the simultaneous translation of several files. Includes 8 language pairs with English.	June 1997 (v. 1) February 2000 (v. 2) July 2000 (v. 3)	General public Soho	Download Distributors  Distributors VAR	EUR 195 *  EUR 800 *
<b>SYSTRAN Enterprise</b> for Network/LAN gives the same feature as SYSTRAN Professional	May 1999 (v. 1) March 2000 (v. 2)	F 500	VAR Straightforward sales	

\* Price for 5 bi-directional language pairs

<sup>3</sup> Refer to the Bloche Report (1998): "we have to note that today the French Administration is particularly deprived vis-a-vis the translation needs and that causes certain concern, in particular in the frame of the integration of Europe".



Whereas in France the Company has numerous networks of retail distribution such as the FNAC or SURCOUF, in the rest of Europe and in the United States, the network is made of VAR which address to technicians. This explains that the softwares such as SYSTRANET or SYSTRAN Personal are mainly sold in France through traditional distribution while in contrast, the networks of VAR in the United States sell SYSTRAN Professional by a majority.

The sale of the general public softwares in the United States goes more and more via Internet (sales or download). SYSTRAN delivers its standard softwares via sites which are specialised in the software sale by download such as Digital River

### The sales figures of the SYSTRAN softwares 1998-2001 (by distribution channel)

In MFRF	1998	1999	2000	2001
"Retail" sales	1.5	1.8	2.2	1.5
Sales by download	0.2	0.6	0.8	1.0
Total	1.7	2.4	3.0	2.5

### OEM OFFER

SYSTRAN standardised its softwares and its *Application Programming Interface* (API) and can be incorporated into all the computer applications. The approach of the Company is based on the specialisation of the translation engines. "Specialised engines" can be incorporated into applications like the accounting softwares, the interactive games or utilities for the draftsmanship. The OEM offer is based on the sale of licences to software publishers to the integrators or to the computer manufacturers.

First OEM agreements were carried out with SEIKO and Electronic Arts. They deal respectively with the supply of multilingual data for dictionaries - electronic agendas and the integration of a computer-based translation module in the multimedia software games. Indeed, in November 1998 SYSTRAN signed an agreement with Electronic Arts to support access to the subscribers of the game Ultima On Line with computer-based translation.

In 2001, SYSTRAN also concluded OEM contracts with OneRealm (the United States) and Cibox (France).

### 3.3.3 Linguistic provided services for the administrations

SYSTRAN since its inception, has been a service provider for the account of administrative bodies in search of tools allowing the treatment, the retrieval and the translation of multilingual data.

SYSTRAN Luxembourg ensures maintenance and the development of the translation system used by the European Commission. SYSTRAN Software Inc ensures similar provided services for the American administration.

## 3.4 DESCRIPTION OF THE ORGANISATION OF SYSTRAN

### 3.4.1 The human resources

#### **FLOW CHART OF THE SYSTRAN GROUP**

The SYSTRAN Group is composed of three companies, SYSTRAN SA being the parent company and involving the functional, technical and operational direction of the group.

#### Flow chart of SYSTRAN Group

<b>Dimitris Sabatakakis</b>
President & CEO

#### EXECUTIVE COMMITTEE OF THE GROUP

Chief Financial Officer	Frédéric Burband
Chief Technical Officer	Pierre-Yves Foucou
CEO of SYSTRAN Software Inc	Denis Gachot

Mr Dimitris Sabatakakis is a Chief Executive Officer of SYSTRAN Luxembourg SA. Mr Claude Bureau , Executive Secretary of SYSTRAN ensures the monitoring of the development contracts with the European administrations.

#### **HEADCOUNTS**

The major part of the current manpower of SYSTRAN Group is made up of computational linguists. In view of the new activities of the group, manpower has been adjusted since 1999. During 2000, SYSTRAN set up a very active recruitment policy for attracting linguists having solid training in information technology and computer engineers having strong Internet culture.

#### Development of the average headcounts of SYSTRAN (2000-2001)

Profile	1999	2000	2001
Executive Management	2	2	2
IT experts (engineers)	14	20	38
Computational linguists	51	48	48
Sales and marketing	11	11	15
Administrative, clericals	10	10	12
<b>Total</b>	<b>88</b>	<b>91</b>	<b>115</b>
<i>which time-limited work contracts, and apprenticeship contracts (*)</i>	2	6	7
average salary package (thousands of euros)	38	42	35

(\*) moreover a significant number of linguists, in particular in the United States are used under contracts of unspecified duration at it can be ended on the initiative of the employer, in particular at the time of completion of the projects on which they are affected.

The manpower turn-over of the computer experts and of the computational linguists was of 15% between 1999 and 2001, SYSTRAN seldom made call to short-term temporary staff, primarily for admin functions.

### **CURRICULUM OF THE EXECUTIVE BOARD OF SYSTRAN GROUP**

**Dimitris Sabatakakis President & CEO** . Born in 1962 in Athens, Greece. Graduate of the Strasbourg University in economic Sciences. He began his career in finance, then in industry. Joined by investors, he took-over and managed the recovery of the Gachot company, which has been sold in 1995 to the KEYSTONE/TYCO. Group. Since February 1997 Mr. Sabatakakis manages SYSTRAN.

**Frédéric Burband, Chief Financial Officer.** Born in 1962. French Public Accountant. Mr Burband spent 15 years at Deloitte & Touche then at Amyot Exco (Grant Thornton) to which he became a Partner in 1996. He joined SYSTRAN in 2000.

**Pierre-Yves Foucou, Chief Technical Officer.** Born in 1969. Passed in 1996 his thesis on fundamental and linguistic Informatics untitled "a hypertext template of treatment of natural languages" at the University Paris VII. Engineer of Studies in the computational linguistics Laboratory of the University Paris XIII from 1997 to 1999, Mr. Foucou is the author of very numerous studies and publications on the subject.

**Denis Gachot Chief Executive Officer of SYSTRAN Software Inc.** Born in 1951. He graduated at the Ecole Fédérale Polytechnique de Zurich. He began his career in the industry. Since 1986, he has been managing the subsidiary company of SYSTRAN in the United States.

#### *3.4.2 Customers*

SYSTRAN, since its inception, has been a service provider for the account of the US administrative bodies. The US intelligence agencies, the military corps as well as the European Commission financed and used SYSTRAN from its beginnings which explains the relatively important place of major large accounts such as the European Commission or the US Department of Defense. Broadly the administration sector counts as approximately 1/3 more of the consolidated revenue in 2001,

The share of large account from the administration sector in the revenue of SYSTRAN is decreasing due to the one hand, to the growth of the share of the sales to theretail market (software publishing) and to the private large accounts (Corporate and Portal solutions) and, on the other hand, to a fall of their own orders between 1998 and 2000. Economic deceleration recorded in 2001 however strengthened their importance in the total revenue and their defensive role in this unfavourable economic situation.

The share counted as by the 10 larger customers in the consolidated figure consequently went up in 2001, compared with the year 2000:

<b>Rank</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Customer n°1	24.5%	21.2%	34.0%
Customer n°2	11.8%	9.3%	10.6%
Customer n°3	9.1%	6.3%	9.3%
Customer n°4	6.7%	5.6%	8.8%
Customer n°5	4.1%	4.0%	3.8%
<b>sub-total 5 first</b>	<b>56.2%</b>	<b>46.4%</b>	<b>66.5%</b>
Customer n°6	1.5%	3.5%	2.4%
Customer n°7	1.5%	3.4%	1.5%
Customer n°8	1.5%	2.3%	1.5%
Customer n°9	1.4%	1.4%	1.3%
Customer n°10	1.2%	1.1%	0.9%
<b>Total 10 first</b>	<b>63.3%</b>	<b>58.1%</b>	<b>74.1%</b>

The collection period of debts vary according to the customers' type:

Customer	Method of invoicing	Payment period
Portals	Licences: payable recurring annual fee of advances	For the payment licences by fractions fixed by the contract (quarter or six-month period according to)
	Advertisement: on the basis of the detailed reports performed by the portals	For the advertisement: 60 days (accounting of the revenue as a result of the issuance of a declaratory statement by the customer)
Distributors	Invoicing to the delivery of goods	60 days. Payment at 30 days for the sales by download
Major company financial statements	services : charged with the advancing or to the completion of work according to the contracts Licences: payable recurring annual fee of advances	services : 60-90 days Licences: by fractions, on the dates fixed by the contract (quarter or six-month period or year depending)
services provided to the Administrations	Invoicing on the basis of the contractual timetables (every 3 months or 6 months according to the contracts)	Europe: 60 days The United States: 90 – 120 days

Development contracts are charged according to the completion of expenditure incurred. When they are carried out with various partners, SYSTRAN as a coordinator and integrator of the project, recognize the whole contract as revenue, the share being allocated to the partners being accounted for as an expense in the heading "Purchases and other external expenses" of the Income Statement.

### 3.4.3 Suppliers

The Company calls for several subcontractors in the performance of its contracts:

- technical supplies of specialised documentation or dictionaries, in particular for the contracts with the American administration
- post-editing in the localisation contract frame
- packaging of the softwares

Subcontracting remains however limited with respect to the revenue. The biggest subcontractor counts as less than 2% of the revenue of the group. The remainder of the suppliers corresponds to consulting fees.

### 3.4.4 Investment Policy

Apart from the research and development expenses which are accounted for as an expense of the current financial year, the principal investment of the Company in 2001 consisted in the take-over of the Aurora company, offering IT services in OpenSource environments, for 505 thousand euros. In addition to the development synergies under native system Linux of its technology, this acquisition enables SYSTRAN to strengthen its technical and commercial offer to the large accounts. In 2000, SYSTRAN acquired the minority interests of its SYSTRAN Luxembourg SA subsidiary company for an amount of 1,852 thousand euros (12,150 thousands of Francs). This acquisition had given rise to a reserved increase in capital on May 3, 2000 for the same amount. The Company did not make other material investments during the last 3 financial years except for the purchase of the office automation use equipment, of the creation of SYSTRAN Luxembourg SA and of the acquisition of the stake hold byh TELINDUS in SYSTRAN Luxembourg..

### 3.4.5 *Research and Development policy*

One of the major assets of SYSTRAN are its linguistic assets which allow the development of new language pairs and of new specialised dictionaries.

SYSTRAN developed new language combinations, thus bringing to 35 the number of systems already available. SYSTRAN gives thus more language combinations than all its competitors brought together. The linguistic modules are henceforth proposed by 'packs' including the combinations around one target language.

Financed research expenditure amounted to 1.1 M€ in 2001 against 0.9 M€ in 2000. They are composed primarily of staff and external expenses resulting from specific recourse to external linguistic resources.

Moreover, the co-financed share of the development contracts amounted in 2001 to 0.8 M€ (against 1.4 M€ in 2000).

SYSTRAN employs 28 persons in Research and Development on a total staff complement of 115 persons.

#### **SELF-FINANCED RESEARCH AND DEVELOPMENT**

Self-financed Research and Development expenditure amounted to 1.1 M€ in 2001, i.e. more than 13% of the consolidated revenue this expenditure is composed primarily of staff expenses and of external expenses. This department, which goes from 12 to 28 persons in 2 years, is composed of a large majority of computational linguists and of computer experts

The Research and Development programme is based on three main goals: the translation engines, the graphic interfaces, and the development of new language pairs. Since 1999, SYSTRAN has been investing massively in the improvement of its translation engines and in the development of tools allowing the massive and simplified capture of terminological data. The Group also invested in the enlargement of its language pair portfolio and the enrichment of its linguistic data banks.

This expenditure is accounted for as expenses of the financial year where they are incurred and, accordingly, are not the subject of any capitalization as an asset in the balance-sheet.

#### **CO-FINANCED DEVELOPMENT**

In the United-States SYSTRAN SOFTWARE Inc. concluded a contract with U.S. administrations in order to develop translation systems for English <> Japanese, Korean and Chinese. The development contracts with the U.S. administrations are based on the principle of the "dual use", the administration financing half of the research budget.

In Europe, since 1998, SYSTRAN has taken part in several development projects with the European Commission (ESPRIT, STI, MLIS Programmes).

When SYSTRAN ensures the coordination of the project the Company account for the total as budget as revenue while when it is partner, only its share is recognized.

**SYSTRAN COORDINATING \***

Name	Subject	Budget	Dates
<b>Webbling</b>	Multilingual search engine for the medical field	1.65 MEUR	Beginning: December 1998 End: at the end of February 2001
<b>Matchpad</b>	System development of translation for the Pole and the Hungarian	1.03 MEUR	Beginning: January 2000 End: February 2002
<b>EurActiv</b>	Development of multilingual informations sites on the economical context of the European Union	0.25 MEUR	Beginning: January 2001 End: December 2001
<b>Etnoka</b>	Development of multilingual chat to the student communities	0.34 MEUR	Beginning: January 2001 End: December 2001

\* Contracts were concluded by SYSTRAN SA

**PARTNER SYSTRAN \***

Name	Subject	Budget	Dates
<b>EC-MT-GPS</b>	Development of the English, French system < > Greek	0.24 MEUR	Beginning: January 2000 End: at the end of 2001
<b>TRANSlex</b>	Development of the Englishman, French < > Netherlands	0.78 MEUR	Beginning: July 2000 End: June 2002
<b>Tradaut-PT</b>	Development of the Englishman, French < > Portuguese	0.28 MEUR	Beginning: January 2001 End: décembre 2002
<b>Transaccount</b>	Translation of the financial statements for the United States and France	0.13 MEUR	Beginning: January 2000 End: at the end of 2001

\* Contracts were signed by SYSTRAN Luxembourg or SYSTRAN SA

**Development contracts with the French administration**

Name	Subject	Budget	Dates
<b>Intuition</b> Ministry of Research	Computer-based translation specialised for Intranet	0,5 MFRF	Beginning: October 1999 End: June 2001

The research and development charges are not capitalized as an asset in the balance-sheet They are accounted for as an expenses during the financial year where they are incurred.

**3.4.6 Premises**

SYSTRAN has no building or land. The SYSTRAN's premises at Soisy sous Montmorency's are rented to a company belonging to the management. All the other premises rented by the three entities of the group belong to private companies being connected neither legally nor financially with SYSTRAN and/or with its management.

**List of the premises rented by SYSTRAN in 2001**

Company	Address	Surface	Annual rent
SYSTRAN SA	- 95230 Soisy sous Montmorency - France	760 m2	0,536 MFRF
SYSTAN SOFTWARE Inc.	7855 Fay Avenue - La Jolla - California - the United States	600 m2	0,206 MUSD
SYSTRAN Luxembourg SA	Luxembourg	350 m2	1,992 MLUF

A new lease contract was concluded in 2002 for the buildings of SYSTRAN S.A. The annual lease payments have been set according to the current market terms, i.e. euros 150,000 out of occupation expenses. The future lease payments will remain set according to the market terms.



### 3.5 ACTIVITY OF THE LAST FINANCIAL YEAR

#### 3.5.1 Activity of the Group

In spite of a strong increase in sales of corporate solutions, the strong economic recession of the Internet sector hung over the development of the revenue and the profitability of the financial year.

Consolidated figures (in M€)	2001	2000	change
Revenue	8.2	9.3	(11.6%)
Operating income	(1,2)	1.1	(203%)
<i>Operating margin</i>	<i>(14.6%)</i>	<i>11.8%</i>	
Net income Group's share	(0,5)	+ 0.9	(156%)
<i>Net Margin</i>	<i>(6,5%)</i>	<i>10.1%</i>	

in M€	2001	as % of the total	2000	as % of the total	change 01/00
Corporate solutions	1.8	21.6	0.5	5.3	+ 257%
Portal solutions	1.1	13.6	1.8	19,4	(38%)
Software publishing	2.5	30.7	3.0	32.5	(16 %)
Development contracts	0.8	10.2	1.4	15.4	(42%)
Services to the administrations	2.0	23.9	2.5	27.4	(23%)
<b>Consolidated Revenue (*)</b>	<b>8.2</b>	<b>100%</b>	<b>9.2</b>	<b>100%</b>	<b>(11.6%)</b>

(\*) which Aurora: 0.3 M€ in 2001, over 5 months

#### Enhancement of market features

Despite the global 2001 economic tribulations, SYSTRAN made great incursions into the Corporate market sector. SYSTRAN's market viability has never been greater. SYSTRAN has succeeded in penetrating the following niches:

- Acquisition and gisting of informations in multilingual environments such as Intelligence, Knowledge Management and more generally speaking Intranet applications ;
- Automated translation of "publishing" quality for Web-based customer support, CRM and eCommerce that companies must offer in the language of their clients. Autodesk (Nasdaq : ADSK) integrated a customized SYSTRAN translation solution within its Web-based technical support service. This first-ever multilingual eCRM solution received high praise from IDC for its innovative technological approach. IDC Bulletin # 25019, June 2001, is available for review online at <http://www.systransoft.com/IDC/25019.html>

SYSTRAN is the undisputed leader in these promising markets, as underlined by IDC in Bulletin # 26459, January 2002. SYSTRAN is redefining the definition of Machine Translation Technology and is extending its use beyond the scope of translation. This report is available for review online <http://www.systransoft.com/IDC/26459.html>

#### A strong increase in sales of Corporate Solutions despite an economic slowdown which has had a negative impact on revenues

Sales resulting from Corporate Solutions have risen, due to evolution of the market, increasing by four-fold at 1,8 M€ in 2001, as compared to 0,5 M€ in 2000. Corporations are progressively integrating multilingual functionalities into their applications. Sustained sales for customized translation solutions are realized by corporations such as Autodesk, Dalkia, Ford Motor Company, McDonald's Corporation, NEC Corporation, OneRealm, PricewaterhouseCoopers, Saint Gobain, and SONY.

Nevertheless, sales to large accounts and, in particular sales to *Portals*, have suffered from the tumultuous turns of the Internet industry and from the global economic slowdown in 2001.

For the Software Publishing business unit, download sales increased, while shrink-wrapped product sales decreased, SYSTRAN having focused efforts on download sales.

The Linguistic Services for Administrations and related development contracts business unit is affected by the same circumstances faced throughout IT industry worldwide in 2001.

### **Results 2001 include sustained investments**

SYSTRAN is seeing increased demand for multilingual technologies and, in anticipation of such, has continued to make investments in:

- Sales & Marketing expenditures in Europe and in the USA, stand at 19,5% of sales in 2001, versus 16,1% in 2000 ;
- Research & Development is 13,4% of the current sales reporting period, versus 9,7% in 2000. A tax credit for research amounting to 0,5 M€ has been recognized accordingly in 2001.

SYSTRAN achieved the restructuring plan of its Services unit to public administration activities. Related restructuring costs, already accrued during the prior accounting year, are included in the extraordinary expense during the current reporting period.

#### *3.5.2 – Activity of the subsidiary companies*

SYSTRAN acquired in August 2001 the AURORA company, specializing in the Open Source-based IT services, in order to develop technical (developments under Linux platform) and commercial synergies (sale and integration of SYSTRAN translation solutions to the large accounts). The AURORA'S acquisition cost was 0.5 M€. Between August and December 2001, AURORA performed sales of 0.4 M€ and a net loss of 0.2 M€ coming from an important lack of business during the last quarter of 2001.

SYSTRAN has also completed in 2001 the liquidation of its subsidiary company SYSTRAN Institute which was dormant for numerous years.

SYSTRAN Software Inc performed sales of 3.3 M\$ in 2001, decreasing by 5% compared with last year, and a net profit of 0.3 M\$, decreasing by 34%. The North-American activity while being initially well oriented, suffered from the economic slowdown in the United States.

SYSTRAN Luxembourg performed sales of LUF 57 million in 2001, decreasing by 43% and a net loss of LUF 15 million, due to a reduction in the sales orders from the European public bodies.

## **3.6 ANALYSIS OF THE FACTORS OF RISKS OF SYSTRAN**

### **Exposure to technological contingency**

The success of SYSTRAN for part depends on its capacity to market computer-based translation solutions which comprise cutting-edge technologies such as softwares tailored to the development of the Internet technology, to meet in time and at the cheaper cost the current and future customer needs which become more and more specific with time, to evolve and to accommodate with the technology progress, new computational standards, the market environment and competitors new offers.

However, the technology marketed by SYSTRAN proved its quality since it was developed for the account of public administrations concerned by the quality of the translation, such as the European Commission or the U.S. Department of Defense. SYSTRAN also showed its capacity to function in an environment as demanding as the Internet. This technology migrated successfully from the mainframes towards the micro-computers then towards the Internet.

### **Exposure to competition**

The market of the computer-based translation is a market in just launching. Competitors such as IBM or other software makers represent a serious competition for SYSTRAN more especially as IBM has an overall commercial offer incorporating the speech technologies as well as machine translation.

The market is however protected by high entry barriers. In order to develop a machine translation system, linguistic resources, grammatical, semantic and syntactic analyzers must be built up and algorithms be created. This requires hereby a high expertise level in linguistics and in information technology. Allied Business Intelligence considers that there should be an investment between MEUR 6 and 9 to develop a machine translation system and between MEUR 0.15 to 0.30 to tailor it.

In addition, the acquisition of know-how in this technological field takes time:

- IBM, which entered on this market only in 2001, has only a few language pairs which were developed 20 years earlier;
- Lernout & Hauspie ("L&H") which has now disappeared, had chosen to approach this market via acquisitions of businesses (among them: Globalink, and NeocorTech).

For its part, SYSTRAN gained a very strong and incomparable experience to provide turn-key technology for major administrations (the European Commission, US Department of Defense), major companies (Autodesk Ford, SONY) and for sites and portals with strong audience.

### **Risk of dependence with regard to intellectual property rights**

Generally speaking, the computer programmes are not patentable inventions. The group preserves the entirety of copyrights pertaining to its technology and its products. To date, the group was not engaged in any lawsuit on this field.

### **Exposure to customers**

SYSTRAN's main customers are major large accounts (administrations and large companies), for which there are not to date bad debt. Their portion in the total revenue increased in 2001, playing a defensive role on the activity of SYSTRAN at the time when the acquisition of new customers appeared more difficult in a deteriorated economic environment.

Indeed, SYSTRAN performs 45% of its consolidated sales in North America. The Company strongly felt economic deceleration noticed on this area during the 2nd half-year period of 2001,

Moreover, SYSTRAN has done business with companies from the Internet industry, or even with "dots.com" which have been in financial difficulty in 2001 due to the difficulties of the Internet industry. The company experienced bad debts and a consecutive loss of revenue due to the non-renewal of recurring licence contracts concluded with these companies.

### **Exposure to Suppliers**

There is no risk connected with the suppliers due to the weakness on the part of the subcontractors in the revenue. SYSTRAN request for external service providers only exceptionally and in a marginal way. The first subcontractor counts for 2% of the consolidated revenue 2001,

### **Exposure to key persons**

The future success of SYSTRAN will depend on the job retention of its commercial and technical staff. The group is in particular tributary of its engineers specialised in the development of the linguistic resources and of the engines. Until now SYSTRAN, succeeded in attracting the relevant staff in its traditional business as well as in its new activities due to an ambitious and motivating development plan benefiting to its employees. In the long term, all of the employees will benefit from stock-options.

### **Exposure to difficulty of recruitment**

The growth of the group, and especially these from the segment of the Corporate and Portal solutions to large accounts is based in part on its capacity to attract, form, retain and motivate employees as well as technical and marketing teams. More specifically, SYSTRAN will be supposed to be capable of recruiting computational linguists. Until 1999, the computational linguists' outlets were limited. Since 1999, the competition has increased in the field

of computational linguistics. Numerous companies, funded by the venture capital, have started and foreign companies conduct numerous recruitments. All these factors can possibly slow down the recruitment programme of the group over the next three years.

However, SYSTRAN's listing on the *Nouveau Marché* of the Paris Stock Exchange associated with the implementation of a stock-option plan, as well as the increasing notoriety of the company, are key factors in the recruiting process. Similarly, the financial difficulties of numerous start-up and of certain competitors of SYSTRAN enhance its recruitment prospects.

#### **Exposure to fall in sales prices**

SYSTRAN undergoes a pressure on its sales prices, in particular in its activity of Software Publishing and more particularly on its low-range products. However the group performs an important part of its revenue with solutions to large accounts and of high-value services which are less subject to competitive pressure on prices as SYSTRAN is for the moment one of the rare competitors on this segment. .

#### **Exposure to interest and F/C exchange rates**

The financial indebtedness of SYSTRAN is at flat rate. The Company is hereby not subject to the risk of change in the interest rates on its existing financial liability. The financial liability is moreover not very significant, the Company having no net indebtedness.

The parent company does not bear the risk on foreign currency exchange related to intercompany transactions. Moreover, the risks on foreign currency exchange connected with intercompany flows are not hedged because of their small amount (out of Euroland), lower than K € 20. The subsidiary companies of SYSTRAN invoice their services in local currencies and bear costs also expressed in local currencies. The risk of foreign currency exchange in USD borne by the European companies of the Group counts as a net asset of USD 0.1 Million. As an information and on the basis of the consolidated financial statements for 2001, a change by 10% in the EUR/USD foreign currency exchange rate would involve a change of 4.5% in the revenue of the group and a similar change of 3.5% in its current profit before tax.

#### **Exceptional facts and disputes**

To the knowledge of the Company, there are, to date, no exceptional facts or disputes which can have or having had in the recent past a significant impact on the activity, the results, the financial situation or the assets of SYSTRAN SA or of its subsidiary companies.

## 4 FINANCIAL SITUATION - RESULTS

### 4.1 CONSOLIDATED FINANCIAL STATEMENTS

#### CONSOLIDATED INCOME STATEMENT as of December 31, 2001

<i>(in thousands of Euros)</i>	Notes	2001	2000
<b>Revenue</b>	<b>2.1</b>	<b>8,183</b>	<b>9,260</b>
Other revenues		15	26
<b>Operating products</b>		<b>8,198</b>	<b>9,286</b>
Purchases and other external expenses	<b>2.2</b>	(3 891)	(3 235)
Taxes, levies and similar payments		(50)	(25)
Staff costs	<b>2.3</b>	(5 137)	(4 538)
<b>EBITDA</b>		<b>(880)</b>	<b>1,488</b>
Depreciation and operating provisions		(286)	(358)
<b>Operating income</b>		<b>(1 166)</b>	<b>1,130</b>
Allowances to / Reversals from financial provisions		3	(9)
Other financial expenses and incomes		214	(78)
<b>Financial income</b>	<b>2.4</b>	<b>217</b>	<b>(87)</b>
<b>Current profit</b>		<b>(949)</b>	<b>1,043</b>
<b>Exceptional income</b>	<b>2.5</b>	<b>94</b>	<b>(203)</b>
Income taxes	<b>2.6</b>	344	98
<b>Net income from consolidated companies</b>		<b>(511)</b>	<b>938</b>
Goodwill amortization		(18)	
<b>Total consolidated net income</b>		<b>(529)</b>	<b>938</b>
Minority interests			
<b>Net income (group share)</b>		<b>(529)</b>	<b>938</b>

<b>SYSTRAN net income per share</b>		2001	2000
On the basis of average number of shares into circulation:			
- number of shares		9,833,695	9,310,964
- in euros by share		(0,05)	0.09

**CONSOLIDATED BALANCE-SHEET as of December 31, 2001**

**ASSETS**

<i>(in thousands of Euros)</i>	<b>Notes</b>	<b>2001</b>	<b>2000</b>
Goodwill	<b>3.1</b>	287	
Intangible assets	<b>3.2</b>	16,674	16,664
Tangible assets	<b>3.3</b>	249	314
Financial assets	<b>3.4</b>	78	39
<b>Total fixed assets</b>		<b>17,288</b>	<b>17,017</b>
Inventories		121	
Trade and other account receivables	<b>3.5</b>	3,853	2,829
Trading securities		1,906	3,483
Cash		807	976
Prepaid expenses		97	60
<b>Total current assets</b>		<b>6,784</b>	<b>7,348</b>
<b>Total assets</b>		<b>24,072</b>	<b>24,365</b>

**LIABILITIES**

<i>(in thousands of Euros)</i>	<b>Notes</b>	<b>2001</b>	<b>2000</b>
Capital		15,087	15,087
Premium accounts		5,380	5,204
Consolidated reserves		544	(80)
Translation adjustments		(31)	(36)
Result of the financial year		(529)	938
<b>Stockholders' equity (group share)</b>	<b>3.6</b>	<b>20,451</b>	<b>21,113</b>
Minority interests			
Provisions for contingencies and charges	<b>3.7</b>	788	1,307
Financial liabilities	<b>3.8</b>	274	230
Suppliers and other current liabilities	<b>3.9</b>	2,462	1,499
Bank overdraft			
Deferred revenue		97	216
<b>Total liabilities</b>		<b>3,621</b>	<b>3,252</b>
<b>Total Stockholders' equity and Liabilities</b>		<b>24,072</b>	<b>24,365</b>

## CONSOLIDATED CASH FLOW STATEMENT of the financial year 2001

(in thousands of euros)

	2001	2000
Net income from the consolidated companies	(529)	938
Elimination of amortization, depreciation, and changes in provisions	(394)	780
Elimination of the deferred taxes	83	(150)
Elimination of capital gains and losses	(6)	7
Gross Cash flows from operating activities	(846)	1,574
Changes in the working capital requirements	(482)	(1 077)
<b>Net Cash flows from operating activities (1)</b>	<b>(1 328)</b>	<b>498</b>
Acquisitions of intangible assets and impact of changes in the scope of consolidation	(142)	(1 852)
Acquisitions of tangible and financial assets	(174)	(360)
<b>Cash flows from investing activities (2)</b>	<b>(316)</b>	<b>(2 212)</b>
New loans and financial liabilities	139	91
Refundings of loans and financial liabilities (out of bank overdraft)	(124)	(750)
Increases in capital (treasury shares))	(127)	6,570
Changes in the conditional advances	0	(445)
Translation adjustment on the Cash	10	(2)
<b>Cash flows from financing activities (3)</b>	<b>(102)</b>	<b>5,465</b>
<b>Variation of the Net Cash (4) = (1) + (2) + (3) = (6) –(5)</b>	<b>(1 746)</b>	<b>3,751</b>
Cash	976	797
Trading securities	3,483	32
Bank overdraft	0	(121)
<b>Net Cash at the beginning of the financial year (5)</b>	<b>4,459</b>	<b>708</b>
Cash	807	976
Trading securities	1,906	3,483
Bank overdraft		
<b>Net Cash at the end of the financial year (6)</b>	<b>2,713</b>	<b>4,459</b>

## 4.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE YEAR ENDED ON DECEMBER 31, 2001

### 1. ACCOUNTING RULES AND POLICIES

#### 1.1 - CONSOLIDATION LEGAL FRAMEWORK

Consolidated financial statements are drafted in euros. They are prepared in accordance with the standards of the Rules & Regulations n°99-02 of the French Accounting Regulation Committee .

#### 1.2 - SCOPE OF CONSOLIDATION

Consolidated financial statements include the financial statements of SYSTRAN S.A. and of its subsidiary companies.

Name	Head Office	% of control	% of interests
SYSTRAN SA	France	Parent Co.	Parent Co.
SYSTRAN USA	California	100%	100%
SYSTRAN Software Inc	California	100%	100%
SYSTRAN Luxembourg	Luxembourg	100%	100%
Aurora	France	100%	100%

(\*) Holding company controlling 100% of SSI

In August 2001, SYSTRAN S.A. acquired the Aurora company, specializing in the Open Source-based IT services.

#### 1.3 – COMPARABILITY OF THE FINANCIAL STATEMENTS

Based on the scope used for the financial year 2000, the consolidated revenue and the net income 2001 would have been respectively EUR 7,890 thousand and a loss of EUR 418 thousand.

#### 1.4 - FOREIGN CURRENCY EXCHANGE RATE USED

The only currency used apart from the Euro is the American Dollar.

Rate of the USD expressed in EUR	2001	2000
Opening rate of the financial year	1.0747	0.9954
Average rate on income statement	1.1165	1.0826
Closing rate	1.1064	1.0747

#### 1.5 - CONSOLIDATION POLICIES

All the companies are consolidated by overall integration on the basis of the year-end financial statements on December 31, 2001 and restated if necessary in harmonisation with the accounting policies of the Group.

#### Translation of foreign subsidiaries accounts

The headings of balance-sheet are translated into euro at the rate of foreign currency exchange in force to closure of the financial year. The headings of profit and loss account result are translated on the basis of the average price of foreign currency exchange of the financial year. The translation adjustments result from variation of the rate of foreign currency exchange on the balance-sheet and the profit and loss account of result are entered in the heading "reserve of conversion" included in the stockholders'equity



The foreign currency exchange divergences pertaining to monetary elements which, in substance, make integral part of the net investment of SYSTRAN in its foreign subsidiary companies, are also logged in the Reserve heading "Reserve of conversion".

### Goodwill

The principle is to allocate the divergences of first consolidation, which count as the difference between the acquisition cost of stocks of the consolidated companies and the share of the stockholders'equity at the time of acquisition, to the various items of assets and liabilities of the balance-sheet of the acquired company.

The unallocated balance is carried to the assets of the consolidated balance-sheet under the "Goodwills" heading and is amortized over a period not exceeding 20 years. If necessary the goodwills can give rise to an accelerated amortization or to an impairment when the evaluation of the estimated profitability or of the structure of the companies justifies it.

### Deferred taxes

The group recognize differed taxes for all the temporal differences between the tax and accounting values of the assets and liabilities into the consolidated balance-sheet. The differed tax assets on the temporal differences or on the tax losses carried forward and the available tax credits are not recognized when it not likely that they will be used.

### Financial lease contracts

The fixed assets financed via financial lease contracts are the subject of restatement into the consolidated financial statements in order to take place in the situation where the company would have acquired the assets concerned directly and would have financed them by loan.

Depreciation is calculated following the straight-line method according to the expected lifespan in the initial lease contract.

### Unrealized profits and losses on transactions in foreign currency

The unrealized earnings and losses of foreign currency exchange are entered in the consolidated income

## *1.6 - MEASUREMENT METHODS*

### Revenue

The recognition of the revenue is carried out as follows:

the license incomes are recognized at the time of the physical or electronic delivery of the supports or on the basis of the detailed reports transmitted by the distributors. For the temporary licences, the recognized income corresponds to the amount for which the customer is committed, within the limit of 12 months when the duration of the contract is beyond one year.

the linguistic services are recognized according to the completion method ;

the advertising incomes from the portals are recognized on the basis of the detailed reports transmitted by the latter;

development contracts are invoiced according to the completion method. If they are performed with partners, SYSTRAN as a coordinator and carrier of the project, accounts for the totality of the provided services in "Revenue". The share which is allocated to the partners is accounted for in "Purchases and other external expenses".

### Income recognition

The results on the linguistic service contracts are determined according to the completion method.

When the forecast shows up an executory contract, a provision for the loss incurred until the completion of the contract is established on a reasonable basis, according to the most probable estimate of the forecasted results, including, if necessary the complementary rights to income or claims.

#### Current profit

The current profit reflects the operating activity of the companies included in the scope of consolidation and the financing cost of these activities. It does not take into account the non recurring items or those not directly related to the normal course of operations.

#### Exceptional income

In the consolidated financial statements, the concept of exceptional income of the French General Accounting Chart of Accounts is retained. It includes the items the occurrence of which is not connected to the current operations of the group.

#### Costs of research and development

The co-financed research and development expenses are recognized as an expense in operating costs according to the completion of the project, the financed share being recognized in revenue

The self-financed research and development costs are recognized as an expense in operating costs when they are incurred.

#### Concessions, patents and licenses

The concessions, patents and licenses include primarily software licenses acquired by the group. These softwares are depreciated on a straight line basis over appropriate periods to each acquisition, not exceeding 5 years.

The created softwares, been targeted for an internal or commercial use, are recognized as an expense in operating costs

#### Goodwill

The goodwill comes primarily from the contribution in kind of assets carried out by Gachot in 1989, SYSTRAN's parent company at the time. It is recorded to the balance-sheet for its contribution value. Moreover, on the occasion of the repurchase of the minority shareholders of SYSTRAN Luxembourg, the Group assigned to the "goodwill" heading a portion of the paid price, i.e. euros 1.6 million, allotted to the linguistic assets of its subsidiary company.

Among the constituent components, one distinguishes:

the customers whose evaluation was based on the estimated profitability of the contracts,  
the linguistic assets i.e. the linguistic analysis, the language pair dictionaries and the utilities which correspond to the databases integrated into the marketed softwares, as well as associated know-how.

The part of the business relating to the customers was depreciated on a 8-year period (multiple of 8 of the estimated result retained at the time to evaluate customers' contribution).

The residual part of the business is by nature of indefinite period and then not amortizable, but can be the subject of an amortization in the event of durable fall of its useful value.

#### Tangible assets

Principal durations of depreciation :

Computer equipment	3 years
Other equipment and furniture	5 to 10 years
Fittings, facilities	5 to 10 years

### Financial investments

The financial investments reflect the interests of the group in the equity of the non consolidated companies. They are carried in the balance-sheet at their acquisition cost. In the event of durable fall of their useful value, an impairment is accounted for.

The useful value is determined according to the most suitable financial criteria to the individual situation of each company. The criteria generally selected are the quota of revaluated stockholders equity and the outlooks for profitability and development.

### Inventories

Inventories are primarily made up of packagings and user manuals of the marketed softwares.

The gross carrying amount includes the purchase price and the related accessory costs (freight and various direct costs) . It is determined according to the method of the First In First Out (FIFO).

### Provisions for contingencies and charges

They are targeted to cover contingencies and charges which occurred or that ongoing events make probable. Those risks and charges are definitely specified regarding their object. But their occurrences, their deadlines or their amounts are not defined.

### Retirement obligations

At to the time of their retirement certain employees of the group are supposed to receive an retirement allowance. The corresponding obligations are evaluated according to the retrospective method and are determined from the salary package at the time of end of career. These obligations, are accounted for in the operating costs of the income statement and are in the heading "Provisions for contingencies and charges" of the balance sheet.

## 2 - NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 2.1 - BREAK-DOWN OF REVENUE

By geographical area (in thousands of Euros)	2001	2000
Europe	4,454	4,957
North America	3,604	4,118
Other geographical areas	125	185
<b>REVENUE</b>	<b>8,183</b>	<b>9,260</b>

By nature of revenue (in thousands of Euros)	2001	2000
Licenses	4,083	4,652
Services for portals and companies	1,312	642
Services for the administrations and contracts of development	2,787	3,966
<b>REVENUE</b>	<b>8,183</b>	<b>9,260</b>

### 2.2 - PURCHASES AND OTHER EXTERNAL EXPENSES

(in thousands of Euros)	2001	2000
Co-contracting	679	719
Property hirings	534	391
Fees	1,001	657
Marketing, advertisement	445	453
Other purchases	1,232	1,015
<b>PURCHASES AND OTHER EXTERNAL EXPENSES</b>	<b>3,891</b>	<b>3,235</b>

### 2.3 - STAFF COSTS

(in thousands of Euros)	2001	2000
Salary packages and treatments	4,072	3,790
Social insurance contributions	1,065	748
<b>STAFF COSTS</b>	<b>5,137</b>	<b>4,538</b>

The average manpower of the group passes from 91 to 115 persons between 2000 and 2001 (of which 17 result from the entrance of Aurora), as the table indicates below:

Profile	2001	2000
Board of Directors	2	2
Computer experts (engineers)	38	20
Computational linguists	48	48
Commercial and marketing	15	11
Administrative and clerical staff	12	10
<b>TOTAL STAFF COMPLEMENT</b>	<b>115</b>	<b>91</b>

The amount of the compensations granted to the Board of Directors amounted to euros 0.3 million in 2001.

## 2.4 - FINANCIAL INCOME

<b>(in thousands of Euros)</b>	<b>2001</b>	<b>2000</b>
Allowances to financial provisions	3	(9)
Interest expenses	(12)	(58)
Foreign currency exchange gains and losses	24	(54)
Other financial expenses and incomes	202	34
<b>FINANCIAL INCOME</b>	<b>217</b>	<b>(87)</b>

## 2.5 - EXCEPTIONAL INCOME

The SYSTRAN group carried out in 2001 the most important part of the restructuring plan undertaken at the end of 2000, on the one hand on its activity of linguistic services to the administrations and, on the other hand, on the reduction of the non-critical functions for its development plan. The committed restructuring costs amounted to 0.6 M€. Provision for restructuring constituted for this purpose was reversed concomitantly.

The disposal of the assets relating to the dormant subsidiary SYSTRAN Institut and the corresponding costs of liquidation, completely written-off by SYSTRAN during the previous financial years, are also reflected in the exceptional income.

## 2.6 - INCOME TAXES

<b>(in thousands of Euros)</b>	<b>2001</b>	<b>2000</b>
Current taxes	427	(52)
Deferred taxes	(83)	150
<b>Tax Income (Expense) of the group</b>	<b>344</b>	<b>98</b>

To be conservative, the Group does not recognize the surplus of the differed tax assets connected in particular to the tax loss carry forward expiring until 2012, the sum of which amounts to euros 4.4 million on December 31, 2001.

The differences between the actual income tax amount accounted for and the theoretical tax amount gained by applying the French tax rate are as follows:

<b>(in thousands of Euros)</b>	<b>2001</b>	<b>2000</b>
Net income before tax	(873)	840
Theoretical tax expense at the parent company's rate (37% for 2000)	308	(311)
<b>Tax Rate</b>	<b>35.33%</b>	<b>37.00%</b>
Effect on the theoretical tax :		
of the use of the tax losses from the previous financial years		224
of research tax credit recognized under the financial year	451	198
of the unrealized tax saving on the losses of the financial year	(458)	
others (including divergences of tax rates)	43	(13)
<b>Total</b>	<b>36</b>	<b>409</b>
Tax at the regular rate	277	98
Tax at the reduced rate	67	-
<b>Income (Expense) appearing in the income statement</b>	<b>344</b>	<b>98</b>

The net income per share after tax expense of the financial year and dilution, amounts to (0,03) euro per share in 2001 and + 0.09 euro by share under 2000 (cf. § 4.4).

## 2.7 - COST OF SALES

The cost of sales is made up of the following elements:

for the license incomes: duplication, packaging, handbooks, transport, bad debt,

for the service incomes: staff, external services and related expenses incurred to perform the services of consulting, of customization and maintenance of the applications, and the bad debt.

By type of revenue (in thousands of Euros)	2001	2000
Licences	(370)	(183)
Services for portals and companies	(1,084)	(152)
Services for the administrations and development contracts	(2,727)	(3,628)
<b>COST OF SALES</b>	<b>(4,181)</b>	<b>(3,963)</b>

### 2.8 - RESEARCH & DEVELOPMENT EXPENDITURE

Self-financed research expenditure amounted in 2001 to 1.1 M€ (against 0,9 M€ in 2000). They are primarily composed of staff costs and from time to time of external expenses for lexical resources.

Moreover, the co-financed share of the development contracts amounted in 2001 to 0.8 M€ against 1.4 M€ in 2000 (cf. note 2.1).

### 3 - NOTES TO THE CONSOLIDATED BALANCE-SHEET

#### 3.1 - GOODWILL

(in thousands of Euros)	12/31/00	Increase	Decrease	Translation adjustments	12/31/01
- Gross values		305			305
Cumulated Amortization		< 18 >			< 18 >
<b>Net values</b>		<b>286</b>			<b>286</b>

The acquisition of the Aurora company amounted to 505 thousand euros, identifying a goodwill of 305 thousand euros which is amortized using straight-line method over 7 years.

#### 3.2 - INTANGIBLE ASSETS

(in thousands of Euros)	12/31/00	Increase	Decrease	Translation adjustments	12/31/01
Costs of research and development					
Concessions, patents and licenses					
Gross values (1)	11,439	38	< 3 >	112	11,586
Depreciation or amortizations	< 11,344 >	< 31 >	3	< 109 >	< 11,481 >
<b>Net values</b>	<b>95</b>	<b>7</b>		<b>3</b>	<b>105</b>
Goodwill					
Customers	45,994				45,994
Depreciation or amortization	< 45,994 >				< 45,994 >
Dictionaries and know-how (2)	16,569				16,569
Provisions for impairment					
<b>Net values</b>	<b>16,569</b>				<b>16,569</b>
<b>INTANGIBLE ASSETS</b>	<b>16,664</b>	<b>7</b>		<b>3</b>	<b>16,674</b>

The concessions, patents and licences values primarily consist of software licenses of language pairs acquired by the group. Their gross value as on December 31, 2001 is composed of the following items:

- 7.6 M€ of software acquired by Gachot and contributed to SYSTRAN in July 1989, fully depreciated today.
- 3.9 M€ of softwares capitalized at SYSTRAN Software Inc, revalued at the time of the purchase of the company by Gachot in 1985 and completely depreciated.
- 0.1 M€ of acquired software and not yet fully depreciated.

The net value of the goodwill on December 31, 2001 amounts to 16.6 million euros, corresponding:

- to the evaluation of the dictionaries of language pairs, of associated utilities and of know-how contributed in 1989 to SYSTRAN by Gacho, its parent company at the time, for 15 million euros;
- to the purchase of the SYSTRAN Luxembourg's minority shareholders which made it possible to consolidate the linguistic assets of the SYSTRAN group, for euros 1.6 million (see note 3.6).

### 3.3 - TANGIBLE ASSETS

(in thousands of Euros)	12/31/00	Increase	Decrease	Translation adjustments	12/31/01
Fittings and others fixed assets.	141	21	< 49 >	3	116
Gross values	< 84 >	< 16 >	49	< 2 >	< 53 >
Cumulated depreciation					
<b>Net values</b>	<b>57</b>	<b>5</b>		<b>1</b>	<b>63</b>
Computers and furnitures *					
Gross values	1,165	119		23	1,307
Cumulated depreciation	< 908 >	< 194 >		< 19 >	< 1,121 >
<b>Net values</b>	<b>257</b>	<b>&lt; 75 &gt;</b>		<b>4</b>	<b>186</b>
<b>TANGIBLE ASSETS</b>	<b>314</b>	<b>&lt; 70 &gt;</b>		<b>5</b>	<b>249</b>

\* including fixed assets acquired via financial lease contracts (cf. 3.8)

### 3.4 - FINANCIAL ASSETS

(in thousands of Euros)	12/31/00	Increase	Decrease	12/31/01
Financial investments				
Gross values	1,730		< 1,730 >	
Provisions	< 1,730 >		1,730	
<b>Net values</b>	<b>-</b>			
Related accounts receivables				
Gross values	38		< 38 >	
Provisions	< 34 >	< 4 >	38	
<b>Net values</b>	<b>4</b>	<b>&lt; 4 &gt;</b>		
Other financial assets				
Gross values	44	40		84
Provisions	< 9 >		3	< 6 >
<b>Net values</b>	<b>35</b>	<b>40</b>	<b>3</b>	<b>78</b>
<b>FINANCIAL ASSETS</b>	<b>39</b>	<b>36</b>	<b>3</b>	<b>78</b>

The financial investments dealt exclusively with the German subsidiary company SYSTRAN Institut dormant for years and definitively liquidated in 2001. Investment and corresponding current account were fully written-off during previous years.

### 3.5 - TRADE AND OTHER ACCOUNTS RECEIVABLE

(in thousands of Euros)	12/31/01	12/31/00
Trade accounts receivable	3,083	2,508
Write-offs of trade accounts receivable	(182)	(121)
Account receivable from Government	909	226
Deferred tax assets	-	150
Various debtors	98	119
Write-offs of various bad debts	(55)	(53)
<b>TRADE AND OTHER ACCOUNT RECEIVABLES</b>	<b>3,853</b>	<b>2,829</b>

All of these accounts receivable have a maturity of under one year

### 3.6 - VARIATION OF THE STOCKHOLDERS'EQUITY (GROUP SHARE)

(in thousands of euros)	Capital	Premium accounts and cons. reserves	Result of the financial year	Translation adjustments	Total Stockholders'equity
Situation as on December 31, 1999	68,602	(70.522)	15,661	(97)	13,644
stockholders extraordinary General meeting 3/6/00 decrease in capital	(54,882)	54,882			0
Purchase of minority Lux. 5/3/00 Stockholders extraordinary general meeting	206	1,647			1,853
9/14/00 Increase in capital during the IPO (Nouveau Marché)	1,161	3,557			4,718
Appropriation of the result for 1999	-	15,661	(15.661)		0
Result of the financial year	-		938		938
Variation of treasury shares	-	(101)			(101)
Variation of the translation reserve and various	-			61	61
Situation as on December 31, 2000	15,087	5,124	938	(36)	21,113
Appropriation of the result for 2000	-	938	(938)		0
Result of the financial year	-		(529)		(529)
Variation of treasury shares	-	(127)			(127)
Variation of the translation reserve and various	-	(11)		5	(6)
Situation as on December 31, 2001	15,087	5,924	(529)	(31)	20,451

The Extraordinary stockholders General meeting of March 6th, 2000 of SYSTRAN S.A. resolved to audit the previous losses of the parent company 1) by a transfer(offsetting) of euros 74.4 million from unappropriated earnings such as they appear in the 1999 balance-sheet to the premium account for an amount of euros 7 million and 2) to the capital for for a million euros 54.9 by decreasing the nominal of the shares from 7.6 € to 1.5 €.

The Extraordinary stockholders General meeting of May 3, 2000 of SYSTRAN SA resolved a increase in the capital restricted to the minority stockholders of the SYSTRAN Luxembourg subsidiary company, whose shares were purchased by SYSTRAN SA for euros 1.8 million.

Moreover, in September 2000 the parent company conducted an increase in capital in cash of euros 5.26 million (francs 34.5 million) on the occasion of its transfer on the Nouveau Marché in September 2000. The expenses relating to the offering were offset with the premium account.

Lastly, SYSTRAN S.A. carried out repurchases of its own shares on the Market, in the frame of the repurchase programme resolved by the Extraordinary stockholders General meeting of May 3, 2000 and renewed by ordinary and extraordinary Stockholders General meeting of the November 9, 2001. On December 31, 2001 the Group was holding 62,555 SYSTRAN S.A's shares for euros 228 thousand, which are offset for accounting purposes against the stockholders'equity.



### 3.7 - PROVISIONS FOR CONTINGENCIES AND CHARGES

<i>(IN THOUSANDS OF EUROS)</i>	<b>12/31/01</b>	<b>12/31/00</b>
Taxes	672	740
Provision for restructuring	93	547
Others	23	20
<b>PROVISIONS FOR CONTINGENCIES AND CHARGES</b>	<b>788</b>	<b>1,307</b>

There are not deferred tax liability except for the long-term tax which will be due (672 thousand euros) at the time of the reversal of the provision for impairment of the investment in SYSTRAN USA held by SYSTRAN SA.

The SYSTRAN group carried out the essence of the restructuring plan which was undertaken at the end of 2000 for the purpose on the one hand of its activity of linguistic services to the administrations and on the other hand, of the reduction of the non-critical functions for the achievement of its development plan. The provision for restructuring which was accounted for on December 31, 2000, has been reversed accordingly.

The retirement obligations of the Group are fully accounted for at then end of the financial year. In view of the average age and of the seniority of the concerned manpower, the amount of the obligations on December 31, 2001 is not very material. The provision amounts to 3.2 thousand euros.

### 3.8 - FINANCIAL LIABILITIES

<i>(IN THOUSANDS OF EUROS)</i>	<b>Gross amount to 12/31/00</b>	<b>Gross amount to 12/31/01</b>	<b>To less than 1 year</b>	<b>From 1 to 5 years</b>
COFACE advances	83	151		151
Loans and financial liabilities	-	18	18	
Financial lease contracts	147	105	59	46
<b>FINANCIAL LIABILITIES</b>	<b>230</b>	<b>274</b>	<b>77</b>	<b>197</b>

The loans in financial lease contracts concern mainly computer equipment.

### 3.9 - SUPPLIERS AND OTHER ACCOUNTS PAYABLE

<b>(in thousands of euros)</b>	<b>Gross amount to 12/31/00</b>	<b>Gross amount to 12/31/01</b>	<b>To less than 1 year</b>
Supplier trade accounts payable	760	1,373	1,373
Social tax liabilities	459	741	741
Other accounts payable	280	348	348
<b>SUPPLIERS AND OTHER ACCOUNTS PAYABLE</b>	<b>1,499</b>	<b>2,462</b>	<b>2,462</b>

#### 4. MISCELLANEOUS

##### 4.1 - COMMITMENTS

###### Guarantees

As On December 31, 2001, SYSTRAN SA was committed with third-parties on behalf of its Luxemburgian subsidiary in the following guarantees :

Date	Deadline	Creditor	Subject	Amount
01.20.98		General bank of Luxembourg	Authorisation of overdraft	248 KEUR
04.10.01	February 2002	The European Commission	MCA4 contract	180 KEUR
02.03.99	May 2002	Eurolease Factor	Financial lease contracts guarantee	5 KEUR
07.07.00	Sept.2002	The European Commission	TRANSLEX contract	77,6 KEUR
12.04.00	Sept. 2002	Taalunie	TRANSLEX contract	19,4 KEUR
	February 2003	The European Commission	MT contract EC.	48 KEUR
02.00	March 2003	Eurolease Factor	Financial lease contracts guarantee	3 KEUR
	February 04	The European Commission	TRADAUT contract	55 KEUR

KEUR: thousands of euros

##### 4.2 - FINANCIAL INSTRUMENTS

The group does not use financial instruments to reduce its exposure to the fluctuation of rates.

##### 4.3 - STOCK-OPTIONS

Situation of the stock-options granted to the Group's employees			
Date of the Stockholders General meeting	03.06.2000		11.9.2001
Date of the Board of Directors	03. 06.2000	02.01.2001	11.9.2001
Total number of shares which can be subscribed or bought	1,020,000	136,000	283,000
including options granted to the Directors (§ 5.1.2)	500,000		
including options granted to the first ten employees during the financial year (*)	520,000	85,000	281,000
Including shares which can be subscribed or bought by the members of the Executive Committee	900,000	0	0
Starting point of exercise of the options	3.06.2005	02.01.2006	11. 9.2005
Expiry date	3.05.2008	01.31.2009	11.8.2009
Strike price (EUR)	7.60	4.60	1.64
Number of shares subscribed as of 31/12/2001			

(\*) the first 10 employees in number of granted options during the related financial year (L225-184 new of the Commercial law)

Exercise rules : recipients will be definitively vested only by equal third at the time of the 1st, the 2nd and the 3rd anniversary of their granting by the Board of Directors and subject to, for each allocation, the recipient is still Director or employee of the Company, or of its subsidiary companies. Moreover, an allocation of 183,000 options granted on 11.9.2001 is vested subject to the achievement of certain performances by a subsidiary company. On the expiry of the locking period and for each allocation granted, recipients will be able to exercise constantly the options definitively vested..

If all the options were exercised, the result would be maximum potential dilution of 14.54%,

#### 4.4 - NET EARNINGS PER SHARE

The net earnings per share are calculated on the basis of the weighed average number of available shares in of the fall of the financial year. In addition, it is given after impact of the exercise of stock-options defined in the note 4.3.

The average number of shares after dilution, which varied twice during the financial year 2000 (cf. note 3.6), is calculated as follows:

	2001	2000
Average number of available shares	9,833,695	9,310,964
Number of shares resulting from the integral exercise of the stock-options	1,439,000	1,350,000
<b>AVERAGE NUMBER OF SHARES AFTER DILUTION</b>	<b>11,272,695</b>	<b>10,660,964</b>

The net earnings after dilution for the financial year 2000 and 2001 corresponds to the net incomes of the financial years such as they appear in the consolidated income statement plus the proforma financial incomes net of income taxes corresponding to the placement of the cash likely to result from the increases in capital to come accordingly.

	2001	2000
Group share – net income (in thousands of euros)	(529)	938
Proforma financial income net of income tax	229	267
<b>NET INCOME AFTER DILUTION</b>	<b>(300)</b>	<b>1,205</b>
<b>AVERAGE NUMBER OF SHARES AFTER DILUTION</b>	<b>11,272,695</b>	<b>10,660,964</b>
<b>NET EARNINGS PER SHARE AFTER DILUTION (IN EUROS) (*)</b>	<b>(0,03)</b>	<b>0.11</b>

(\*) after deduction of the tax expense of the financial year, before the use of the tax losses carried forward (cf. § 2.6)

(0,03) 0.09

### 4.3 REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with our appointment as auditors by your stockholders general meeting, we have audited the accompanying consolidated financial statements of SYSTRAN presented in euros for the financial year ended December 31, 2001. .

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence, supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France. We have also performed the procedures required by law on the Group financial information given in the report of the Board of Directors. We have no comment to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

Paris, February 5, 2002

The auditors

RSM SALUSTRO REYDEL

Michel Goffinon

Jean-Louis Mullenbach

#### 4.4 INDIVIDUAL FINANCIAL STATEMENTS OF SYSTRAN S.A.

##### INDIVIDUAL INCOME STATEMENT FOR THE FINANCIAL YEAR 2001

	Notes	2001 12 months	2000 12 months
<i>(in thousands of Euros)</i>			
<b>Revenue</b>	<b>2.1</b>	2,898	3,768
Other revenues		10	11
<b>Operating products</b>		<b>2,908</b>	<b>3,779</b>
Purchases and other external expenses	<b>2.2</b>	(2 208)	(2 543)
Taxes, levies and similar payments		(40)	(25)
Staff costs	<b>2.3</b>	(2 091)	(1 430)
<b>EBITDA</b>		<b>(1 431)</b>	<b>(219)</b>
Depreciation and operating provisions		(59)	(79)
<b>Operating income</b>		<b>(1 490)</b>	<b>(298)</b>
Allowances to financial provisions		18	(18)
Other financial expenses and incomes		281	35
<b>Financial income</b>	<b>2.4</b>	<b>299</b>	<b>17</b>
<b>Current profit</b>		<b>(1 191)</b>	<b>(281)</b>
Other exceptional expenses and profits		2	409
<b>Exceptional income</b>	<b>2.5</b>	<b>2</b>	<b>409</b>
Income taxes		450	
<b>Net income</b>		<b>(739)</b>	<b>128</b>

## INDIVIDUAL BALANCE-SHEET as of December 31, 2001

### ASSETS

<i>(in thousands of euros)</i>	Notes	2001	2,000
Intangible assets	3.1	15,032	14,994
Tangible assets	3.2	69	67
Financial assets	3.3	4,774	4,668
<b>Total fixed assets</b>		<b>19,875</b>	<b>19,729</b>
Inventories		121	
Trade and other account receivables	3.4	2,494	1,379
Cash and trading securities		1,943	3,508
Prepaid expenses		22	33
F/C Translation adjustment		2	19
<b>Total current assets</b>		<b>4,582</b>	<b>4,939</b>
<b>Total assets</b>		<b>24,457</b>	<b>24,668</b>

### STOCKHOLDERS' EQUITY & LIABILITIES

<i>(in thousands of Euros)</i>	Notes	2001	2,000
Capital		15,087	15,087
Premium accounts		5,380	5,204
Statutory reserve		122	115
Unappropriated earnings		2,313	2,191
Result of the financial year		(739)	128
<b>Stockholders' equity</b>	3.5	<b>22,163</b>	<b>22,725</b>
Provisions for contingencies and charges	3.6	23	90
Financial liabilities	3.7	151	84
Suppliers and other current liabilities	3.8	1,960	1,517
Deferred revenue		54	105
F/C Translation adjustment		106	147
<b>Total liabilities</b>		<b>2,294</b>	<b>1,943</b>
<b>Total Stockholders' equity &amp; Liabilities</b>		<b>24,457</b>	<b>24,668</b>

## 4.5 NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF THE YEAR ENDED ON DECEMBER 31, 2001

### 1. ACCOUNTING RULES AND POLICIES

#### Revenue

The recognition of the revenue is carried out as follows:

the license incomes are recognized at the time of the physical or electronic delivery of the supports or on the basis of the detailed reports transmitted by the distributors. For the temporary licenses, the recognized income corresponds to the amount for which the customer is committed, within the limit of 12 month when the contract runs beyond one year;

the linguistic services are recognized according to the completion method;

the advertising incomes on the portals are recognized on the basis of the detailed reports transmitted by the latter; development contracts are recognized according to the completion of the project. When they are carried out with partners, SYSTRAN as a coordinator and carrier of the project, records the totality of the provided services in "Revenue". The share which is allocated to the partners is recognized in "Purchases and other external expenses".

#### Income recognition

The margins on the linguistic service contracts are determined according to the completion method.

When the forecast shows up an executory contract, a provision for the loss incurred until the completion of the contract is established on a reasonable basis, according to the most probable estimate of the forecasted results, including, if necessary the complementary rights to income or claims.

#### Exceptional income

In the consolidated financial statements, the concept of exceptional income of the French General Accounting Chart of Accounts is retained. It includes the items the occurrence of which is not connected to the current operations of the group.

#### Costs of research and development

The co-financed research and development expenses are recognized as an expense in operating costs according to the completion of the project, the financed share being recognized in revenue

The self-financed research and development costs are recognized as an expense in operating costs when they are incurred.

#### Concessions, patents and licenses

Patent concessions and licenses include primarily software licenses acquired by the company. These softwares are depreciated on a straight line basis over appropriate periods to each acquisition, not exceeding 5 years.

The created softwares which are targeted for an internal or commercial use, are accounted for as an expense in operating costs

#### Goodwill

The goodwill comes primarily from the contribution in kind of assets carried out by Gachot in 1989, SYSTRAN's parent company at the time. It is recorded to the balance-sheet for its contribution value.

Among the constituent components, one distinguishes:

the customers whose evaluation was based on the estimated profitability of the contracts,

the linguistic assets i.e. the linguistic analysis, the language pair dictionaries and the utilities which correspond to the databases integrated into the marketed softwares, as well as associated know-how.

The part of the business relating to the customers was amortized on a 8-year period (multiple of 8 of the estimated result retained at the time to evaluate customers' contribution).

The residual part of the business is by nature of indefinite period and then not amortizable, but can be the subject of an amortization in the event of durable fall of its useful value.

#### Financial investments

The financial investments are carried in the balance-sheet at their acquisition cost. In the event of durable fall of their useful value,, an impairment is accounted for.

The useful value is determined according to the most suitable financial criteria to the individual situation of each company. The criteria generally selected are the quota of revaluated stockholders' equity and the outlooks for profitability and development.

#### Conditional advances

Conditional advances are advances which are granted by the Government in order to facilitate the development of a R&D project. Their refunding is subject to a number of elements defined by contract (successes, break-even point...). The result of the operation is reflected:

i.e. by a success which involves the refunding of advances agreed;

or by a failure which involves the abandonment of advances by the Government. This forgiveness constitutes a subsidy accounted for as exceptional income.

#### Provisions for contingencies and charges

They are targeted to cover risks and charges which occurred or that ongoing events make probable. Those risks and charges are definitely specified regarding their object. But their occurrences, their deadlines or their amounts are not defined.

#### Retirement obligations

At to the time of their retirement certain employees of the group are supposed to receive an retirement allowance. The corresponding obligations are evaluated according to the retrospective method and are determined from the salary package at the time of end of career. These obligations, are accounted for in the operating costs of the income statement and are in the heading "Provisions for contingencies and charges" of the balance sheet.



## 2. NOTES TO THE PROFIT AND LOSS ACCOUNT

### 2.1 BREAK-DOWN OF REVENUE

<b>(in thousands of euros)</b>	<b>2001</b>	<b>2000</b>
Licenses	1,428	1,433
Services to the portals and to the companies	738	1,052
Services for the administrations and contracts of development	631	1,143
Various (of which intra-group services)	101	140
<b>REVENUE</b>	<b>2,898</b>	<b>3,768</b>

### 2.2 PURCHASES AND OTHER EXTERNAL EXPENSES

<b>(in thousands of euros)</b>	<b>2001</b>	<b>2000</b>
Purchases & change in inventories	58	-
Co-contracting	679	719
Sub-contracting	102	530
Leases of land & buildings	94	40
Leases of equipment	101	90
Fees	508	356
Author's rights fees	113	78
Advertisement	282	331
Trips & Entertainment	142	104
Telecommunications	84	86
Others	45	209
<b>PURCHASES AND OTHER EXTERNAL EXPENSES</b>	<b>2,208</b>	<b>2,543</b>

### 2.3 STAFF COSTS

<b>(in thousands of euros)</b>	<b>2001</b>	<b>2000</b>
Salary packages and treatments	1,482	1,021
Social insurance contributions	609	409
<b>STAFF COSTS</b>	<b>2,091</b>	<b>1,430</b>

The average manpower number of the company increased from 25 to 42 persons between 2000 and 2001.

The amounts of compensations and advantages of any nature allocated by the Company and its subsidiary companies to the members of its Board of Directors appear elsewhere in the annual report.

### 2.4 FINANCIAL INCOME

<b>(in thousands of euros)</b>	<b>2001</b>	<b>2000</b>
Net allowances to the provisions for risks on foreign currency exchanges	18	(18)
<b>Net allowances to the financial provisions</b>	<b>18</b>	<b>(18)</b>
Interests on SYSTRAN Inc. advances	45	50
Capital gains and losses on trading securities	175	
Interest expense - borrowings		(36)
Interest expense – current overdrafts	(1)	(2)
Foreign currency exchange gains and losses	62	23
<b>Other financial expenses and incomes</b>	<b>281</b>	<b>35</b>
<b>FINANCIAL INCOME</b>	<b>299</b>	<b>17</b>

## 2.5 EXCEPTIONAL INCOME

SYSTRAN S.A. incurred euros 75 thousand in restructuring costs. Provision for restructuring recorded for this purpose at the end of 2000 was reversed concomitantly.

## 3. NOTES TO THE BALANCE-SHEET

### 3.1 INTANGIBLE ASSETS

<b>(in thousands of euros)</b>	<b>12/31/2000</b>	<b>Increase</b>	<b>Decrease</b>	<b>12/31/2001</b>
Costs of research and development:				
Gross values (1)	679		< 679 >	
Cumulated amortization	< 679 >		679	
<b>Net values</b>	<b>-</b>			
Concessions, patents and licenses:				
Gross values (2)	7,643	46	< 3 >	7,686
Cumulated amortization	< 7,635 >	< 8 >	3	< 7,640 >
<b>Net values</b>	<b>8</b>	<b>38</b>		<b>46</b>
Goodwill:				
Customers	45,994			45,994
Cumulated amortization	< 45,994 >			< 45,994 >
Dictionaries and know-how (3)	14,986			14,986
Provisions for impairment				
<b>Net values</b>	<b>14,986</b>			<b>14,986</b>
<b>INTANGIBLE ASSETS</b>	<b>14,994</b>	<b>38</b>		<b>15,032</b>

Until December 31, 1998, a part of the research and development charges was capitalized in the balance-sheet and was depreciated over three years. As from January 1, 1999, the research and development costs remain in expense of the financial year during which they are incurred.

The heading "concessions, patents and licenses" is primarily made up of the licences of the language pairs softwares acquired by Gachot and contributed to SYSTRAN in July 1989. These softwares are fully depreciated.

The net value of the goodwill as on December 31, 2001 amounts to euros 15 million, corresponding to the evaluation of the dictionaries of language pairs, of associated utilities and of know-how contributed in 1989 to SYSTRAN by Gachot, its parent company at the time.

### 3.2 TANGIBLE ASSETS

<b>(in thousands of euros)</b>	<b>12/31/2000</b>	<b>Increase</b>	<b>Decrease</b>	<b>12/31/2001</b>
Fittings and other fixed assets:				
Gross values	54	12		66
Cumulated depreciation	< 22 >	< 8 >		< 30 >
<b>Net values</b>	<b>32</b>	<b>4</b>		<b>36</b>
Computer material and office furniture:				
Gross values	100	11		111
Cumulated depreciation	< 65 >	< 13 >		< 78 >
<b>Net values</b>	<b>35</b>	<b>&lt; 2 &gt;</b>		<b>33</b>
<b>TANGIBLE ASSETS</b>	<b>67</b>	<b>2</b>		<b>69</b>

### 3.3 FINANCIAL ASSETS

(in thousands of euros)	31/12/2001 gross	Write-offs	Net 31/12/2001	Net 31/12/2000
Investments (shares)				
SYSTRAN USA (100%)	5,153	< 3,435 >	1,718	1,718
Lux SYSTRAN (100%)	1,950		1,950	1,950
SYSTRAN Institut (76%)	-			
Aurora SAS (100%)	200		200	
				-
<b>SUB-TOTAL</b>	<b>7,303</b>	<b>&lt; 3,435 &gt;</b>	<b>3,868</b>	<b>3,668</b>
Related accounts receivable				
SYSTRAN USA	664		664	881
SYSTRAN Institut	-		-	4
<b>SUB-TOTAL</b>	<b>664</b>		<b>664</b>	<b>885</b>
Clean shares	228		228	101
Loans	14		14	14
<b>SUB-TOTAL</b>	<b>242</b>		<b>242</b>	<b>115</b>
<b>FINANCIAL ASSETS</b>	<b>8,209</b>	<b>&lt; 3,435 &gt;</b>	<b>4,774</b>	<b>4,668</b>

The investments in the American companies (the holding company SYSTRAN USA and its subsidiary company, SYSTRAN Software Inc.) come from Gachot's contribution to SYSTRAN in 1989. The net value of these investments in the balance-sheet was not changed in relation to the previous financial year.

The German subsidiary company SYSTRAN Institut, dormant for years, was dissolved in 2001. The disposal of the investment and the related current account, which were already fully written off, as well as the corresponding liquidation costs, are accounted for as exceptional expense of the current financial year.

Lastly, the company repurchased its own shares on the Market as part of the stock repurchase program resolved by the Extraordinary stockholders General meeting of May 3, 2000.

### 3.4 TRADE AND OTHER ACCOUNT RECEIVABLE

(in thousands of euros)	12/31/2001	12/31/2000
Trade accounts receivable	1,631	1,227
Write-off of the trade accounts receivable	(106)	(79)
Other accounts receivable	969	231
<b>TRADE AND OTHER ACCOUNTS RECEIVABLE</b>	<b>2,494</b>	<b>1,379</b>

### 3.5 STOCKHOLDERS' EQUITY

The authorized capital of the company amounts to euros 15,086,735, made up of 9,896,250 of shares. The stockholders' equity breaks up as the following table indicates:

(in thousands of euros)	Capital	Premium accounts and Reserves	Unappro- priated earnings	Result of the financial year	Total Stockholders equity
Situation as on December 31, 2000	15,087	5,319	2,191	128	22,725
2000 result appropriation of remaining expenses from the IPO on the Nouveau Marché		6	122	< 128 >	
Net Income 2001		177		< 739 >	177 < 739 >
<b>SITUATION AS ON DECEMBER 31, 2001</b>	<b>15,087</b>	<b>5,502</b>	<b>2,313</b>	<b>&lt; 739 &gt;</b>	<b>22,163</b>

### 3.6 PROVISIONS FOR CONTINGENCIES AND CHARGES

<b>(in thousands of euros)</b>	<b>12/31/2000</b>	<b>Increase</b>	<b>Decrease</b>	<b>12/31/2001</b>
Provisions for disputes and litigations	5			5
Provision for product returns	15			15
Provision for restructuring (cf. note 2.5)	52		< 52 >	
Provision for loss on foreign currency exchanges	18	3	< 18 >	3
Provision for retirement obligations				
<b>PROVISIONS FOR CONTINGENCIES AND CHARGES</b>	<b>90</b>	<b>3</b>	<b>&lt; 70 &gt;</b>	<b>23</b>

### 3.7 FINANCIAL LIABILITIES (OUT OF BANK OVERDRAFT)

<b>(in thousands of euros)</b>	<b>Gross amount to 12/31/00</b>	<b>Gross amount to 12/31/01</b>	<b>Up to 1 year</b>	<b>From 1 to 5 years</b>
COFACE advances	84	151		151
Loans and financial liabilities	-			
<b>FINANCIAL LIABILITIES (OUT OF CURRENT BANK OVERDRAFT)</b>	<b>84</b>	<b>151</b>		<b>151</b>

### 3.8 SUPPLIERS AND OTHER ACCOUNTS PAYABLE

<b>(in thousands of Euros)</b>	<b>Gross amount to 31/12/00</b>	<b>Gross amount to 31/12/01</b>	<b>To less than 1 year</b>
Supplier debts	1,030	1,460	1,460
Social tax liabilities	255	376	376
Other debts	232	124	124
<b>SUPPLIERS AND OTHER DEBTS OF USE</b>	<b>1,517</b>	<b>1,960</b>	<b>1,960</b>

## 4. MISCELLANEOUS

### 4.1 COMMITMENTS

#### Guarantees

As on December 31, 2001 SYSTRAN SA is committed with third-parties on behalf of its Luxembourg subsidiary company for the following guarantees :

<b>Date</b>	<b>Deadline</b>	<b>Creditor</b>	<b>Subject</b>	<b>Amount</b>
01. 20.98		General Bank of Luxembourg	Authorisation of overdraft	248 KEUR
04.10. 01	February 02	The European Commission	MCA4 contract	180 KEUR
02.03.99	May 02	Eurolease Factor	Financial lease contracts guarantee	5 KEUR
07.07.00	Sept 02	The European Commission	TRANSLEX contract	77,6 KEUR
12.04.00	Sept 02	Taalunie	TRANSLEX contract	19,4 KEUR
	February 03	The European Commission	EC MT Contract	48 KEUR
02.00	March 03	Eurolease Factor	Financial lease contracts guarantee	3 KEUR
	February 04	The European Commission	TRADAUT contract	55 KEUR

KEUR: thousands of euros

#### 4.2 RETIREMENT OBLIGATIONS

The middle age of the manpower being low, the provision for retirement obligations amounts to 2.6 thousand euros. Obligations are fully accounted for.

#### 4.3 FINANCIAL LEASE CONTRACTS COMMITMENTS

(in thousands of Euros)	Computer equipment
<b>Initial Value</b>	<b>141</b>
<b>Depreciation</b>	
- previous Financial year cumulation	44
- current financial year	44
total	88
<b>net value</b>	<b>53</b>
<b>Paid leases</b>	
- previous Financial year cumulation	37
- current financial year	50
total	<b>87</b>
<b>Leases to be paid</b>	
- Up to a maximum of one year	45
- From more than one year to less than five years	31
- Up to five years	
total	<b>76</b>

#### 4.4 FINANCIAL INSTRUMENTS

The company does not use financial instruments to reduce its exposure to the risks of rates.

#### 4.5 STOCK-OPTION PLAN

Situation of the stock-options granted to the Group's employees			
Date of the Stockholders General meeting	03.06.2000		11. 9.2001
Date of the Board of Directors	03.06.2000	02.01.2001	11.09.2001
Total number of the shares which can be subscribed or bought	1,020,000	136,000	283,000
which shares which can be subscribed or bought by the members of the Executive Committee	900,000	0	0
Starting point of exercise of the options	3.06.2005	02.01.2006	11.09.2005
Expiry date	3.05.2008	01. 31.2009	11. 08.2009
Subscription price (EUR)	7.60	4.60	1.64
Number of shares subscribed as of the 12/31/2001	-		

Exercise rules : recipients will be definitively vested only by equal third at the time of the 1st, the 2nd and the 3rd anniversary of their granting by the Board of Directors and subject to, for each allocation, the recipient is still Director or employee of the Company, or of its subsidiary companies. Moreover, n allocation of 183,000 options granted on 11.9.2001 is vested subject to the achievement of certain performances by a subsidiary company. On the expiry of the locking period and for each allocation granted, recipients will be able to exercise constantly the options definitively vested..

If all the options were exercised, the result would be maximum potential dilution of 14.54%,

4.6 ITEMS ABOUT RELATED PARTIES

The related parties are those which are likely to be fully consolidated into the same scope of consolidation. Consequently, the totality of the subsidiary companies of SYSTRAN S.A. are related parties.

<b>(in thousands of euros)</b>	<b>12/31/2001</b>	<b>12/31/2000</b>
Financial investments (shares) :		
Gross value	7,303	8,833
Provisions	< 3,435 >	< 5,165 >
Net value	3,868	3,668
Related accounts receivable:		
Gross value	664	918
Provisions	-	< 34 >
Net value	664	884
Trade accounts receivable and related accounts	342	128
<b>Suppliers and other trade accounts payable</b>	<b>578</b>	<b>508</b>
<b>Financial incomes</b>	<b>45</b>	<b>50</b>
<b>Miscellaneous revenues</b>	<b>101</b>	
<b>Services</b>	<b>&lt; 58 &gt;</b>	

**INCOMES OF THE COMPANY DURING THE LAST FIVE FINANCIAL YEARS**  
(figures in euros)

(art.133, 135 and 148 of the Decree on the commercial Companies)

NATURE OF THE INDICATIONS	2001	2000	1999	1998	1997
<b>Capital at the end of the financial year</b>					
a) Authorized capital	15,086,735	* 15,086,735	68,602,058	68,602,058	68,602,058
b) Number of shares					
- ordinary	9,896,250	9,896,250	9,000,000	9,000,000	9,000,000
- with priority dividends					
c) Maximum number of shares to be issued					
- by conversion of bonds					
- by warrants					
<b>Operations and Results</b>					
a) Revenue	2,898,142	3,768,145	2,477,528	1,340,627	774,748
b) Result before taxes, employee legal profit-sharing, depreciation and provisions	(1,129,949)	277,270	233,412	448,263	288,717
c) Income taxes	(449,753)		12,062		3,887
d) Employees legal profit-sharing					
e) Depreciation and provisions	58,960	148,930	(14,674,615)	265,988	157,759
F) Net income	(739,156)	128,340	14,895,965	182,275	127,071
G) Net income appropriated by stockholders (cash-out)					
<b>Earnings per share</b>					
a) Result after tax, employee legal profit-sharing, before depreciation and provisions	(0,07)	0.03	0.02	0.05	0.03
b) Result after tax, employee legal profit-sharing, depreciation and provisions	(0,07)	0.01	1.66	0.02	0.01
c) Allotted dividend	-				
<b>Workforce</b>					
a) Average number of employees	42	25	9	9	5
b) Total wages	1,511,455	1,020,691	258,308	257,284	87,404
c) Paid amounts in welfare benefits (Social Security, etc)	579,377	407,492	105,496	99,808	35,203

\* 15,086,735 euros after conversion of the capital into euros carried out by the STOCKHOLDERS GENERAL MEETING of May 3, 2000

**TABLE OF SUBSIDIARY COMPANIES AND INVESTMENTS**

Detailed information on each subsidiary company and investment (thousands of euros)	Capital	Other stockholders' equity	Share of the capital held in %	Gross value of the investment held	Net value of the securities held	Loans and advances granted	Pledges and Guarantees granted	Revenue of the financial year ended on 12/31/01	Net income of the financial year ended on 12/31/01	Dividends collected during the financial year	Comments
<b>1. Subsidiary companies (held share with + of 50 %)</b>											
SYSTRAN USA (1 USD = 1.1064 EUR)	2,874	(135)	100.00	5,153	3,435	734	-	-	-	-	Holding company checking SYSTRAN Software Inc. in 100%
SYSTRAN Luxembourg	124	(3)	100.00	12,789	12,789	-	636	1,409	(374)		
Aurora	200		100.00	200	200	111					
<b>2. Other investments (held share between 10% and 50 %)</b>											
Nothing	-										



## 4.6 REPORT OF THE AUDITORS ON THE INDIVIDUAL FINANCIAL STATEMENTS

In accordance with our appointment as auditors by your stockholders General meeting, we have audited the accompanying individual financial statements of SYSTRAN S.A. presented in euros for the financial year ended December 31, 2001.

The individual financial statements have been drafted by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the individual financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the individual financial statements give a true and fair view of the financial position and the assets and liabilities of the Company and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

We have also performed the procedures required by law on the Company financial information given in the report of the Board of Directors. We have no comment to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

Paris, February 5, 2002

The auditors

RSM SALUSTRO REYDEL

Michel Goffinon

Jean-Louis Mullenbach

#### 4.7 SPECIAL REPORT OF THE AUDITORS ON TRANSACTIONS WITH RELATED PARTIES

In our capacity as auditors of your company, we report to you on the related parties transactions, as defined by French law..

Our role is not to seek the existence of such transactions, but to report to you, on the basis of the information which were given to us, the key features of those of which we have been kept informed, without having to express an opinion about their opportunity or relevancy.. Your role as stockholders of the Company, according to the terms of Article 92 of the decree of March 23, 1967, is to appreciate the opportunity which was attached to the conclusion of these transactions in order to approve them.

We have not been informed of any transaction concluded during the financial year, coming into the scope of the, article L 225-38 of the Commercial law.

In addition, pursuant to the decree of March 23, 1967 (art. d 92 al.5), we were informed that the following conventions, approved during previous financial years, continued during the last financial year.

- personal guarantee given within the limit of euros 152,449.02 by the President of your company in guarantee of the refunding of all the amounts due by it to Natexis Banque.

We carried out our work according to the standards of the profession; these standards require the implementation of requests targeted to check the agreement of the information which were given to us with the basic documents from which they result.

We have performed the procedures required by law in accordance with the professional standards. Those standards require that we perform those procedures to obtain reasonable assurance about the consistency of information we have been provided with, with the documents from which those informations come from.

Paris, February, 5 2002

The auditors

RSM SALUSTRO REYDEL

Michel Goffinon

Jean-Louis Mullenbach

## 5 INFORMATION ABOUT THE MANAGEMENT, THE DIRECTION AND THE CONTROL OF THE COMPANY

### 5.1 MANGAGEMENT AND DIRECTION BODIES

#### 5.1.1 Board of Directors

Person	Money order	Nomination date	Duration
Dimitris SABATAKAKIS	President & CEO *	STOCKHOLDERS ORDINARY GENERAL MEETING of 01/31/97	6 years, until the STOCKHOLDERS GENERAL MEETING who will rule on the financial year ended on 12/31/2002
Jean GACHOT	Director	STOCKHOLDERS ORDINARY GENERAL MEETING of 07/28/99	6 years, until the STOCKHOLDERS GENERAL MEETING who will rule on the financial year ended on 12/31/2004
Jean GINISTY	Director	STOCKHOLDERS ORDINARY GENERAL MEETING of 07/28/99	6 years, until the STOCKHOLDERS GENERAL MEETING who will rule on the financial year ended on 12/31/2004
Denis GACHOT	Director	STOCKHOLDERS ORDINARY GENERAL MEETING of 3/30/01	6 years, until the STOCKHOLDERS GENERAL MEETING who will rule on the financial year ended on 12/31/2006
Norbert VON KUNITZKI	Director	STOCKHOLDERS ORDINARY GENERAL MEETING of 07/28/99	6 years, until the STOCKHOLDERS GENERAL MEETING who will rule on the financial year ended on 12/31/2004

\* Appointed by the Board of Directors of February 1<sup>st</sup>,1997

Other positions of Mr. Dimitris SABATAKAKIS:

President & CEO of the Board of Directors of VALFINANCE SA

President & CEO of the Board of Directors of TECHNIQUES NUCLEAIRES SA

Executive manager of of SAINT PRIX AUTOMATISME SARL

Director of SCHEFFER SA

Other positions of Mr. jean GACHOT:

President of the Board of Directors of SOCIETE DE PARTICIPATIONS INDUSTRIELLES SA (SOPI)

Director of VALFINANCE SA

Director of TECHNIQUES NUCLEAIRES SA

Other positions of JEAN GINISTY: None

Other positions of DenisGACHOT : President & CEO of INPROD CORP. (USA)

Other positions of Norbert von KUNITZKI:

President of the Board of Directors of SYSTRAN Luxembourg, ACCENTIS SA (Belgium), BLAGDEN SA (Belgium), LBF SA (Luxembourg), ARCOLD SA (Luxembourg), GESTOM SA (Luxembourg), EUROSIGNCARD SA (Luxembourg).

Vice-President of the Board of Directors of TELINFO NV (Belgium), TELINDUS SA (Luxembourg), EUTAG SA & Co (Luxembourg).

Director of SIDMAR NV (Belgium), MOBISTAR SA (Belgium), E & Y CONSULTING SA (Belgium), IAPSC SA (Luxembourg), TELINDUS SA (France), TELINDUS SA (Spain), TELINDUS SA (Switzerland), TELINDUS GMBH (Germany), TELINDUS BV (the Netherlands), TELINDUS Ltd (United Kingdom).

Gross remuneration of the Board of Directors: no attendance fee was paid to the Board of Directors under the financial year ended on December 31, 2001.

The Board of Directors has 2 independent directors: Mr. Jean GINISTY and Mr. Norbert Von KUNITZKI. However, in view of the restricted number of directors, the company has not set up yet specialized committees such as audit committee or remuneration committee.

### 5.1.2 Executive Management

The Group's Executive management is composed of Dimitris SABATAKAKIS Chairman and C.E.O of SYSTRAN SA and of Denis GACHOT Chief Executive Officer of SYSTRAN Software Inc.

Executive manager	Direct Compensation and benefits in kind in 2001	Stock- options		
		Number	Maturity (end of locking period)	Strike price
Dimitris SABATAKAKIS	154,000 €	350,000	03.05.2005	7.6€
Denis GACHOT	192,000 €	150,000	03.05.2005	7.6€

No new stock option plan was granted to the Executive management during the financial year. Similarly the latter did not exercise any option during this period.

The other Directors and executive managers receive neither directly nor indirectly remuneration. They do not benefit either from the stock-option plan

## 5.2 EMPLOYEE PROFIT-SHARING PLAN

### Stock-options

The ordinary and extraordinary stockholders General meetings of March 6th, 2000 and of November 9, 2001 have allowed the Board of Directors to implement a stock- option plan("Option of Subscription") in the current limit of 20% of the capital of SYSTRAN, this threshold being appreciated at the time of date of granting of the stock-options by the Board of Directors. The Board of Directors of March 6th, 2000, of February 1<sup>st</sup>, 2001 and of November 9, 2001 have used this authorisation in the following terms :

Situation of the stock-options granted to the Group's employees			
Date of the Stockholders General meeting	03.06.2000	02.01.2001	11.09.2001
Date of the Board of Directors	03.06.2000	02.01.2001	11.09.2001
Total number of the shares which can be subscribed or bought	1,020,000	136,000	283,000
which shares granted to the Directors (§ 5.1.2)	500,000	-	-
which shares granted to the first ten employees during the financial year (*)	520,000	85,000	281,000
Starting point of exercise of the options	3.06.2005	02.01.2006	11.09.2005
Expiry date	03. 5.2008	01. 31.2009	11.08.2009
Subscription price (EUR)	7.60	4.60	1.64
Number of shares subscribed on 12/31/2001	-	-	-
Maximum potential dilution	10,31%	1,37%	2,86%

(\*) the first 10 employees in number of options granted during the related financial year (L225-184 new of the CommercialLaw)

Exercise rules : recipients will be definitively vested only by equal third at the time of the 1st, the 2nd and the 3rd anniversary of their granting by the Board of Directors and subject to, for each allocation, the recipient is still Director or employee of the Company, or of its subsidiary companies. Moreover, n allocation of 183,000 options granted on 11.9.2001 is vested subject to the achievement of certain performances by a subsidiary company. On the expiry of the locking period and for each allocation granted, recipients will be able to exercise constantly the options definitively vested..

If all the options were exercised, the result would be maximum potential dilution of 14.54%,

#### **Legal and contractual profit -sharing plans**

Nothing

#### **The employees' shareholding**

Nothing

### **5.3 DRAFT OF RESOLUTIONS OF THE ORDINARY AND EXTRAORDINARY STOCKHOLDERS GENERAL MEETING OF MAY 31, 2002**

#### **I. of the competence of the Stockholders Ordinary General meeting**

##### **FIRST RESOLUTION**

The Stockholders General meeting after having heard reading of the reports of the Board of Directors and of the auditors approves the year-end financial statements as of December 31, 2001 such as they were presented to it, as well as the operations reflected into these financial statements or summarised in these reports.

The Stockholders General meeting after having heard the reading of the report of the auditors on the consolidated financial statements approves the consolidated financial statements of the year ended on December 31, 2001 as well as the operations transmitted in these financial statements or summarised in the report on the management of the Group included in the annual report.

Accordingly, it gives to the whole directors final discharge of the achievement of their assignment for the aforementioned financial year

##### **SECOND RESOLUTION**

The Stockholders General meeting resolved to allocate the loss of the financial year amounting to euros 739,156 to the unappropriated earnings.

##### **THIRD RESOLUTION**

The Stockholders General meeting after having heard the reading of the special report of the auditors on the conventions provided for in article L. 225-38 and followings of the Commercial Law, approves the conclusions of the aforementioned report and conventions which are mentioned.

##### **FOURTH RESOLUTION**

The stockholders General meeting resolves not to allocate attendance fees to the Board of Directors.

##### **FIFTH RESOLUTION**

The Stockholders General meeting resolves to appoint :

AMYOT EXCO – GRANT THORNTON, represented by Daniel KURKDJIAN, 104 avenue des Champs-Élysées, 75008 PARIS, titular auditor, to replace Mr. Michel GOFFINON, resigning titular auditor, for a period of six financial years i.e. until the stockholders general meeting which will rule on the financial statements of the financial year ended on December 31, 2007.

## **SIXTH RESOLUTION**

The Stockholders General meeting resolves to appoint :

Gilles HENGOAT, 104 avenue des Champs-Élysées, 75008 PARIS, substitute auditor, to replace Mr. Roger HANSE, resigning substitute auditor, for a period of six financial years i.e. until the stockholders general meeting which will rule on the financial statements of the financial year ended on December 31, 2007.

## **II. of the competence of the Stockholders Extraordinaire General Meeting**

### **SEVENTH RESOLUTION**

The stockholders general meeting after having heard the reading of the report of the Board of Directors and of the report of auditors, and after having noted that the authorized capital of the company is fully paid, resolves to allow the Board of Directors to increase the authorized capital by issuance of shares, of warrants, of bonds and/or of all security giving access immediately or in the long term, at any time or at fixed-date to the capital of the Company, for a maximum par amount which should not exceed a ceiling of 15.000.000 euros (fifteen million of euros), with or without premium to subscribe and to pay fully in cash at the time of subscription, being specified that aforesaid new shares will be subject to provisions of the by-laws of the Company and that they will be treated as the old shares and will enjoy the same rights as from the first day of the financial year during which they were created and were issued. Moreover, the ceiling of this authorisation is of euros 75,000,000 (seventy-five million euros), including premium.

The stockholders general meeting notes and resolves that this delegation involves, to the profit of the holders of securities giving access in the long term to the shares of the Company, the shareholders' deliberate renunciation of their preferential right of subscription to the shares to which these securities give right.

In the event of issuance of securities while keeping the stockholders' preferential right of subscription, the Board of Directors will be able to confer the shareholders with a preferential right on a reducible basis.

The stockholders general meeting resolves that if the subscription of all of the shares to be issued is not achieved, the Board of Directors will be able to use in the order of which it will determine, one or several of the following faculties:

limit the security issuance to the amount of the subscriptions subject to it reaches at least the three-quarters of the resolved issuance;

resolve that the balance of the issuance which had not been subscribed will be distributed completely or partially to the request of the Board of Directors.

Accordingly to the herebefore authorisation it will be given to, the stockholders general meeting delegates to the Board of Directors, with faculty of subdelegation with its President, the required proxies to conduct according to the law and regulations, one or more increase in the authorized capital of the Company or of other issuance of security, within a period of twenty-six (26) months, in one or more time, the use of the above-referred authorisation being possibly partial or total, to set its terms, to monitor its completion and to modify the by-laws accordingly.

In particular the stockholders general meeting resolves that the Board of Directors will have all powers in particular for the purpose of resolving on the number of securities to be issued, of the issue price as well as of the amount of the premium which could be required at the time of the issuance.

The stockholders general meeting resolves that the Board of Directors, with subdelegation faculty to its President, will have all powers to enforce this authorisation, in the terms fixed by the law, to the effect to offset the expenses related to the increases in capital with the amount of the premium accounts that will be there related and to deduct from this amount the required sums appropriated to the statutory reserve to carry the latter to the tenth of the authorized capital after each increase.

More generally, the stockholders General meeting decide that the Board of Directors, with faculty of subdelegation with its President, will have all power to conclude all convention, in particular to perform the intended issue, take all measure and carry out all formality useful to issue and to the financial service of these shares under the terms of this authorisation as well as to the exercise of rights to which there are attached, to note the increase in capital carried out by the use of this authorisation and to change the Company's by-laws accordingly.

The stockholders general meeting notes that the Board of Directors will give an account of the use made of this authorisation to the next stockholders general meeting.

## **EIGHTH RESOLUTION**

The stockholders general meeting, having heard the reading of the report of Board of Directors and of the special report of auditors, ruling in accordance with the provision of article L. 225-129 VII of the Commercial code and L. 443-5 of the Labor code, delegate to the Board of Directors the faculty to increase in the authorized capital, in one or more times of a maximum par amount of 150.000 € by issuance of new shares to pay in cash. This increase will be reserved for the Company's employees and to the employees of companies which are connected to it in accordance with the applicable legal provisions.

The price of subscription of the issued shares pursuant to this delegation will be determined in the terms defined in article L. 443-5 of the Labor Code. This delegation involves the shareholders' deliberate renunciation of their preferential right of subscription to the profit of the Company's employees and to the employees of companies which are connected to it in accordance with the applicable legal provisions.

The stockholders General meeting gives all powers to the Board of Directors, with subdelegation faculty to its President, or to any Director especially entitled, in the terms provided by the applicable regulation, to enforce this authorisation, in particular to the effect:

- to determine the companies or groupings the employees of which will be able to subscribe to the shares issued pursuant to this delegation ; to set the seniority terms that the recipients of the new shares will be supposed to comply with and, within the legal limits, the period granted to the subscribers for the payment of these shares,
- to determine if subscriptions will be supposed to be carried out via a mutual fund or directly;
- to resolve the amount to be issued, the price of subscription, the period of subscription, the maturity date as from which the new shares will be used , and more generally, of all the rules of each issue;
- to note the achievement of each increase in capital to the amount of the shares which will actually be subscribed, to fill in the consecutive formalities and modify the Company's by-laws accordingly ;
- and generally, take all measures for the achievement of the increases in capital, in the expected terms according to the legal and regulatory provisions.

This delegation is in force for a twenty-four (24)-month period as from the date of this meeting.

## **NINTH RESOLUTION**

The stockholders general meeting, based on a proposal of the Board of Directors, resolves to comply with the law n° 2001-420 of May 15 , 2001 dealing with the new economic regulations, and to modify the Company's by-laws accordingly.

Consequently, and having heard the reading of the draft of new by-laws of the Company, the stockholders general meeting approves the changes made to the old by-laws as follows:

- (a) replacement, in Articles 1,11,1,.22,23 and 24 of the references to the law of July 24, 1966 by the references corresponding to the Commercial law;
- (b) Article 15, removal of the last paragraph concerning the guarantee shares
- (c) Article 16, replacement of the previous text by the following text:

## **Article 16 - DELIBERATIONS OF THE BOARD OF DIRECTORS**

The Board of Directors meets as often as the interest of the Company requires it, on the President's notice convening the meeting or that of the third-party of its members, either in the registered office, or in any other place, in France or abroad. It is convened by all means, even verbally. The Chief Executive Officer can also ask the President to convene the Board of Directors on a given agenda.

An attendance book, which is signed by the directors taking part in the meeting, is held.

For the validity of the deliberations, the effective attendance of half at least of the directors in function is required. Resolutions are taken by a majority of the votes of the members present or counted as. In the event of division, the voice of the President is leading.

Reports are drawn up and the copies or extracts of the deliberations are delivered and are certified in accordance with the provisions of the Commercial law.

(d) Article 17, replacement of the previous text by the following text:

### **Article 17 - POWERS AND OPERATION OF THE BOARD OF DIRECTORS**

1° / the Board of Directors determines the guidelines of the activity of the Company and takes care of their implementation.

Subject to the powers expressly allotted to the shareholders' meetings and within the limits of the object, it tackles any question concerning the good operation of the Company and rule, by its deliberations, its businesses and operations..

The Board of Directors conducts controls and checks that it considers convenient.

Each director receives the required information to the achievement of his assignment and can require for all the documents he considers useful.

2°/ the Board of Directors elects among its members a President who, hardly of nullity of the appointment, is supposed to be an individual and is not supposed to be over 80 year-old. When the President reaches this age limit, he is automatically considered resigning and he is supposed to manage his replacement in the terms envisaged by these by-laws.

The Board of Directors can also name among its members, if he considers it useful, a Vice-President, instructed to chair, in the event of the President's prevention, the meetings of the Board of Directors and the stockholders general meetings.

The president and the Vice-President are appointed for a duration which cannot exceed that of their assignment as Director. They are re-eligible subject to the provisions relating to the age limit of their functions. The Board of Directors can constantly terminate their functions.

In the event of absence or in the event of the President's and the Vice-President prevention, the Board, at each meeting, appoints that of its attending members who is supposed to chair the meeting.

The President represents the Board of Directors. He organises and directs the work of the Board, of which he reports to the stockholders general meeting and carries out his decisions. He takes care of the smooth operation of the bodies of the Company and makes sure that Directors are in a position to fulfil their functions.

(e) Article 18, replacement of the previous text by the following text:

### **Article 18 - Board of Directors - PROXIES**



1°/ In accordance with the provision of article L. 225-1 of commercial law , the executive management of the company is fulfilled, under its liability, either by the President of the Board of Directors, or by another individual appointed by the Board of Directors and having the title of Chief Executive Officer.

The choice between these two methods of executive management is made by the Board of Directors at the time of the appointment of his President. Stockholders and the third-parties are informed according to the laws and regulations in force.

The resolution of the Board of Directors relating to the choices of the method of the executive management is taken by a majority of the attending Directors or counted as.

The option retained by the Board of Directors can be questioned only at the time of the renewal or at the time of the replacement of the President of the Board of Directors or on the expiry of the assignment of the Chief Executive Officer.

The change of method of executive management does not involve any amendment of the by-laws.

2°/ When the Board of Directors chooses to split the President's and Chief Executive Officer functions, it conducts the appointment of the Chief Executive Officer, the duration of its assignment which cannot exceed that of the President's assignment, determines the methods of its remuneration and, if necessary, the limitations of its powers.

To fulfil his functions, the Chief Executive Officer is not be supposed to be over 80-year old. When the Chief Executive Officer reaches this age limit, he is automatically considered resigning and he must be replaced according to the provisions of the by-laws.

The Chief Executive Officer is revocable constantly by the Board of Directors. When the Chief Executive Officer is not also President of the Board of Directors, his revocation can give rise to a damage claim, if this resolution is not based on fair grounds.

3°/ The Chief Executive Officer is invested of the widest powers to operate in any circumstance on behalf of the Company. He uses these powers within the limits of the purpose of the Company as provided in its by-laws and subject to those that the Commercial law allots expressly to the stockholders' meetings and to the Board of Directors.

The Chief Executive Officer represents the Company in its relations with the third-parties. The Company is even committed by the acts of the Chief Executive Officer which does not comply with the purpose of the company, unless it proves the third-party knew that the act exceeded this purpose or that he could not ignore it in view of the circumstances, being excluded that the sole publication of the by-laws would be enough to prove it.

When the executive management of the Company is fulfilled by the President of the Board of Directors, the provisions of this paragraph 3°/ relating to the Chief Executive Officer are applicable to him.

4°/ on a proposal of the Chief Executive Officer, the Board of Directors can appoint one or more individuals instructed to assist the Chief Executive Officer and having the title of Deputy Chief Executive Officer.

The maximum number of the Deputy Chief Executive Officers is set to five.

For the exercise of his functions, a Deputy Chief Executive Officer is not supposed to be over 85 year-old. When a Deputy Chief Executive Officer reaches this age limit, he is automacialy considered resigning and he must be replaced according to the by-laws.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and the duration of the powers granted to the Deputy Directors-General and the methods of their remuneration.

With regard to third-parties, the Deputy Chief Executive Officers have the same powers than the Chief Executive Officer.

In the event of termination of the functions or of prevention of the Chief Executive Officer, the Deputy Chief Executive-Officers preserve, except contrary resolution of the Board of Directors, their functions and attributions until the appointment of a new Chief Executive Officer.

When the executive management of the Company is fulfilled by the President of the Board of Directors, the provisions of this paragraph 4°/ relating to the Chief Executive Officer are applicable to him.

- (f) Article 19, replacement of the previous text by the following text:

**Article 19 - REMUNERATION OF THE DIRECTORS AND OF BOARD OF DIRECTORS**

1°/ the stockholders General meeting can grant to the Directors, in remuneration of their occupation, a, fixed and annual lump sum, as attendance fees. Their amount of which is carried in operating expenses of the Company.

The Board distributes this amount freely between its members.

2°/ the remuneration of the President of the Board of Directors, of the Chief Executive Officer and of the deputy Directors-General are set by the Board of Directors as well as, if necessary, that of the Director delegated in the President's functions, in the event of temporary prevention of the President or in the event of his death.

3°/ It can be allocated by the Board of Directors exceptional remunerations for the specific assignments entrusted to the Directors; in this case, these remunerations are carried in operating costs and are submitted for approval to the stockholders general meeting in the terms provided for in articles L. 225-38 to L. 225-42 of the Commercial law.

4°/ No other remuneration, permanent or not, can be allocated to the Directors, except if they have an employment contract with the Company.

- (g) Article 20, replacement of the previous text by the following text:

**Article 20 - TRANSACTIONS BETWEEN THE COMPANY AND A DIRECTOR OR A (DEPUTY) CHIEF EXECUTIVE OFFICER**

Any transaction coming directly or by interposed person, between the Company and its Chief Executive Officer, one of its Deputy Chief Executive Officer, one of its Directors, one of its stockholders who holding a fraction of voting rights higher than 5% or, if the stockholder is a legal person, the company which is controlling it within the meaning of the article L. 233-3 of the Commercial code, should be be subject to preliminary authorisation of the Board of Directors.

The same is true for transactions to which one of the persons as referred to in previous sub-paragraph is indirectly interested.

Are subject to prior authorisation too, transactions between the Company and another company, if the Company's Chief Executive Officer, one of the Company's Deputy Chief Executive Officers or one of the Company's Directors are owner, partner, Officer,, Director, member of the board of trustees or, in a general way, executive manager of this another company.

The interested party is required to inform the Board as soon as he is informed of a transaction to which the here-above provisions are applicable.

The here-above provisions are not applicable to the transactions dealing with the current course of the company and contracted with regular terms. However these transactions are communicated by the interested party to the President of the Board of Directors. The list and the object of the aforesaid transactions are communicated by the President to the members of the Board of Directors and to the auditors. Article 26, removal of the last paragraph

Removal of Articles 32 and 33 becoming without object

### III. of the competence of Stockholders' Ordinary and Extraordinary General meeting

#### TENTH RESOLUTION

The stockholders general meeting grant all powers to the Board of Directors and to its President, with faculty of delegation, to fill in all the legal formalities of publication relative to the present stockholders' meeting, as well as to the carrier of an original, of an extract or of a certified copy of the minutes reporting its resolutions, in order to conduct all formalities prescribed by the law dealing with the present stockholders meeting..

## 6 RECENT DEVELOPMENT AND OUTLOOK

### 6.1 RECENT DEVELOPMENT

Despite a substantial increase in sales of translation solutions targeted to the Corporate market, which are SYSTRAN's core business, the Company reported a decrease in global revenue for the first quarter, as compared with the same reporting period in 2001. Due to a lengthy pre-sales process associated with Corporate sales and to the anticipated product upgrade releases, many projected sales are currently pending.

in Millions of €	2002	as % of total	2001	as % of total	Change 02/01
Corporate & Portal Solutions	0.7	43.4	0.5	18.7	+52.8%
Software Publishing	0.5	29.7	0.8	33.7	(41.7%)
Development Contracts	0.1	5.8	0.5	19.3	(80.3%)
Services to Administrations	0.4	21.1	0.7	28.3	(57.8%)
<b>Consolidated Revenue</b>	<b>1.7</b>	<b>100%</b>	<b>2.5</b>	<b>100%</b>	<b>(34.0%)</b>

Based on the scope of consolidation used in 2001, the Revenue for Q1 2002 amounts to 1,5 Million € compared with 2,5 Million € for Q1 2001, reflecting a decrease of 40.6% in sales.

#### Increase in sales of Corporate & Portal Solutions continues

The renewal rate of the Corporate & Portal annual licenses is close to 100%. This positive rate creates a recurring revenue stream that confirms the adoption of SYSTRAN solutions and products by global corporations, all today confronted with the challenge of managing multilingual issues company-wide.

Nevertheless, quarterly sales remained weak within a shadow of imminent sales and growing inquiries.

Sales for the Software Publishing business unit have notably decreased, due to the anticipated release of new upgrades for all desktop products. These sales are projected to begin during the second quarter.

## 6.2 SYSTRAN'S OUTLOOK

The Corporate & Portal business unit expects the continued rise in inquiries from corporations leading to an increase in sales to the corporate market in 2002. As noted previously, full-scale project sales to corporations undergo an average six-month pre-sales cycle. It is important to note that the sales cycle to the Corporate market is much longer than the sales cycle to the Portal market, and SYSTRAN began developing its sales infrastructure to the Corporate market in late 2000. As the corporate market has proven to be more established and solid, the Company believes its investment in building this foundation will lead to sustainable growth.

The Software Publishing business unit anticipates that it will profit from the upgrade releases in all desktop products during the second quarter. The upgrades include tangible improvements and technology innovations from SYSTRAN's R&D. Accordingly, business unit sales are expected to increase during the second semester of 2002.

Services to administrations and development contracts are expected to record an increase in sales as well during the subsequent quarters. New project orders have already been booked during the last few months and will begin in April and in July. This recovery of sales will allow the Company to attain similar sales levels in 2002, as compared with sales from year-end 2001.

Consequentially, SYSTRAN now expects first semester 2002 sales to decrease, as compared with the same reporting period for 2001. This due to pending sales in the Corporate & Portal business unit as well as soft sales for retail desktop products sales during this reporting period. Accordingly, the Company will continue to streamline costs during the second quarter of 2002.

The outlook and forecasted growth remain a significant factor at this time, demand for high-end automated translation solutions for the global corporate market, an emerging market, has never been higher. In addition, the recent industry-related restructuring of competitors will allow SYSTRAN to increase its market share.

### 6.2.1 The strategy of development of SYSTRAN

The Group will continue in 2002 the development strategy which was initiated in 2000,

#### *Software publishing (shrink-wrapped products)*

**Software publishing - OEM:** SYSTRAN technology is particularly tailored to the constraints of OEM integration, insofar as it integrates simply into other applications.

According to the successful example with the game "Ultima online" from Electronic Arts, SYSTRAN concluded a sale with SONY on-line Entertainment to embed its technology into the web-based game platform launched for the users of the PlayStation2. This new success will push SYSTRAN to duplicate this template to the profit of numerous multimedia publishers who expect to develop their commercial offer on the Internet and to the PC manufacturers

**Retail software publishing:** SYSTRAN predicts strong growth of its general public software sales in view of the democratisation of the computer-based translation tools on the Internet. Sales will profit in 2002 from the release of a new range of products including significant innovations. Moreover, SYSTRAN will widen its geographical cover, in particular in Greece and in the Netherlands thanks to the release of translation softwares for Windows into Greek and into Dutch.

#### *Corporate and Portal solutions*

**Corporate solutions:** SYSTRAN relies on on a strengthened commercial structure and on partnerships with integrators, consultancy companies and professional software publishers who allow SYSTRAN to develop its offer of customized solutions to Fortune 500 Companies: this offer includes the SYSTRAN Intranet Server platform and an ASP offer being based on the extranet of translation of SYSTRAN: "Com SYSTRANet".

The strong trend noticed in 2001 in the request from the companies, will be confirmed with the return of an economic environment favourable to investment.

## Portal solutions (*portal*, Internet Service Providers, "e-tailers", Web sites)

As part of its offer on the Internet, the Company:

- will develop the sale of customized solutions to companies in particular for the web-based technical support thanks to its SYSTRAN WebServer offer and thanks to its customization services ;
- will continue to provide its technology to the most significant *Portals* in terms of audience or of notoriety in order to impose SYSTRAN. This strategy was already largely engaged thanks to the signing of the contract with Altavista, AOL, Apple, Compuserve, Google, OracleMobile.com and others.
- will propose integrated and customized translation solutions to all the sites with content or e-commerce sites requesting for an offer of computer-based translation (*SYSTRANLinks Silver and SYSTRANLinks Gold* offer). The customization proposed by SYSTRAN is a determining factor in the policy of development of this activity. Although it still remains not very significant in the global sales, SYSTRAN is recording a clear progression of its sales on this segment for a year, which confirms the adequacy of this service offer (ASP).

### *Services provided to the major administrations*

SYSTRAN will continue its activity of services provided to the administrations. The Company will reinforce gradually its activity towards the domestic administrations of the Member States of the European Union, because although these administrations benefit from the right to use SYSTRAN for free, the customization is always a chargeable service. New invitations to tender are appearing for a few months which confirm the dramatic renewal of interest for our technology. SYSTRAN is well placed to benefit from these new opportunities.

In the United-States the Department of Defense renewed its confidence with SYSTRAN by concluding in 2001 a new 5-year-old framework contract covering a total budget of 7 Million US Dollars. As part of this, SYSTRAN recorded a progression compared with last year of its confirmed backlog of orders to be delivered in 2002.

### *Development contracts*

The development contract policy will be continued in the following years, to the extent where it allows the Company to develop new applications.

## 6.2.2 SYSTRAN's expenditure and investment program over the period 2002-2003

SYSTRAN will focus its efforts in the coming years on:

- strengthening its research and development program, either internally, or through external growth
- continuation of its commercial effort in direction of the major companies

## Sales & marketing

**Reinforcement of the commercial team** for the development of the Corporate & Portal Solutions. For several months, the Company has strengthened its teams in charge of selling and marketing its new offers of products and services to the large accounts.

**Development of reseller networks:** SYSTRAN will continue its internationalisation policy according to the opportunities offered by the markets and local partners.

**At technological level,** SYSTRAN has a real lead. The technical advantages and synergies provided by the purchase of competitors are definitely relevant only if they also give access to complementary markets. Apart from SYSTRAN, little of companies present this duality.

SYSTRAN intends nevertheless to look with interest the opportunities which would come up as a consequence, generally speaking of the current economic situation, and in particular to the current competitive landscape of the company's industry (see chapter 3.2.5).

### 6.2.3 The sources of current and future incomes of SYSTRAN

2001 confirmed the excellent basis of the markets of SYSTRAN on the segment of the major companies. Then the growth of the group will come mainly from the development of the sales to the large accounts (Corporate & Portal solutions) and, to a lesser extent, from the activity of shrink-wrapped products (Software Publishing) .

The renewal of interest recently noticed by SYSTRAN on its historical activity of the services to the administrations allows to predict a increasing weight of this segment in the total revenue.

#### Distribution of the revenue of the SYSTRAN by activity (2001-2003)

Activity	2001 (M€)	2001 (%)	2003(p)(%)
Software publishing	2.5	31%	30-35%
Corporate & Portal solutions	2.9	35%	50-55%
Development contracts	0.8	10%	5-10%
<b>Revenue from new activities</b>	<b>6.2</b>	<b>76%</b>	<b>85-90%</b>
Services provided to the administrations	2.0	24%	15-20%
<b>Revenue from traditional activities</b>	<b>8.2</b>	<b>24%</b>	<b>15-20%</b>

Source: SYSTRAN

### 6.3 TIMETABLE OF PUBLICATION OF THE FINANCIAL REPORTS

Revenue of the 1st quarter of 2002	Tuesday 23rd of April 2002
Revenue and results of the 1st half of 2002	Thursday 25th of July 2002
Revenue of the 3rd quarter of 2002	Tuesday 22 <sup>nd</sup> of October 2002
Revenue and results of the financial year 2002	Thursday 6 <sup>th</sup> of February 2003
Revenue of the 1st quarter of 2003	Thursday 24 <sup>th</sup> of April 2003

## **GLOSSARY OF THE TERMS USED**

Internet Service Provider; company supporting the Internet users a logon to the Internet network: Club-Internet AOL, Compuserve Free Wanadoo are Internet service providers.

Intranet: Internal network using the communication protocols and sometimes the Internet navigation tools.

OEM: Original Equipment Manufacturing: term used in the computer field to designate the package manufactured by a company to be incorporated into the package manufactured by another company which markets the package assembled under its own brand.

Language pair: computer-based translation terminology designating the couple formed by a source language (to be translated) and a target language (translated). Example: from French into English.

Portal: general practitioner Web site the vocation of which is to support a panel of current services (directory, research, knowledge base, e-mail, forums, etc) to the Internet users who often makes the home page of them by default of their browser thus constituting an entrance door on the Web (this explains the use of the word "Portal"). AltaVista, AOL Google Lycos Yahoo! are Internet portals.

"Powered by SYSTRAN" means that application is supported by SYSTRAN. It can be exploited either by SYSTRAN or by a customer or partner.