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1 PRESENTATION OF THE SYSTRAN GROUP

1.1 PRESENTATION OF THE GROUP

SYSTRAN is the world leader in automated translation software having a significant presence on the European and US markets. The Group enjoys several assets as a result of its intensive Research and Development and a presence of more than 30 years on the market.

SYSTRAN holds key positions in its two areas of operation:

- Software Publishing
    - For the public at large;
    - For businesses;
    - For major Internet *Portals*;
- Professional Services:
    - To businesses
    - To European and US Government

For several years, SYSTRAN has been selling its translation technology to major *Portals* (Google, Yahoo!, Orange, Lycos, etc.) and thus supplies the largest share of automated translation on the Internet.

In addition to its direct sales to the public via download from its website, SYSTRAN implements an indirect commercial policy that relies on a network of distributors and specialised resellers.

SYSTRAN pursues a permanent Research and Development effort and each year it launches new language pairs to extend its services, the largest on the market.

SYSTRAN S.A. is the parent company of the SYSTRAN Group.

1.2 SYSTRAN GROUP KEY FIGURES

1.2.1 Income

In thousands of euros	2006 *(1)*	2005 *(1)*	2004 *(1)*	2003 *(2)*	2002 *(2)*
Revenue	**9 342**	10 113	10 189	11 201	8 271
Current operating income	**1 173**	3 238	2 942	3 080	(766)
Operating income	**1 234**	3 352	2 758	2 945	(820)
Pre-tax income	**1 253**	4 195	2 713	2 647	(1 676)
Net income from consolidated companies	**1 085**	3 061	2 679	2 651	(1 563)
Net income per share (in euros) *(3)*	**0,11**	0,31	0,27	0,25	(0,16)
Shareholders equity	**22 653**	22 122	18 442	21 479	19 373
Financial indebtedness	**287**	236	263	239	404
Cash	**10 169**	10 909	7 995	7 190	1 699

(1): According to international accounting standards (IFRS).

(2): According to French accounting standards the figures for years 2002 and 2003 are the figures reported in compliance with the financial reporting framework in force at that time. Current operating income corresponds to operating income and current income corresponds to current income

(3): The notes to the consolidated financial statements of 31 December 2004 (cf. paragraph 3.4 note 6.4) give exact details of the method used to calculate net earnings per share.

1.2.2 Market capitalization

(millions of euros)	2006	2005	2004	2003	2002
Market capitalization	36,3	34 ,7	39,8	25,2	12,6

Source: SYSTRAN Company

1.3 CHRONOLOGY

1.3.1 The origin of SYSTRAN: Development of machine translation systems (MT) for the governments of the United States and Europe.

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

In 1968, Dr. Toma created a company in La Jolla (California, United States) with software called SYSTRAN, the acronym for SYStem TRANslation. Shortly afterwards, the company was chosen to develop the Russian-to-English system for the US Air Force. The first system developed by SYSTRAN was tested in early 1969 at the Wright-Patterson Air Base in Dayton (Ohio, United States), and since 1970 the system has been supplying translations for the Foreign Technology Division of the US Air Force. In 1996, SYSTRAN thus signed a contract with the US National Air Intelligence Center to develop several East European language pairs. During the conflict in Yugoslavia, SYSTRAN developed the first Serbo-Croat-to-English system for the US government.

SYSTRAN’S patented technology was also used by NASA for the US-Soviet Apollo-Soyouz project in 1974-1975. This historic event laid the groundwork for implementation of an initial English-to-French prototype for the European Commission. Shortly afterwards, SYSTRAN was chosen by the Commission to provide translation systems for all European language pairs. Currently, the Commission and numerous European institutions are using 17 SYSTRAN translation systems.

1.3.2 From “mainframe” Systems to personal computers (PC) and business applications.

In 1992, SYSTRAN began migrating its technology for use on personal computers and public or private networks.

Thus in 1997 SYSTRAN launched SYSTRAN PROfessional for Windows in a standalone release for PCs and a Client/Server release. Since 1997, the Company has marketed six new software packages intended for home and corporate use.

In 1997, SYSTRAN signed a licence agreement with SEIKO Instruments, Inc. to support dictionaries for SEIKO’s pocket translators. Pursuing this integration strategy, SYSTRAN provided its technology in late 1998 to the first online game publisher, ELECTRONIC ARTS, for its game "Ultima online: The Second Age".

In 2001, SYSTRAN developed a translation solution for the SONY Web-based games platform.

1.3.3 The development of translation on the Internet

In early 1998, SYSTRAN made the Internet community aware of the usefulness and capabilities of machine translation by providing its technology for the AltaVista translation service: Babelfish.

By late 2002, SYSTRAN was used on most major Internet Portals: Yahoo!, Google, Altavista, Lycos, Wanadoo, Voila, Free, etc.

1.3.4 SYSTRAN: Software publisher of machine translation

Since 2002, SYSTRAN has implemented a development strategy based on the sale of products while continuing its historical activities as a service provider to major US and European government agencies.

SYSTRAN has extended its services and now markets products for PC, business solutions and on-line services. Moreover, it continues to provide services to major Internet *Portals.*

SYSTRAN continues to invest in research and development, offering more linguistic combinations each year, improving translation quality, and ensuring compatibility with the market product leaders. Thus, with the launch of Version 6 in January 2007, SYSTRAN began marketing a product compatible with the new Windows VISTA operating system and supporting 14 new language pairs.

To develop this activity, SYSTRAN has implemented an aggressive marketing strategy by developing product sales via download and by reinforcing its distribution network.

1.3.5 Legal background

1986: GACHOT SA, a French company, having as it principal activity industrial valves, fittings and fluids control, acquires both US companies, STS (formerly WTC) and LATSEC, the developers and sole owners of the SYSTRAN technology, as well as a 75% stake in the German company SYSTRAN INSTITUT GmbH.

The period from 1986 to 1988 was devoted to developing the system and SYSTRAN'S linguistic assets.

1989: In order to ensure efficient development, it was decided to give its Machine Translation activity an independent operational and legal structure. GACHOT S.A. then transferred a portion of the assets from its "Translation" division to SYSTRAN S.A. This contribution is offset by the issuance of SYSTRAN S.A. shares to GACHOT S.A., which upon completion of this operation, now holds a 99.9% stake in SYSTRAN S.A.

1992 (February): SYSTRAN S.A. is listed on the OTC Market of the Paris Stock Exchange.

1994 (November): GACHOT S.A. transfers the shares of SYSTRAN S.A. that it holds to its shareholders. From this point on, the two companies no longer have any direct legal affiliation.

1995 (August): To rationalise and reduce administrative costs, LATSEC took over STS. The new entity resulting from the merger will take the corporate name SYSTRAN SOFTWARE Inc. (SSI).

1998: SYSTRAN S.A. becomes affiliated with the Luxembourg Corporation TELINDUS Luxembourg S.A. and its managers, in a new corporation called SYSTRAN Luxembourg S.A., which works primarily with European government entities and especially the European Commission.

In December 1998, TELINDUS sells its shares in SYSTRAN Luxembourg S.A., i.e. 30% of the capital stock, and SYSTRAN S.A. reduces its interest in its Luxembourg subsidiary company to 78.4%.

2000 (March): SYSTRAN S.A. repurchases a minority shareholding stake in SYSTRAN Luxembourg S.A.

1.4 THE WORLD TRANSLATION MARKET

1.4.1 The Globalisation Market

The world market for Globalisation services includes different businesses:

- Internationalisation services, which include all services relating to software internationalisation, Web services and content
- Localisation services, which include all services relating to the translation of websites and interfaces
- Human translation
- Interpreting services: These mainly consist of services providing simultaneous or consecutive translation of speeches, conferences, etc.
- Globalisation software comprising all automatic translation software and translation support software.

Market growth in these different segments is shown in the following table.

BUSD	**2005**	**%**	**2007 (p)**	**%**
Internationalisation	74,8	*1,1%*	91,1	*1,0%*
Software localisation	933,6	*13,8%*	1 144,2	*12,8%*
Website localisation	1 119,6	*16,6%*	2 026,3	*22,7%*
Human translation	4 190,5	*61,9%*	5 133,1	*57,4%*
Interpreting services	377,4	*5,6%*	430,6	*4,8%*
Globalisation software	70,3	*1,0%*	119,4	*1,3%*
World translation market	**6 766,2**		**8 944,7**	

Source: IDC.

This clearly shows that most growth is derived from the development of localisation and translation services, which in turn is mainly due to the solid increase in the volume of content published by business.

These increased translation and localisation volumes cause capacity problems, however, which can only be solved through greater use of machine translation software.

1.4.2 Machine translation

Machine translation is divided into two main branches of application: those intended to help in understanding content in a foreign language, and those intended to publish content in a foreign language.

Understanding

This market is dominated by free translation services available on the Internet, which translate more than 30 million pages daily. These services, which have been adopted by all the Internet *Portals* and search engines, enable millions of Internet users to access on a daily basis pages that would otherwise be incomprehensible.

Faced with this need, businesses have decided to directly provide their employees with similar services that can be accessed directly via the corporate Intranet, by customising the software to perform translations based on the business context.

Publication

Today, machine translation goes to the heart of information systems. Internal and external corporate communications are strongly influenced by globalisation and the increasing use of electronic media (e-mail, Intranets, extranets, and Web sites).

International businesses feel linguistic barriers even more sharply as national barriers to commerce disappear.

To meet this need, SYSTRAN offers integrated translation solutions and linguistic customisation, integration and training services.

Moreover, demand is no longer limited only to translation departments but also extends to IT, Marketing and Communications departments, all of which strive to enable their users to acquire information in real-time without incurring human translation costs. This change in mentality encourages us to expect very robust sales growth in this market segment.

Machine Translation and Human Translation

Human translation poses three major problems that limit its use and the growth of the market:

- Time: a human translator translates on average 2,000 words per day
- Cost: the cost averages EUR 40 per translated page
- Capacity: the volumes of information available electronically are beyond the capacities of human translators.

In view of these constraints, machine translation is a technology that cannot be ignored in addressing this new demand. On the one hand, it offers human translators considerable gains in productivity. On the other hand, it means that documents that otherwise could not have been translated can now be translated.

New Applications

With the growth of the Internet and search engines, new applications are emerging. In particular, the first-generation of large engines based on statistical technologies will be replaced by second-generation search engines that can handle multilingual document databases. It is with this in mind that Google has begun research and development work on automated processing of languages in general, and machine translation in particular.

Technology

Machine translation is translation by computer from one natural language into another. The grammatical structure of each language is analysed using precise rules to transfer the source language (text to be translated) to the target language (translated text). In view of the complexity of natural languages, the development of translation software is a very complex process that requires a continuous effort:

- Each language has its own structure - this is the asymmetry of languages;
- There are numerous grammatical combinations and stylistic variations in each language, and the number of combinations increases as sentences become more complex;
- Translation software is incapable of understanding the meaning of a sentence. It has to use information already integrated into the software.

In order to develop a translation system, bilingual linguistic resources must be built and analysed, the grammatical, syntactic and semantic rules of the source language and target language must be described, and algorithms created. This requires a high level of expertise in computational linguistics.

Given the amount of development costs, translation systems have long been reserved for major public agencies or governments. The METEO system (a translation system for English-French and French-English weather reports), developed in Canada in 1977, illustrated the utility of an application to a limited field where translation was very effective. In 1993, the number of words translated via computer by large-scale users was estimated at 380 million per year. This included the European Union, which alone translated 30 million words in thirteen language combinations using SYSTRAN. This data more than doubled in 1998, to over 70 million words.

Extremely high investments are required to develop a translation system, but SYSTRAN possesses considerable competitive advantages since it offers the widest range of language pairs currently available.

1.4.3 **Competitors**

The machine translation market is characterised by high barriers to entry given the investment required and the development time needed for software implementation.

The potential of seeing newcomers entering the market is therefore relatively low, while the likelihood of the formation of strategic alliances is quite high.

Given the barriers to entry, the competitive landscape for SYSTRAN is barely changing, even if new players have appeared over the last few years:

- Language Weaver, Inc., was incorporated in the United States in 2002, receiving start-up capital from In-Q-Tel, an investment fund,
- Microsoft has been conducting research in the domain for several years,
- Google has launched a colossal machine translation software development programme, based on so-called “statistical” approaches.

Apart from these newcomers, the longstanding market players remain unchanged:

- In the spring of 2001, IBM launched a server-based translation solution, "WebSphere Translation Server", offering 11 language pairs;
- Logomedia, a subsidiary of Language Engineering Corp., is seeking to develop its business in the North American market, with limited success.
- In early 2001, SDL International, a British human translation company listed on the London Stock Exchange (code: SDL) took over the “Transcend” translation activity of Transparent Language, a US-based company.
- The German company "Sail Labs," founded in 2001, acquired the assets of Lernout & Hauspie, went bankrupt in February 2002, and then merged with two other Swiss companies to form Comprendium.
- The Russian company Prompt, which markets translation software for Windows to the general public in France through the French company, Softissimo (Reverso software).

1.5 SYSTRAN'S ASSETS

In this respect, SYSTRAN has four major advantages, namely:

- Its offering of 54 language pairs, the widest on the market, which enables it to develop new language pairs more quickly,
- The uniformity and adaptability of its technology, making it possible to optimise use and produce a diverse range of solutions, from a Pocket PC to a large server system.
- The quality and robustness of its systems, capable of dealing with high service demands for translation on Internet portals.
- The richness and scope of its linguistic databases, accumulated over a period of 30 years.
- Its long experience in linguistic customisation to meet customer needs.

SYSTRAN’s principal assets are its capital of linguistic resources, the quality and reliability of its translation engines, the portability and intuitiveness of its products and its considerable customer base.

SYSTRAN has unparalleled intangible capital, constituted by its significant number of translation engines incorporating numerous language combinations, rules and specialist terminological dictionaries.

SYSTRAN's assets include over 54 language pairs and numerous specialised subject dictionaries, which are the result of 40 years of research and development co-financed by governments and multinational corporations.

When it launched Version 6 in January 2007, SYSTRAN introduced 14 new language pairs to the market.

SYSTRAN is recognised for the quality of its software.

Since its inception, SYSTRAN has been a service provider to public agencies whose principal objective is the quality of the translations:

- The European Commission,
- The US Department of Defense.

Since the beginning, various translation systems have been positioned in the general market as tools for comprehension that are easy to use and with no claim as to the quality of the translations. The price of SYSTRAN software also reflects its distinct positioning in relation to its competitors.

SYSTRAN has also developed powerful linguistic customisation tools, thanks to its IntuitiveCoding technology, enabling users to build linguistic resources to produce translations that are as accurate as possible.

Thanks to sustained investment in Research and Development, SYSRAN is able to continuously improve the translation quality of its software for each available language pair. This effort is coupled with significant investment aiming at widening the number of language pairs offered. Thus, with Version 6, SYSTRAN offers 14 additional language pairs.

List of language pairs developed by SYSTRAN:

Europe	Asia	Middle East
English <> French	English <> Simplified Chinese	English <> Arabic
English <> Spanish	English <> Traditional Chinese	French <> Arabic (1)
English <> German	English <> Japanese	English < Farsi (1)
English <> Dutch	English <> Korean	English < Hindi (1)
English <> Italian	French <> Chinese (1)	English < Urdu (1)
English <> Portuguese	French <> Japanese (1)	
English <> Swedish	Japanese <> Korean (1)	
English <> Greek	Japanese <> Chinese (1)	
English <> Russian		
English <> Polish		
English < Danish (1)		
English <> Finnish (1)		
English <> Norwegian (1)		
English <> Hungarian (1)		
English <> Czech (1)		
Albanian > English (1)		
Serbo-Croat >English (1)		
French <> Spanish		
French <> German		
French <> Dutch		
French <> Greek		
French <> Italian		
French <> Portuguese		
French <> Polish (1)		
Hungarian > French (1)		
Spanish <> German		
Spanish <> Italian		
Spanish <> Portuguese		
German <> Italian		
German <> Portuguese		
Italian <> Portuguese		

(1) not available for sale

List of specialised dictionaries developed by SYSTRAN:

Aeronautics	Shipping
Business	Mathematics
Farming and food industry	Mechanics
Automobile	Medicine
Chemistry	Metallurgy
Defence	Photography
Law	Nuclear physics
Economics	Politics
Electronics	Earth Sciences
Information Technology	Life Sciences

Source: SYSTRAN S.A.

The technology choices implemented by SYSTRAN address principles of consistency and transparency that allow rapid development of new language pairs, easy integration with market standards, and complete portability of products, from the Pocket PC to large server systems.

All language pairs use the same translation engine, making it possible to optimise system use and administration. Since SYSTRAN has not grown by acquiring various technologies, it has developed all language pairs using its own methodology, hence its integrated, uniform and easy-to-manage solution.

Its modular architecture allows the creation of a new language combination within a very short time. Indeed, over the past two last years, SYSTRAN has dedicated most of its Research and Development efforts to rationalising the development cycle and customising its technology in order to be able to offer professional solutions within deadlines tailored to its customers' new constraints.

SYSTRAN software comprises very advanced linguistic processing modules that enable it to be integrated into office automation suites like Microsoft Office, as well as into real-time computer processes such as document research and analysis, or updating and multilingual processing of databases.

One of SYSTRAN's major assets is the size of its installed base.

SYSTRAN is the system used by the European Commission and European institutions, NAIC, US intelligence agencies, the US Air Force and numerous public service agencies in Europe and the United States, all of which benefit from perpetual use licences in exchange for recurring financing.[1]

SYSTRAN innovated in 1998 by launching the first Internet translation service in partnership with AltaVista. Since then, SYSTRAN has been supporting virtually all Internet *Portals* that have incorporated machine translation, as well as thousands of Web sites with permanent links to "Powered by SYSTRAN" sites. SYSTRAN technology has proven its worth in environments as demanding in terms of traffic as the AltaVista, Yahoo!, Apple, Google and Lycos search engines. Today there are millions of SYSTRAN users on the web.

The user base for PC products numbers in the tens of thousands.

SYSTRAN is also widely used by corporate customers in both Europe and the United States.

1 Including language and data processing developments

1.6 SYSTRAN'S ACTIVITY

Currently considered the premier global provider of translation solutions (Source IDC, 2004), SYSTRAN offers its customers a full range of software and services.

Building on its "historical" business of providing services to European and United States government entities, SYSTRAN has been growing its software publishing business for home and professional markets since 1997. Today, it accounts for over 66.8 % of corporate revenue.

Thus in 2006, SYSTRAN's software publishing operations represented 6.2 million euros, broken down as follows:

- Desktop Products, generating 2.3 million euros in sales;
- Server Products, generating 3.1 million euros in sales;
- On-line Product, generating 0.6 million euros in sales;
- OEM accounts for 0.2 million euros in sales.

1.6.1 Software Publishing

SYSTRAN publishes a full range of software products for personal (Desktop) and Client-Server use, and operates e-Services for both companies and the general public. In addition, SYSTRAN continues to supply its translation technology as part of OEM agreements.

Desktop products

SYSTRAN sells Desktop Products for individual use directly from its Internet sites and via a network of distributors and public or professional resellers.

The Desktop product line comprises SYSTRAN Web Translator, SYSTRAN Home Translator, SYSTRAN Office Translator, SYSTRAN Business Translator and SYSTRAN Premium Translator, products that address the needs of general public, corporations and translation professionals.

This software is easily integrated into office systems applications by means of a Microsoft Office plug-in suite. Desktop products incorporate linguistic customisation tools, especially tools enabling users to create and import dictionaries.

Server Solutions

SYSTRAN develops integrated solution for corporate Information Systems:

- Intranet self-service translator (Saint-Gobain, OECD, Toyota, Dassault, etc.);
- Multilingual knowledge base lookup (Ford, Cisco, SWIFT);
- Multilingual catalogue publication (Manutan, etc.);

- Technological and business intelligence for foreign sources (Chemicals Abstracts, Symantec, Verizon).

The roll-out of this software is often coupled with customisation and integration services.

On-Line Services

SYSTRAN has developed a full range of on-line services to meet the needs of its customers who prefer to avoid hosting the software themselves.

This range of e-Services includes the SYSTRANBox, SYSTRANLinks and SYSTRANet services, for which SYSTRAN offers basic versions designed for home and small business users, as well as "Corporate" versions.

SYSTRANBox is used to translate text and web pages. The service is available on the Internet and is customised to meet individual customer needs.

SYSTRAN supplies SYSTRANBox to numerous well-known Portals such as Orange, Wanadoo, VoiLa, Terra, Lycos and Free, giving it a high profile on the Internet.

With the aim of expanding the adoption of SYSTRAN by the Internet community and establishing a large regular user base, SYSTRAN has developed SYSTRANLinks a Website translation service.

SYSTRANet is a translation service intended for users who want access to a customised service via the Internet, without, however, having to install the SYSTRAN software.

This free service is available from SYSTRAN at www.systranet.com and currently has 600,000 regular, registered users. It offers functionalities such as the translation of files while maintaining formatting, the use of specialised dictionaries (Information Technology, Law, Mechanics, Medicine, etc.) and the application of user-created dictionaries.

OEM

SYSTRAN has standardised its software and *Application Programming Interface* (API) and it can be integrated into all computer applications. SYSTRAN is developing OEM agreements with software publishers, integrators and computer manufacturers (Brother, SEIKO, Electronic Arts, OneRealm, SONY, etc.)

1.6.2 Professional Services

From the start, SYSTRAN has provided services to United States and European government entities seeking solutions for processing, extracting and translating large volumes of multilingual data.

SYSTRAN continuously develops new language pairs for the United States government and provides software maintenance and upgrades for the systems used by these public agencies.

The development of communications – particularly via the Internet – and increasing globalisation have given rise to a similar need for large companies that also want to benefit from these services.

Along with its conventional business of providing services to governments, SYSTRAN has developed a range of Professional services that meet the translation solution deployment needs of large companies.

The roll-out of a professional translation solution requires installation and integration services that are currently provided by SYSTRAN, but which in the long term should be provided by value-added reseller partners (VAR).

To address the quality problems of machine translation solutions, it is necessary to "customise" the system by providing it with information about the style of the documents to be translated and the specific terminology to be used.

Until now, the work required to adapt translations to a specific field was carried out entirely by SYSTRAN on behalf of its customers.

The range of new extraction, coding and updating tools available with SYSTRAN software now enables customers to perform some of these tasks.

If more substantial customisation work is required, SYSTRAN handles the analysis, creation and integration of specific terminology for its customers.

1.7 DESCRIPTION OF SYSTRAN'S ORGANISATION

1.7.1 Legal Organisation

The group's legal organisation chart as at 31 December 2006

Company	Stake (%)	Acquisition date	Staff	Equity	Business
SYSTRAN S.A. (France)	Parent company	-	36	15.20 MEUR	1. Software publishing and marketing 2. Professional services (European Companies and Government entities)
SYSTRAN USA (United States)	100%	03/1986	0	MUSD 0.05	Holding company. Holds 100% of SYSTRAN Software Inc.
SYSTRAN Software Inc. (United States)	100%(*)	01/1986	35	MUSD 4.05	1. Software marketing 2. Professional services (US companies and public agencies)
SYSTRAN Luxembourg S.A. (Luxembourg)	100%	1998	0	0.12 MEUR	Development contracts with European government entities.

(*) Indirect stake held by SYSTRAN USA

Voting rights identically correspond to the equity interest indicated in the table above.

No lending or fund advances have been granted by SYSTRAN S.A. to its subsidiaries.

1.7.2 Executive Management

The SYSTRAN Group is composed of three companies, SYSTRAN S.A. being the parent company heading up the group's functional, technical and operational management.

The Management Committee of the Group is composed of Mr. Dimitris Sabatakakis, President of SYSTRAN S.A., Mr Denis Gachot, Managing Director of SYSTRAN Software Inc., Mr. Guillaume Naigeon, Deputy Managing Director, and Mr. Jean Senellart, Director of the Research and the Development.

Dimitris Sabatakakis, Chairman and CEO. Born in 1962 in Athens, Greece. A graduate of 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 S.A., which was sold to the KEYSTONE/TYCO Group in 1995. Mr. Sabatakakis has managed SYSTRAN since February 1997.

Mr. Dimitris Sabatakakis as serves as Chief Executive Officer of SYSTRAN Luxembourg S.A. and Chairman of the Board of Directors of SYSTRAN Software Inc. .

Denis Gachot, CEO of SYSTRAN Software Inc. Born in 1951, Mr. Gachot graduated from the Ecole Fédérale Polytechnique de Zurich and began his career in industry. Since 1986, he has been managing SYSTRAN's US subsidiary.

Guillaume Naigeon, Deputy CEO. Born in 1972, Mr. Naigeon is a graduate of IEP (Institute of Political Studies) in Grenoble, has a DESS (postgraduate diploma) in Finance from the University of Paris – Dauphine and began his career in banking, before serving as CEO of Aurora from 1999 to 2001.

Jean Senellart, R&D manager. Born in 1972. Mr. Senellart graduated from the Ecole Polytechnique and holds a PhD in Computational Linguistics from the University of Paris VII – LADL. He began his career as a researcher and taught at the Ecole Polytechnique and University of Marne la Vallée.

1.7.3 Human resources

The group's employees are divided between France (SYSTRAN S.A.) and the United States (SYSTRAN Software Inc.), the operations of SYSTRAN Luxembourg S.A. having been discontinued.

SYSTRAN practices a policy of attractive compensation to draw the highest calibre employees.

Working hours differ for each company in the group and comply with applicable local labour laws.

Workforce

Most Group employees are engineers or computational linguists who have either graduated from major institutions or who hold PhD's.

Changes in the Group's average workforce (2004-2006)

Position	2004	2005	2006
Board of Directors	3	3	3
Computer experts (engineers)	15	19	22
Computational linguists (*)	32	21	28
Sales and marketing	7	9	12
Administrative	5	5	5
Payments per period	**62**	**57**	**70**
open-ended employee contracts, traineeships and internships	*3*	*3*	*3*
Average salary (thousands of Euros)	51	72	61

(*) a large number of linguists, particularly in the United States, are hired under open-ended employment contracts which may be terminated by the employer, as generally transpires upon completion of the projects to which they are assigned.

Changes in SYSTRAN S.A.'s average workforce (2006)

	Open-ended	Fixed term	Other	Total
Workforce at the start of the financial year	29	1	4	34
New hires	23	0	3	26
Terminations	19	1	5	25
Workforce at the end of the financial year	**33**	**0**	**2**	**35**

Organisation of Working Hours

Since 1 January 2002, SYSTRAN S.A. has implemented measures to reduce working hours pursuant to the Aubry 35-hour week laws, by directly applying the National Working Hours Agreement signed on 22 June 1999 within the SYNTEC Federation of IT workers.

Non managerial staff:

The average employee workweek is determined in hours according to Modality 1 (Article 2) of the SYNTEC agreement of June 22nd, 1999. Hours worked depend on the Collective Schedule (the so-called standard workweek), or an individualized workweek if needed. The Collective Workweek is 36.5 hours.

Workers also enjoy 8 hours of compensatory time off per year as part of the reduction in working hours and work a maximum of 1,600 hours per year.

Middle Management (Positions 1, 2 and 3)

Their average workweek is determined in hours according to Modality 2 (Article 3) of the SYNTEC agreement of June 22nd, 1999. Hours worked follow either the Collective Schedule (the so-called standard workweek), or an individualized workweek if needed. Their collective workweek is 38.5 hours, including 10 hours of overtime in compliance with the SYNTEC agreement, provided their salary is greater than both the monthly Social Security ceiling and the minimum collective wage. Workers also enjoy 8 hours of compensatory time off per year as part of the reduction in working hours and work a maximum of 219 days per year.

Exempt Management (Positions 3.2 and 3.3)

Their average workweek is determined in hours according to Modality 3 (Article 4) of the SYNTEC agreement of June 22nd, 1999. They do not depend on the Collective Schedule and enjoy 8 hours of compensatory time off per year as part of the reduction in working hours. They work a maximum of 219 days per year. This flat number of "days" is applicable provided that their monthly salaries is greater than or double the monthly Social Security ceiling.

The Special Case of Traineeships

The reduced workweek also applies to trainees. They are regarded as full-time employees since the total duration of the time devoted to work at SYSTRAN and the compulsory time devoted to schooling correspond to the working hours for full-time similarly employed SYSTRAN workers. Otherwise, they are considered part-time employees.

Stock options

The Ordinary and Extraordinary General Shareholders' Meetings of 6 March 2000, 9 November 2001 and 25 June 2004 authorised the Board of Directors to implement a stock option plan ("Stock Options") up to the current limit of 20% of the Company's capital, with this threshold being evaluated on the dates the stock options are granted by the Board of Directors. The Board of Directors meetings of 6 March 2000, 1 February 2001, 9 November 2001, 4 February 2002, 13 March 2003, 23 December 2003, 14 February 2006 and 27 July 2006 applied this authorisation as follows:

Status of stock options awarded to the Group's employees								Total
Date of the General Shareholders Meeting	**06.03.2000**		**09.11.2001**				**25.06.2004**	
Date of the Board of Directors meeting	06.03.00	01.02.01	09.11.01	04.02.02	13.03.03	23.12.03	14.02.06	
Total number of shares that can be subscribed or purchased	970 000	94 336	43 000	61 175	100 000	100 000	10 000	1 378 511
Of which, shares that can be subscribed or bought by members of the Executive Committee	500 000	-	28 000	-	100 000	100 000	10 000	738 000
Starting point for exercise of the options	06.03.05	01.02.06	09.11.05	04.02.06	13.03.07	23.12.07	14.02.10	
Expiration date	05.03.08	31.01.09	08.11.09	03.02.10	12.03.11	22.12.11	13.02.14	
Strike price (in euros)	7,6	4,6	1,64	1,94	1,21	4,61	3,93	
Conditions of exercise	Options will be permanently vested to the recipients only by equal thirds on the date of the 1st, 2nd and 3rd anniversaries of their granting by the Board of Directors and provided that, for each allocation, the recipient is still a Director or employee of the Company or of its subsidiaries.							
Number of subscribed shares as at 31 Dec 2006	-	-	57 000	18 825	-	-	-	
Closing number of exercisable options for the fiscal year	970 000	94 336	43 000	61 175	-	-	-	1 168 511
of which, options in the money	-	-	*43 000*	*61 175*	-	-	-	*104 175*
Movements during the period								
granted options							10 000	10 000
expired options	-	-	-	-	-	-	-	-
cancelled options	-	-	-	-	-	-	-	-
exercised options	-	-	42 600	18 825	-	-	-	61 425

Allocation of free shares reserved for employees and directors

No allocation of free shares reserved for employees and directors has been effected.

Profit sharing plans

None

Shares held by employees

None

1.7.4 Research and Development

One of SYSTRAN'S major advantages is its linguistic assets, which allow the rapid development of new language pairs and new specialised dictionaries.

SYSTRAN finalized the development of 14 new language pairs during the financial year which are marketed under Version 6.

The development of new language pairs, to be ready for release in 2008, continues throughout 2007.

Investments made in 2006 to development and assessment of statistical modules that are gradually being integrated into the complement of linguistic rules for traditional translation search engines are deemed successful. The first tangible result is the increase in the size of the SYSTRAN dictionaries, which have been permanently enriched thanks to automated information extraction process on the web.

In 2007, SYSTRAN will continue these investments, especially with the Universities of Edinburgh, Aachen and Quebec**.**

Parallel to this research, SYSTRAN continues centre its efforts on three axes: New generation translation engines, the development of linguistic customisation tools, and the development of new language pairs.

Self-Financed Research and Development

Self-financed outlays for Research and Development amounted to 1.4 million Euros in 2006, that is to say 15% of the consolidated sales turnover, and remained stable compared to the 2005 financial year. These outlays are composed primarily of external expenses and personnel costs.

These expenses are recognised as expenses for the financial year in which they are incurred and, accordingly, are not subject to any capitalisation into balance-sheet assets.

Co-Financed Research and Development

In the United States, SYSTRAN Software Inc. signed new contracts with the US government agencies to continue developing translation systems for Farsi and Urdu into English, and also to improve Asian language translation software.

In Europe, SYSTRAN did not participate in any development projects with the European Commission (IST, eContent, INCO-MED programmes) but continued to participate in projects financed by French government agencies. The cofinanced portion of these develop contracts in 2006 was less than 0.1 million euros, as was the case for 2005. SYSTRAN has not acquired new financing for 2006.

Research and Development expenses are treated in compliance with accounting standard IAS 38.

1.7.5 Premises

SYSTRAN owns no buildings or land. The premises rented by the group's two entities are owned by private companies with no legal or financial connection to SYSTRAN and/or its management.

List of premises occupied by SYSTRAN in 2006

Company	Address	Floor space	Annual rent
SYSTRAN S.A.	La Grande Arche, 1, parvis de La Défense - 92044 Paris La Défense - France	700 m^2	0.248 MEUR
SYSTRAN Software Inc.	9333 Genesee Avenue – San Diego - California – United States	600 m^2	MUSD 0.265

SYSTRAN S.A. has signed a statutory lease (3-6-9) for its premises in Paris La Défense. The rents are linked to the construction cost index.

The lease signed by SYSTRAN Software Inc. expires in October 2011. The rent is contractually indexed to a 3.0% increase through 11/11/11.

These leases do not impose any particular restriction on SYSTRAN.

1.8 ANALYSIS OF SYSTRAN RISK FACTORS

1.8.1 Technological Risk

SYSTRAN's success will partly depend on its ability to market machine translation solutions, and, in particular, software adapted to the needs of corporations, to respond in terms of time and cost savings to meet the increasingly specific needs of its present and future customers, to evolve and adapt to progress in technology, new IT standards, market conditions and new products deployed by its competitors.

However, the technology marketed by SYSTRAN has proven its quality since it was developed for government entities concerned with translation quality, such as the European Commission or the U.S. Department of Defense. The SYSTRAN technology has also demonstrated its ability to operate in an environment as demanding as the Internet. This technology migrated successfully from mainframes to personal computers and then to the Internet.

The Company does not believe it is in a situation in which it depends on holders of patents or licences, supply, commercial or financial contracts, new manufacturing procedures and suppliers, or the public authorities to any large extent.

1.8.2 Competition Risk

The machine translation market is in the gearing up and competitors such as IBM or the other software represents a serious competitor against SYSTRAN.

The market is, however, defended by major barriers to entry. In order to develop a machine translation system, linguistic resources and grammatical, semantic and syntactic analysers must be built and algorithms created. This therefore requires a high level of expertise in linguistics and information technology.

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

However, we note that in 2005 Google launched an ambitious research programme to develop machine translation software using statistics-based methods. The use of these new methods represents the greatest competitive risk.

1.8.3 **Legal Risk**

Generally speaking, computer programs are not patentable inventions. The Group retains all copyrights pertaining to its technology and products.

In January, 2007, SYSTRAN sought damages for the substantial harm it incurred before the Court of First Instance of the European Communities owing to infringement of copyright and disclosure of know-how.

SYSTRAN believes that status of litigation is not unfavourable and that the Court will rule in favour of the company. More detailed information is supplied in the addenda to the consolidated balance sheet.

Moreover, SYSTRAN has established a systematic policy to protect its brands worldwide.

1.8.4 Key Personnel Risk

The future success of SYSTRAN will depend retaining its marketing and technical staff. The group specifically depends on those engineers who specialize in developing the linguistic resources and engines. Until now, SYSTRAN has succeeded in attracting staff skilled in its traditional business as well as in its new activities through an ambitious development plan benefiting its employees.

1.8.5 Customer Risk

SYSTRAN'S principal clients are its Key Accounts (government entities and major corporations), from which there are no balances outstanding to date, and its resellers . For all other customers, SYSTRAN applies a policy of payment with order, to avoid this type of risk.

The share represented by the 10 largest customers in consolidated sales increased in 2006, compared as compared to 2005:

Rank	**2006**	**2005**	**2004**	**2003**	**2002**
Customer N° 1	18,5%	18,6%	14,8%	17,0%	10,9%
Customer N° 2	11,5%	11,9%	14,8%	13,5%	8,2 %
Customer N° 3	9,6%	9,7%	12,2%	8,7%	7,5%
Customer N° 4	8,5%	4,4%	9,9%	8,0%	7,0%
Customer N° 5	5,1%	3,3%	9,2%	7,1%	5,7%
Subtotal for the Top 5	53,3%	47,9%	60,9%	54,3%	39,3%
Customer N° 6	2,4%	3,3%	3,9%	2,7%	3,2%
Customer N° 7	2,3%	3,0%	3,2%	2,4%	2,6%
Customer N° 8	2,1%	2,3%	1,5%	2,4%	2,2%
Customer N° 9	2,1%	2,2%	1,2%	1,6%	1,1%
Customer N° 10	2,0%	1,9%	1,1%	1,4%	1,0%
Total for the Top 10	**64,2%**	**60,6%**	**71,9%**	**64,8%**	**49,5%**

Payment terms vary by customer type:

Customer	Invoicing method	Payment terms
Corporate Accounts	Licences: Annual fee or perpetual Services: Progress payments or upon completion of work, depending upon the contract	Licences: Payment on order in amounts set by the contract Services: 60 to 90 days
Distributors	Invoiced upon delivery of goods	60 days. Payment in 30 days for online sales
Services to government	Invoiced based on contractual schedules (every 3 or 6 months, depending on the contract)	Europe: 60 days United States: 90 to 120 days

1.8.6 Industrial and Environmental Risk

SYSTRAN produces intangible goods involving a production process that poses no industrial or environmental risk.

1.8.7 Price Decline Risk

SYSTRAN experiences pressure on prices, specifically in its software publishing activity and particularly in its down market products. However the Group, given the quality of its products, manages to keep its prices high while preserving its market share. Moreover, SYSTRAN derives a substantial share of its revenue by providing corporate solutions and value-added services that are less subject to competitive pressure insofar as SYSTRAN is currently one of the few participants in this sector.

1.8.8 Supplier Risk

There is no supplier related risk due to the small proportion of subcontractor involvement in revenue. The SYSTRAN group calls upon external service providers only exceptionally and in a marginal way.

The Company regularly uses subcontractors as part of its software development operations as well as service contracts for the performance of the following works:

- Translation of multilingual dictionaries and postediting;
- Drafting of technical documentation;
- Development of graphical interfaces;
- Quality Assurance;
- Graphic design for Web sites and product packaging.

However, subcontracting remains limited with respect to sales: The first subcontractor accounts for less than 5% of the group turnover and the second through the fifth account for less than 2%. The remaining suppliers concern rentals, consulting fees or compensation to intermediaries

Rank	2006	2005	2004
Supplier No. 1	4,9%	3,0%	N/A
Supplier No. 2	3,6%	2,6%	N/A
Supplier No. 3	3,3%	2,0%	N/A
Supplier No. 4	2,7%	1,7%	N/A
Supplier No. 5	1,3%	1,3%	N/A
Subtotal for the Top 5	15,9%	10,6%	N/A
Supplier No. 6	1,2%	0,9%	N/A
Supplier No. 7	0,9%	0,9%	N/A
Supplier No. 8	0,9%	0,8%	N/A
Supplier No. 9	0,7%	0,6%	N/A
Supplier No. 10	0,7%	0,6%	N/A
Total for the Top 10	**20,3%**	**14,4%**	N/A

1.8.9 Recruitment Difficulty Risk

The growth of the group, especially with respect to corporate customers, is based in part on its capacity to attract, train, retain and motivate employees as well as technical and marketing teams. More specifically, SYSTRAN must be able to recruit computational linguists. Until 1999, openings for computational linguists were limited. Since 1999, the competition has increased in the field of language engineering. Numerous companies have started up and foreign companies are recruiting large numbers of employees. All these factors could slow the group’s recruitment programme over the next three years.

However, SYSTRAN's listing on the Nouveau Marché Division of the Paris Stock Exchange associated with the implementation of a stock option plan, as well as the company’s growing reputation, are key factors in the recruiting process.

1.8.10 Securities Risk

SYSTRAN does not have an investment portfolio or shares in companies apart from those in its subsidiaries, and therefore has risk exposure with respect to securities.

On December 31st, 2006, SYSTRAN held 208,212 SYSTRAN shares representing 643,375 euros as quoted December 31st, 2006. These shares were acquired on the Market as part of a share repurchase program authorized by the Extraordinary Shareholders’ Meeting of June 23rd, 2006

Consequently, exposure to securities-related risk is negligible, given the risks of fluctuations in treasury share prices.

1.8.11 Liquidity Risk

The Company has no exposure to liquidity risk given its available cash and low level of debt. The Company's net cash on 31 December 2006 totalled 9.8 million euros.

During the financial year, cash declined by 0.7 million euros while debt increased to 0.3 million euros compared to 0.2 million euros at 31 December 2005.

Types of securities issued or loans raised	Fixed rate or variable rate	Total amount of credit lines (in thousands of euros)	Terms	Existence or absence of hedges
Repayable COFACE advances	0 %	116	Between 1 and 4 years	No
Loans and financial liabilities	Fixed rate	29		No
Financing leases	Fixed rate	142	Between 1 and 3 years	No
Total		**287**		

1.8.12 Exchange rate risks

SYSTRAN'S foreign subsidiary companies invoice their services in local currencies and incur costs that are also expressed in local currencies.

Moreover, the parent company holds US dollars and is therefore exposed to exchange risk for this currency. It is also exposed to minimal exchange risk in intergroup invoicing because of the small amount of these transactions. These exchange risks are not covered by financial instruments.

In thousands of euros	2006	2005
Assets in US dollars	9 500	7 815
Liabilities in US dollars	(1 436)	(1 526)
Net position before disposition	8 064	6 289
Hedge derivatives	0	0
Net position after management	**8 064**	**6 289**

1.8.13 Rate risks

SYSTRAN's financial debt totals 287 thousand euros and is insignificant, as the company has no net debt. Moreover, most of this debt is comprised of COFACE advances, which are in fact refundable advances not subject to interest and fixed-rate leasing.

The Company therefore has no interest rate fluctuation risk exposure for existing debt.

An 100 basis-point (1%) increase in short-term interest rates would have the effect of raising Group financial income by 101 thousand euros, while a similar decrease in interest rates would reduce financial income by the same amount.

In thousands of euros	2006	< 1 year	Existence or absence of reserves
Financial assets	10 169	10 169	No
Financial liabilities	(287)	(115)	No
Net position before disposition	9 882	10 054	
Reserve hedge	0	0	
Net position after disposition	9 882	10 054	

In thousands of euros	2005	< 1 year	Existence or absence of reserves
Financial assets	10 908	10 908	No
Financial liabilities	(236)	(198)	No
Net position before disposition	10 672	10 710	
Reserve hedge	0	0	
Net position after disposition	10 672	10 710	

1.8.14 Extraordinary events and litigation

To the best knowledge of the Company, there are to date no exceptional facts or litigation that might have or have had in the recent past a significant impact on the activity, results, financial situation or assets of SYSTRAN S.A. or its subsidiary companies.

1.8.15 Provisioning and impairment methods with respect to risks and litigation

SYSTRAN establishes provisions and impairment for amounts needed to cover likely risks and expenses of events that have occurred or are pending and that are clearly specified as to their purpose, but for which the occurrence, expiration or amount are uncertain.

SYSTRAN has set up internal methods aimed at ensuring that the risks are assessed as fully and accurately as possible. These mainly concern customer risks that are reviewed every week at management meetings and are subject to provisions at their exact known value, i.e. at the full value of the receivable.

1.8.16 Insurance

Risks covered	Premiums (in thousands of euros)	Coverage
SYSTRAN S.A.	**22,5**	
- company vehicles	3,0	Fully comprehensive insurance
- management liability	4,2	MEUR 2 (at Group level)
- Pension / supplementary health insurance	Managerial staff: 1.65 % on brackets A and B (retirement) and 4.032% on A (supplementary health) Non managerial staff: 0.72 % on bracket A and 1.1 % on bracket B	SYNTEC provision for additional health insurance Social Security
- employee business travel	0,2	Coverage for medical expenses, hospital stays and repatriation
- premises and business liability insurance	15,1	Physical injury (MEUR 4.5 per claim); material/immaterial damage (MEUR 0.8 per claim); other (MEUR 0.1 to 0.4 per claim and per year)
SYSTRAN Software Inc.	**34,9**	
- Pension / supplementary health insurance		100% of standard ceiling rate
- employee business travel		Coverage for medical expenses, hospital stays and repatriation
- 401K pensions plan		MUSD 0.4
- employer liability		MUSD 1
- premises and business liability insurance		Physical injury (MUSD 1), material damage (MUSD 0.3), overall damage (MUSD 2)
- professional civil liability insurance		MUSD 2
- company vehicles		Fully comprehensive insurance

To the knowledge of the Company there is no significant uninsured risk exposure.

1.8.17 Financial commitments

Contractual obligations	**Total 2004**	**Total 2005**	**Total 2006**	**Payments due per period**	
(amounts in thousands of euros)				< 1 year	From 1 to 5 years
Long-term liabilities (*)	263	236	287	115	172
Direct rental agreements	856	1 555	2 067	549	1 518
Binding purchase agreements	0	0	0	0	0
Other long-term obligations	0	0	0	0	0
Total	1 119	1 791	2 354	664	1 690

(*) including direct financing leases

Other commercial commitments	**Total 2004**	**Total 2005**	**Total 2006**	**Commitments per period**	
(amounts in thousands of euros)				< 1 year	From 1 to 5 years
Lines of credit	0	0	0	0	0
Letters of credit	0	0	0	0	0
Guarantees	318	318	248	248	0
Buyback obligations		0	0	0	0
Other commercial commitments		0	0	0	0
Total	318	318	248	248	0

The breakdown of the 248,000 euros in guarantees agreed by SYSTRAN are provided in Note 6.1 of the Consolidated Financial Statements.

This presentation has not omitted the existence of a large off balance-sheet liability and complies with applicable accounting standards.

1.9 SYSTRAN AND ITS SHAREHOLDERS

1.9.1 Capital stock

The capital stock is EUR 15,201,989, divided into 9,972,075 shares.

In 2006, the number of shares composing capital stocked was affected by the creation of 75,825 new shares following purchase as part of the stock option plan.

These shares, entirely paid under subscription are in registered or in bearer form, at the discretion of the buyer, unless otherwise stipulated by law.

At December 31, 2006, capital was composed of 208,212 treasure shares, 130,089 registered shares with single voting rights, 3,520,252 registered shares with double voting rights, and 6,113,522 bearer shares, for a total of 9,972,075 shares and 13,284,115 voting rights.

1.9.2 Breakdown of capital and voting rights

	31 December 2004				31 December 2005				31 December 2006			
	No. of shares (in thous.)	%	Voting rights	%	No. of shares (in thous.)	%	Voting rights	%	No. of shares (in thous.)	%	Voting rights	%
Members of the Board of Directors and associated companies	3 418	34,5%	6 349	41,6%	3 338	33,7%	5 836	39,4%	3 445	34,6%	4 780	36,0%
SOPREX AG	1 421	14,4%	2 842	18,6%	1 421	14,4%	2 842	19,2%	1 421	14,2%	2 842	21,4%
Alto Invest					497	5,0%	497	3,4%	597	6,0%	597	4,5%
Public	4 994	40,5%	6 070	39,8%	4 592	46,3%	5 630	38,0%	4 301	43,1%	5 065	38,1%
Treasury shares (*)	63	0,6%			63	0,6%			208	2,1%		
TOTAL	9 896	100%	15 261	100%	9 911	100%	14 805	100%	9 972	100%	13 284	100%

The Company registers approximately 2,000 shareholders held among the public. To the Company's knowledge, as at 31 December 2006, no other shareholder held over 5% of the capital.

1.9.3 The market for SYSTRAN shares

The Company was listed on the OTC market of the Paris Stock Exchange on 14 February 1992. The first traded share price was of FRF 16.00 (EUR 2.44). On 11 June 1998, SYSTRAN S.A. shares were transferred to the new OTC market of the Paris Stock Exchange. On 14 September 2000, SYSTRAN S.A. was listed on the Nouveau Marché segment of the Paris Stock Exchange, with a share price of EUR 6.90.

SYSTRAN shares (ISIN **FR0004109197)** are continuously quoted on Eurolist – Compartment C. SYSTRAN is a member of Euronext's NextEconomy market.

Market trends in the share price since 1 January 2006 has been as follows:

Date	Opening	High	Low	Latest quote	Average volume	Adjusted share price*
Dec 06	2,88	3,35	2,76	3,09	14.156	3,09
Nov 06	3,17	3,2	2,82	3,04	3.484	3,04
Oct 06	3,5	3,59	3,15	3,17	3.746	3,17
Sept 06	3,45	3,5	2,89	3,5	9.345	3,5
Aug 06	3,2	3,49	3	3,4	3.409	3,4
July 06	3,41	3,59	3,12	3,24	3.523	3,24
June 06	3,94	4,09	3,4	3,56	2.965	3,56
May 06	4,25	4,5	3,38	3,89	5.744	3,89
Apr 06	4,48	4,84	4,19	4,25	14.643	4,25
Mar 06	4,32	4,85	4,15	4,36	17.033	4,36
Feb 06	3,79	5,04	3,7	4,35	21.386	4,35
Jan 06	3,73	4,12	3,65	3,8	9.867	3,8
Dec-05	3,78	3,78	3,78	3,78	7.944	3,78

(*) Source: Euronext

1.9.4 Shareholder communications

SYSTRAN seeks to rigorously provide information to all shareholders consistently and seamlessly in accordance with the best practices of the market and the recommendations of stock market regulators.

An area dedicated to “investors” is available at the SYSTRAN Web site at the following address: http://www.systran.fr/index/About-Systran/Investors. The site contains all permanent and regulated information.

The timetable for publication of financial reports for the 2007 financial year is the following:

1st Quarter 2007 sales	11 May 2007
Sales and earnings for the first 6 months of 2007	3 August 2007
3rd Quarter 2007 Sales	9 November 2007
Sales and Earnings for Financial Year 2007	14 February 2007
1st Quarter 2008 Sales	9 May 2008

1.9.5 Dividends

The Company has not distributed dividends over the last five financial years.

Dividends not claimed within five years after their payment date revert to the French Government.

1.9.6 General Shareholders' Meeting

The last General Shareholders' Meeting was held on 23 June 2006 upon first convocation. The draft text of resolutions was published in the BALO (*Bulletin of Required Public Notices*). A quorum was calculated as follows:

	No. of shareholders	**No. of shares**	**Number of voting rights**	**% ownership**
Present or represented by proxy	17	1 787 718	2 107 234	18,0%
Chairman's Powers	41	3 828 081	7 656 162	38,5%
Absentee votes	9	40 709	54 418	0,4%
Total	67	5 656 508	9 817 814	56,9%
Non treasury capital		**9 910 650**	**14 465 951**	
Quorum ordinary resolutions		2 477 662		25%
Quorum special resolutions		3 303 550		33,3%

All resolutions except one offered before the shareholders were adopted.

The procedures for calling SYSTRAN's General Shareholders Meeting are stipulated in Articles 23, 24 and 25 of the corporate by-laws.

The Ordinary General Shareholders' Meeting is called to gather together all shareholders once a year within 6 months of closing the books on the financial year just ended upon the request of the Board of Directors to vote on the Agenda that it has set. This meeting is called to make any decision that does not modify the corporate by-laws and resolutions are carried by majority vote.

The Extraordinary Shareholders Meeting is held when decisions entailing a change to the corporate by-laws, specifically with respect to an increase in capital, are required. Resolutions are carried by a two-thirds majority of votes cast by attending or represented shareholders.

Registered shareholders automatically receive, regardless of the number of shares owned, a complete invitation bundle (specifically containing the agenda and draft resolutions) and a voting form.

Bearer shareholders are notified by announcements in the press.

Any shareholder whose securities are locked in their account before the Shareholder Meeting may attend with the express proviso that owners of bearer shares must present an admission ticket or an affidavit that they are qualified to participate.

Any shareholder who does not intend to attend the Meeting may send in the form attached to the notice of meeting:

- either to cast an absentee ballot,
- or to be represented by proxy in compliance with laws and regulations in force and the provisions stipulated in the corporate by-laws;
- or to grant power of attorney to the Chairman or naming no attorney.

1.9.7 Exceeding thresholds

In compliance with the thresholds established by law and in virtue of Article 13 of the corporate by-laws, any shareholder, acting alone or jointly, who comes to hold or ceases to hold, in any way whatsoever, a percentage of shares equal to or greater than 3% of the capital stock and/or voting rights is required to inform the Company of each 3% fraction of capital and/or voting rights held, up to a limit of 5%, within fifteen days of exceeding this threshold, by registered letter with return receipt addressed to the principal offices, specifying the total number of shares or securities giving access to the capital as well as the numbers of voting rights held, whether alone, indirectly or jointly.

In the event of breach of this reporting obligation, one or more shareholders holding a portion of capital or voting rights equal to at least three percent (3%) may request that the shares exceeding that portion which should have been declared be deprived of voting rights for any shareholders meeting held within a period of two years following the date on which the reporting requirement is satisfied. The request will be countersigned in the minutes of the General Shareholders Meeting. Accordingly, the voting rights corresponding to the shares that were not properly declared may not be delegated by the shareholder in breach.

On 26 January 2006, the Company received a notice of exceeding the threshold from Alto Invest, which declared that it held a total of 497,455 shares representing 497,455 voting rights in three of its funds.

	No. of shares	% of capital	Number of voting rights	% of voting rights
FCPI Alto Innovation 2	43 066	0,43%	43 066	0,29%
FCPI Alto Innovation 3	453 463	4,58%	453 463	3,06%
FCPI Alto Innovation 4	926	0,00%	926	0,00%
Total	497 455	5,02%	497 455	3,36%

1.9.8 Shareholders Agreements

There are no shareholder agreements

1.9.9 Shareholder commitments

Since 13 March 2001, the commitment to retain shares made by major shareholders on the occasion of the issue of Company's IPO on the Paris Exchange's Nouveau Marché segment, has expired. However, these shareholders committed not to sell their shares under the share repurchase programme as described in Paragraph 4.8.1. The shareholders did not enter into other commitments.

1.9.10 Potential capital

The Company has granted stock options to its employees. If all options were to be exercised, the result would be a maximum potential dilution of 13.8%, representing 1,378,511 shares.

2 2006 ANNUAL REPORT

2.1 INFORMATION ON THE FINANCIAL CONDITION OF THE GROUP

2.1.1 Financial Data

Consolidated figures (millions of euros)	2006	2005	Change 2006 / 2005
Revenue	9,34	10,11	-7,6 %
Current operating income	1,17	3,24	- 63,9 %
Operating profit	*12,5 %*	*32,0 %*	*- 60,9 %*
Net income, Group Share	1,08	3,06	- 64,7 %
Net profit	*11,6%*	*30,3%*	*- 61,7 %*

During the year just ended, the SYSTRAN Group faced a decline in operations and consequently, a decrease in profits. Nevertheless, SYSTRAN recorded net earnings of 1.08 million euros during the financial year, compared with 3.06 million euros in the 2005 financial year.

This decline in net earnings is explained by a decline in sales, a rise in personnel costs and external expenses, a drop in financial earnings and a decrease in tax expense.

The decline in sales is due to a decline in licence sales, particularly to resellers while professional services are on the increase.

The increase in personnel costs and external expenses is due to investment required to fine tune the new Version 6 as well as to efforts required to build sales and marketing teams. Moreover, SYSTRAN was required to request the collaboration of subcontractors as part of its service agreements.

This business trend explains the erosion of the Group’s profits, with current operating income totalling 1.17 million euros compared to 3.24 million euros in 2005. Thus, operating profit is 12.5% compared to 32.0% in 2005.

Financial income was comprehensively absorbed by the negative effect of exchange differences.

Tax expense is mainly due to profits earned by SYSTRAN Inc. while SYSTRAN S.A. enjoys a research tax credit.

Shareholders' equity totalled 22.7 million euros compared to 22.1 million euros at 31 December 2005; the Group has almost no debt, despite significant investments.

Net cash on hand as at 31 December 2005 totalled approximately 10.1 million euros compared to approximately 10.9 million euros for the same period last year.

The Group's financial debt totals 287 thousand euros and is insignificant, as the Group has no net debt.

2.1.2- Group Operations During the Financial Year

The Group's consolidated sales revenue totalled 9.3 million euros, down 7.6% from 2005. It was divided between 6.2 million Euros for the Software Publishing business, and 3.1 million for the Professional Services business.

Consolidated and audited data *(in thousands of euros)*	**2006**	*As % of total*	**2005**	*As % of total*	***Change 2006/2005***
Software Publishing	**6 236**	*66,8%*	**7 785**	*77,0%*	***-19,9%***
Professional Services	**3 106**	*33,2%*	**2 328**	*23,0%*	***+33,4%***
Consolidated sales revenue	**9 342**	*100,0%*	**10 113**	*100,0%*	***-7,6%***

The Software Publishing business is in decline compared to the same period last year and represented 66.8% of total sales against 77.0% in 2005. This decline in business is primarily due to the end of the life cycle of Version 5.

The Professional Services business increased by 33.4 % over the 2005 fiscal year, and accounted for 33.2 % of total sales, as compared with 23.0 % in 2005.

This is due to the good satisfactory performance of our subsidiary, SYSTRAN, Inc. (USA), which continued to receive orders from the US government for development of new language pairs. SYSTRAN S.A. (France) did not enter into any new contracts co-financed by the European Union.

Sales of licences are in decline in nearly every segment owing to the end of the life cycle of Version 5. Sales of on-line Services are increasing owing to the satisfactory subscription rate of renewal of and the acquisition of new customers.

2.2 OPERATIONS OF SYSTRAN S.A.

Sales figures for SYSTRAN S.A. for the 2006 financial year amount to 4.5 million euros compared to 6.5 million euros in 2005. This decline in sales is due to the weak sales by the principal European distributor and to a decrease in licence sales to Corporate Accounts.

Net earnings for the 2006 financial year total 1.4 million euros compared to 4.2 million euros in 2005. This decline is due to decreasing sales, rising personnel costs and external expenses which are compensated by an increase in the dividend distributed by SYSTRAN USA and by the recognition of a tax credit for research.

SYSTRAN S.A. billed its subsidiary, SYSTRAN Software Inc, for royalties on product sales and administrative expenses a total amount of 1.9 million euros during the 2006 financial year.

No lending or fund advances have been granted by SYSTRAN S.A. to its subsidiaries.

A table of information on subsidiary companies and financial investments is presented at the end of Chapter 4.3

2.3 SUBSIDIARY OPERATIONS

SYSTRAN Software Inc. had sales of 8.9 million US dollars in 2006, representing a 31% increase over the same period the previous year and net profit of 1.5 million US dollars.

The satisfactory pace of business is primarily due to activities by Professional Services to US government agencies and existing Corporate Customers. Licence sales recorded 17% growth while sales of professional services were up 38%.

SYSTRAN Software Inc. billed SYSTRAN S.A. for development work amounting to 0.3 million euros during the 2006 financial year.

SYSTRAN Luxembourg had no ongoing operations in 2006.

SYSTRAN USA is an intermediary holding company with no activity.

2.4 OUTLOOK

In 2007, the Group plans to continue its efforts in developing its Software Publishing business by:

- Marketing the new 6.0 release of Desktop products;
- Reinforcing its sales teams to develop licence sales in the Reseller and Corporate and Segment.
- Developing new paying e-Services and continuing with its strategy of migrating users of free services to paying services.

As at 31 December 2006, accepted orders for licences totalled approximately 2.7 million euros.

At 31 December 2006, accepted orders from the US federal government totalled 0.4 million US Dollars.

At 31 December 2005, received orders for Professional Services but not executed totalled 0.6 million euros.

2.5 EVENTS AFTER THE BALANCE SHEET DATE

In January, 2007, SYSTRAN sought damages before the Court of First Instance of the European Communities for the substantial harm it incurred owing to infringement of copyright and disclosure of know-how.

On February 5, 2007, Mr. Jean Gachot resigned from his position as Trustee.

On 11 March 2007, SYSTRAN announced 2007 first quarter sales (the period of 1 January 2006 to 31 March 2007).

In thousands of euros	2007	%	2006	%	Change 2007/2006
Software Publishing	**1 861**	***83,0%***	**1 345**	***66,6%***	***+ 38,4%***
Professional Services	**381**	***17,0%***	**675**	***33,4%***	***- 43,6%***
Consolidated sales revenue	**2 242**	***100,0%***	**2 020**	***100,0%***	***+ 11,0%***

The full communiqué is available at www.systran.fr at the URL http://www.systran.fr/index/About-Systran/Investors/Regulated-Information/Press-Releases

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2006

(in thousands of euros)	*Notes*	**Year 2006** (12 months)	**Year 2005** (12 months)	**Year 2004** (12 months)
Sales revenue	*4.1*	**9 342**	**10 113**	**10 189**
Other income		0	0	0
Business revenue		**9 342**	**10 113**	**10 189**
Purchases and other external expenses	*4.2*	(3 187)	(2 687)	(3.507)
Taxes and duties		(239)	(104)	(81)
Personnel expenses	*4.3*	(4 454)	(4 100)	(3 366)
Depreciation and amortisation expense (net) and provisions		(269)	(84)	(203)
Other income and expense		(20)	100	(90)
Current operating income		**1 173**	**3 238**	**2 942**
Other operating gain and loss	*4.4*	61	114	(184)
Operating income		**1 234**	**3 352**	**2 758**
Cash income		215	291	(69)
Gross cost of financial indebtedness		(1)	(8)	(2)
Net cost of financial indebtedness		**214**	**283**	**(71)**
Other financial expenses and revenue	*4.5*	(195)	560	26
Pre-tax income		**1 253**	**4 195**	**2 713**
Taxes on income	*4.6*	(168)	(1 134)	(34)
Total consolidated net profit		**1 085**	**3 061**	**2 679**
Minority interest		0	0	0
Net income (group share)		**1 085**	**3 061**	**2 679**

SYSTRAN net income per share		**2006** (12 months)	**2005** (12 months)	**2004** (12 months)
Based on the average number of shares outstanding:				
- number of shares		9 868 439	9 848 095	9 833 695
- in euros per share		**0,11**	**0,31**	**0,27**

3.2 CONSOLIDATED BALANCE SHEET AS OF 31.12.06

ASSETS

(in thousands of euros)	*Notes*	**31/12/2006**	**31/12/2005**	**31/12/2004**
Goodwill		0	0	0
Intangible fixed assets	*5.1*	16 735	16 646	16 616
Property, plant and equipment	*5.2*	648	538	439
Financial assets	*5.3*	101	101	96
Total non-current assets		**17 484**	**17 285**	**17 151**
Inventory		0	0	0
Trade and other accounts receivable	*5.4*	2 334	3 670	2 278
Current tax assets		880	759	316
Other receivables and accruals		741	546	447
Available cash	*5.5*	10 169	10 909	7 995
Total current assets		**14 124**	**15 884**	**11 036**
Total assets		**31 608**	**33 169**	**28 187**

LIABILITIES

(in thousands of euros)	*Notes*	**31/12/2006**	**31/12/2005**	**31/12/2004**
Equity	*5.6*	15 202	15 109	15 087
Premium accounts		5 393	5 382	5 380
Consolidated reserves		1 416	(1 401)	(4 189)
Income for the financial year		1 085	3 061	2 679
Conversion adjustments		(443)	(29)	(535)
Shareholders' equity (group share)		**22 653**	**22 122**	**18 422**
Provisions	*5.7*	7	6	4
Interest bearing borrowing	*5.8*	196	116	225
Deferred tax credit	*5.9*	5 453	5 511	5 522
Total non-current liabilities		**5 656**	**5 633**	**5 751**
Provisions	*5.7*	75	273	454
Borrowing – share at < one year	*5.8*	91	120	38
Trade payables and related accounts		895	1 212	1 748
Tax liabilities		0	825	75
Other payables and accruals	*5.10*	2 238	2 984	1 699
Total current liabilities		**3 299**	**5 414**	**4 014**
Total liabilities		**31 608**	**33 169**	**28 187**

3.3 CONSOLIDATED CASH FLOW STATEMENT FOR 2006 FINANCIAL YEAR

	2006	2005	2004
Total consolidated net income	**1 085**	**3 061**	**2 679**
Depreciation and amortization expense and net subsidy provisions	269	275	410
Provision reversal	-198	-299	-168
Variation of deferred taxes	-58	-11	-166
Stock options	166	168	168
Income re-evaluations	184	-163	129
Net income from fixed asset transfers	0	0	11
Transfer capital gains and losses	0	0	11
Taxes on transfer capital gains and losses	0	0	0
Share in the income of companies consolidated by the equity method	0	0	0
Other	0	0	0
Gross profit from self-financing	**1 448**	**3 031**	**3 063**
Current assets linked to operations activities	-737	-682	-1 329
Changes in inventory	0	0	2
Change in accounts receivable	1 241	742	1 492
Change in other receivables	-172	-438	-102
Change in accounts payable	-157	-2 827	-2 236
Change in other payables	-1 649	1 841	-485
Change in working capital requirement linked to the operations	**-737**	**-682**	**-1 329**
CASH FLOWS FROM OPERATING ACTIVITIES	**711**	**2 349**	**1 734**
Purchases of intangibles and property, plant and equipment	-490	-270	-496
Proceeds from sales of securities and property, plant and equipment	0	0	0
Increase in permanent financial assets	-16	8	-3
Decrease in permanent financial assets	-1	53	1
Changes in investments	0	0	0
Changes in accounts receivable and asset liabilities	0	0	0
Effect of changes in consolidation scope	0	0	0
CASH FLOW FROM INVESTING ACTIVITIES	**-507**	**-208**	**-498**
Dividends paid to parent company shareholders	0	0	0
Dividends paid to minority interests of subsidiaries	0	0	0
Issue of share capital or contributions	104	24	0
Increase in other equity	-180	0	0
Decrease in other equity	-228	0	0
Increase in financial liabilities	95	40	136
Decrease in financial liabilities	-47	-134	-110
CASH FLOW FROM FINANCING ACTIVITIES	**-256**	**-71**	**26**
CHANGE IN NET CASH POSITION	**-52**	**2 070**	**1 262**
Opening cash position	10 909	7 995	7 189
Closing cash position	**10 159**	**10 909**	**7 995**
Effect of exchange rate changes	-514	681	-327
Effect of cash revaluations	-184	163	-129

3.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

1- General disclosures

SYSTRAN was founded in San Diego (USA) in 1968. SYSTRAN develops and markets machine translation (MT) software and offers a wide range of products and services to millions of users.

On the strength of 30 years' experience in machine translation technologies developed for the US Department of Defense and the European Commission, SYSTRAN also counts some of the largest multinational corporations among its customers. SYSTRAN is also the leading translation provider on Internet.

The SYSTRAN group generates half its sales revenue outside Europe, specifically in North America.

The parent company, SYSTRAN SA, is a French corporation [*société anonyme*], whose registered office is located at Grande Arche – Paroi Nord, Paris La Défense (France). The company is listed on Eurolist Compartiment C of Euronext Paris (ISIN code: FR0004109197, Reuters: SYTN.LN; Bloomberg: SYST NM). SYSTRAN is a member of the NextEconomy segment of Euronext.

2- Significant events during the financial year

Changes in operating activities

During the year just ended, SYSTRAN was challenged by a decline in operating activities owing to a decrease in product sales to one of its main distributors. This decrease is responsible for 48% of the total decline in sales of licences. The signature of a new distribution contract and a settlement agreement with the distributor took place at the end of January 2007. The associated costs resulting from the settlement agreement and the initial contract did not have a major impact on the earnings for the financial year ended 31 December 2006.

Dispute with the European Commission

On 4 October 2003, the Directorate-General for Translation of the European Commission issued a bid for work on the EC-SYSTRAN for the UNIX environment delivered in 2003 to the European Commission by SYSTRAN. The contract was awarded in January 2004 to a Luxembourg corporation without apparent operating activities, which then hired all those staff members of SYSTRAN's Luxembourg subsidiary who were made redundant owing to the lack of a contract from the Commission. SYSTRAN issued reserves on the call for bids, underscoring that the work in question was likely to infringe upon the copyright for this software.

Given the lack of a justified response by the Commission, SYSTRAN filed a complaint on the matter to the European Ombudsman in July 2005. The Ombudsman issued his decision on 23 October 2006. The Ombudsman found that the Commission was not guilty of mismanagement but did not address the matter of infringement of SYSTRAN's copyright.

In January, 2007, SYSTRAN sought damages before the Court of First Instance of the European Communities for the substantial harm it incurred owing to infringement of copyright and disclosure of know-how.

SYSTRAN believes that the lawsuit is progressing well and that the Court will rule in favour of the company.

3- Accounting Rules and Policies

3.1- Principles for establishing consolidated financial statements

The consolidated annual financial statements were prepared and published in compliance with IFRS (International Financial Reporting Standards) guidelines as adopted in the European Union The Group has been publishing its accounts in accordance with this standard since the 2005 financial year.

The financial statements were prepared on the basis of historical costs, with the exception of financial assets held for transactional purposes, which were assessed at their fair market value where accounts were closed.

No event subsequent to closing made it necessary to adjust the fiscal year's financial statements or to provide specific information in the notes.

3.2– Consolidation scope

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

Name	Registered office	Consolidation policies	% control	% interest
SYSTRAN S.A. SIREN: 334 343 993	La Grande Arche, 1, parvis de La Défense - 92,044 Paris La Défense - France	OI	Parent company	Parent company
SYSTRAN USA*	9333 Genesee Avenue – San Diego - California – United States	OI	100%	100%
SYSTRAN Software Inc (SSI)	9333 Genesee Avenue – San Diego - California – United States	OI	100%	100%
SYSTRAN Luxembourg	7, rue Pierre d'Aspelt L-1142 Luxembourg	OI	100%	100%

(*) Holding company controlling 100% of SSI, IG: Overall integration

No change in scope or in interest percentage occurred during the reporting period.

3.3 Exchange rates used

The only currency used apart from the euro is the United States dollar (USD).

USD rate expressed in euros	31 December 2006	31 December 2005	31 December 2004
Opening rate for the financial year	0,8478	0,7342	0,7918
Average rate used for Income Statement	0,7970	0,8046	0,8041
Closing rate	0,7593	0,8478	0,7342

3.4 – Consolidation policies

All companies are consolidated by the overall integration method based on the financial statements of as at 31 December 2006 and restated, if necessary, consistent with the Group's accounting policies.

Translation of foreign operations

Items recorded in the Balance Sheet are translated into euro at the going exchange rate at the end of the financial year.

The income statement items are converted based on the average exchange rate for the financial year.

The conversion adjustments resulting from fluctuations in the exchange rate on the balance sheet and income statements are entered under "Conversion adjustments" in stockholders' equity.

Exchange rate differences arising on monetary items that, in substance, form an integral part of SYSTRAN'S net investment in its foreign subsidiaries, are also recorded under "Conversion adjustments".

Goodwill

Business combinations are recognised using the purchase method, in accordance with the principles found in IFRS 3 – *Business Combinations*. All identifiable assets, liabilities and contingent liabilities of the business combination are recognised at fair value.

The difference existing between the purchase cost and the fair value of assets and liabilities on the purchase date is recognized an asset in the consolidated balance sheet under the heading, "Goodwill". This amount is not amortised but tested for impairment annually.

3.5- Recognition and Disclosure Policies

Sales Revenue

Revenue is recognised as follows:

- Revenue from licences is recognised after physical or electronic delivery of the platform, or based on statements provided by the distributors. For temporary licences, revenue is recognised *prorata temporis* over the licence grant period;
- Linguistic services are recognized according to the percentage-of-completion method;
- Advertising revenue from *Portals* is recognised based on the statements provided by the portals;
- Development contracts are recognized according to the percentage-of-completion method. In the event that such contracts are performed with partners, SYSTRAN, as project coordinator and carrier, reports the entire payment under "Sales Revenue." The share due the partners is recognized under "Purchases and other external expenses".

Percentage-of-Completion Method Used for Service Contracts

Revenue arising from the rendering of linguistic services under contract is calculated according to the percentage-of-completion method, in accordance with IAS 18 and IAS 11.

In the event that it is estimated that that it is not probable that the costs incurred will be recovered, a transaction loss provision is established based on most reliable earnings forecast, including, if necessary, rights to complementary income or claims.

Foreign Currency Transactions

Operations activities in foreign currencies performed by the consolidated companies are translated into the functional currency using the going exchange rates on the date of the operations.

Accounts receivable and payable expressed in foreign currencies are converted at the going exchange rates for these currencies the date on which accounts are closed. Latent exchange rate gains and losses resulting from this conversion are recognized as income, under the item, “other financial expenses and revenue".

Operating Income and Current Operating Income

According to IFRS, the operating income and current operating income are defined in accordance with the Recommendation of the National Accountancy Council R.2004-02, published on 27 October 2004.

Other operating expenses and income disclosed as current operating income representing –in a restricted number- unusual, infrequent or non-recurring operating expenses and income from ongoing company operations as defined by CNC Recommendation R2004-02.

Earnings per Share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period, minus the registered SYSTRAN treasury shares registered from shareholders equity.

Net earnings per share after dilution is calculated by adjusting the net income Group share and the number of outstanding shares by the dilutive effect of exercising option plans open at the end of the period. Dilution of options is determined using the share repurchase method, that is to say the theoretical number of shares repurchased at market price (average price over the year) on the basis of the proceeds deriving from the exercise of the so-called dilutive options. Thus:

- Dilutive options must be “in the money” with respect to the average market price of SYSTRAN S.A shares during the period;
- Adjustment of the number of shares (“dilutive effect”) is equal to the difference between the number of potential shares to be issued owing to the exercise of the dilutive options and the number of shares assumed to be purchased on the on the market using the proceeds from the issue based on the average market price for the period;
- For the above calculations, the option exercise price paid in cash is incremented by the value per share of the services remaining to be rendered by beneficiary, whether an employee or a director.

Research and Development Costs

Co-funded research and development costs are recognized under Operating Expenses as the project progresses and the financed portion is recognized as revenue from sales.

Research costs self-financed by the Group are recognized as operating expenses as they are incurred. Self-funded development expenses are treated as intangible assets provided they satisfy all the criteria as set forth in IAS 38 (technical feasibility, future economic benefits, the availability of sufficient technical and financial resources and intention to complete the project, reliable measurement of cost).

Concessions, Patents and Licences

Concessions, patents and licences mainly include software licences sold by the Group. Depreciation of this software occurs on a straight-line basis over the life of each agreement, which is generally within a rage of 3 to 5 years.

Goodwill

Goodwill derives primarily from the partial contribution of assets in 1989 by Gachot S.A., SYSTRAN S.A.'s parent company at the time. It is recognized on the balance-sheet at contribution value. Moreover, during the repurchase of the minority shareholders' state in SYSTRAN Luxembourg in 2000, the Group recognised "goodwill" as a portion of the purchase price, i.e. 1.6 million euros, allocated to the subsidiary's linguistic assets.

Among the constituent elements were:

- Customers who were assessed based on the projected profitability of agreements,
- Linguistic assets, i.e. the linguistic programs, language-pair dictionaries and utilities corresponding to the databases integrated into the software sold, as well as the associated know-how.

The portion of goodwill relating to customers was depreciated over an 8-year period (a multiple of 8 of forecast earnings used at the time to assess contribution of customers).

The residual portion of goodwill (linguistic assets) is not depreciated because it is legally protected for an unlimited period of time given the nature. Goodwill could be depreciated in the event of a decline its usefulness.

Property, Plant and Equipment

Property, plant and equipment are recognised at the purchase price minus depreciation and impairment. Depreciation period:

- Computer hardware	3 years
- Other equipment and office furniture	5 to 10 years
- Fixtures and fittings	5 to 10 years

Leasing Contracts

Leases and finance leases are subject to adjustment in the consolidated financial statements to place them in a situation wherein the company would have directly purchased the goods concerned and financed them by loan. The recognized depreciation is calculated using the same method as that used for similar material assets owned by the Company.

Payments for simple rentals are recognized as expenses on a straight-line basis for the duration of the agreement.

Impairment of Assets

In compliance with IAS 36 – *Impairment of Assets*, the Group measures the recoverable amount of its long-term assets using the following method:

- Amortisable tangible and intangible assets are tested for impairment annually if an impairment index exists for these fixed assets;
- Non-amortisable intangible assets and goodwill are tested for impairment whenever there is indication of impairment and at least once per year.

The test for impairment consists of comparing the carrying amount to the highest of the following two values: Cost to sell net of cost of disposal or value in use. The value in use is determined by applying the appropriate discount rate to future cash flows derived from the continuing use of the tested asset during its useful life and by its ultimate disposal at the end of this period. Discounting is applied at a rate corresponding to the average weighted cost of the cash-generating unit to which the asset belongs.

Depending on the circumstances, the impairment test is performed either for the individual asset or on the cash-generating to which the asset belongs. The allocation of goodwill to cash-generated units is determined in accordance with the way in which Group Management monitors operations and evaluates the synergies linked to purchases.

Any potential impairment of the assets of a cash-generating unit is assigned to the associated goodwill. The impairment to goodwill is irreversible.

Inventories

Inventory primarily consists of packaging containers and software user manuals.

The cost of inventories comprises the costs of purchase and related overhead (freight and various direct costs). The cost of inventories is assigned using the First-In, First-Out (FIFO) formula.

Impairment occurs when net realisable value is below the cost of inventories.

Deferred Tax

The Group recognises deferred tax for all temporary differences between the fiscal and carrying amounts of assets and liabilities in the consolidated financial statements subject to the exceptions found in IAS 12.. Deferred tax assets in respect of temporary differences, the carryforward of unused tax losses or the carryforward of unused tax credits are not recognized except when tax profit is probable.

Financial Assets Held for Transactional Purposes

Financial assets held by the Group for transactional purposes are securities acquired as part of Group short-term cash flow management. They are assessed at their market value at the end of each period. The corresponding gains and losses, whether latent or realised, are recognized in the income statement for the current period, as a "cash revenue” item.

These financial assets are reported in the Balance Sheet as "Cash and Cash equivalents".

Cash

Cash is presented in the cash flow statement. Cash consists of demand deposits, cash on hand, investments of than three months and financial assets held for transactional purposes where exposure to change in value risk is negligible apart from a possible exchange rate effect.

Share Options

The Group recognises the benefit granted to holders of stock options as part of plans issued after 7 November 2002, in conformity with IFRS2.

The fair value of the services rendered by employees in exchange for stock options constitutes an expense which is recorded according to the services rendered and at the time they are rendered, and in compensation, the shareholders' equity is increased. The cost is distributed over the period of rights acquisition, i.e. in general, a period of three years. The total amount of the expense to be recognized is evaluated by reference to the fair value of the options granted. This value is determined on the grant date using the Black & Scholes model, adjusted in accordance with the restrictions applied to transferability of the options.

Post-Employment Benefit Obligations

The Group's obligations concerning pensions, other retirement benefits and benefits payable upon completion of service are covered by provisions estimated on the basis of actuarial valuations. These benefit obligations are determined using the Projected Unit Credit Method, as defined in IAS 19.

Provisions (Excluding Pensions)

These provisions are intended to cover obligations to third parties likely to result from events that have occurred or that are pending, which are clearly specified as to their object, but for which the occurrence, due date or amount are unknown.

The provisions are recognised to the extent that it is possible to reasonably make a reliable estimation of their amount. In the event that this loss or liability is unlikely and cannot be reasonably estimated but remains possible, the Group includes a statement on this potential liability in the notes.

Non-Current Liabilities

Conditional grants are advances provided by the Government to facilitate project development. Repayment is subject to a number of conditions prescribed by contract (success, break-even point). The wind-up of such advances, dependent upon contractual provisions, can be:

- Repayment of the advances granted, if the outcome is successful;
- Forgiveness, if is the outcome is a failure.

Segment Information

Segment information is organised on the basis of the geographical segments monitored by the Group's management to analyse and follow-up of operational performance. These geographical segments are Europe, North America and the rest of the World. On this basis, the accompanying notes provide numerical information on revenue from sales, current operating income, assets, liabilities, investments, amortisation and potential asset impairment over the long term as well as the main items of expenditure without cash compensation, for each geographical segment.

"Secondary" segment information is also presented in the notes for each segment of business activity. These business segments identified are licences (software) and professional services (maintenance and support, linguistic services). On this basis, the accompanying notes numerical information on revenues from sales, assets and investments for the period for each business segment.

Segment information relating to revenue from sales is presented in §4.1. Other segment information is presented in §6.3.

4 - Notes to the Consolidated Income Statement

4.1– Breakdown of Revenue from Sales

By geographical segment (in thousands of Euros)	2006	2005	2004
Europe	2 574	4 635	4 224
North America	6 768	5 478	5 965
Other geographical segments	0	0	
Sales Revenue	**9 342**	**10 113**	**10 189**

By geographical segment (in thousands of Euros)	2006	2005	2004
Europe	2 225	4 354	4 034
North America	6 615	5 427	6 103
Other geographical segments	502	333	53
Sales Revenue	**9 342**	**10 113**	**10 189**

By type of revenue (in thousands of Euros)	2006	2005	2004
Licences	6 236	7 785	5 520
Services	3 106	2 328	4 669
Sales Revenue	**9 342**	**10 113**	**10 189**

Income from Operating Activities (in thousands of Euros)	2006	2005	2004
Proceeds from sale of property			
Royalties (Licences)	6 236	7 785	5 520
Services Rendered (Professional services)	3 106	2 328	4 669
Subtotal, revenue from sales	**9 342**	**10 113**	**10 189**
Interest income	0	0	0
Dividends received	0	0	0
Revenue from operations activities	**9 342**	**10 113**	**10 189**

4.2 Other Purchases And External Expenses

(in thousands of euros)	2006	2005	2004
Co-contracting	0	0	885
Leases of land & buildings	606	588	573
Fees	1 612	1 258	935
Advertising, marketing	117	142	298
Other purchases	852	697	816
Purchases and other external expenses	**3 187**	**2 685**	**3 507**

Costs relating to simple lease agreements recognised in the financial year (in thousands of Euros)	2006	2005	2004
Recognised minimum payments	606	588	573
Recognised contingent rent payable	0	0	0
Income from recognised subleases	0	0	0

There is no contract providing for contingent rent.

Obligations relating to simple, non-cancellable leases (in thousands of euros)	2006	2005	2004
- Less than one year	549	455	447
- From 1 to 5 years	1 518	895	409
- More than 5 years	0	205	
Minimum payments	**2 067**	**1 555**	**856**
Total future minimum sublease income receivable at the end of the period (non-cancellable leases)	**0**	**0**	**0**

The tenancy agreement concluded between SYSTRAN S.A. at La Défense is a business 3/6/9 tenancy with no limit on the term. The rents are indexed to the construction cost index.

The tenancy agreement entered into by SYSTRAN Software Inc. for its premises in San Diego has been renewed in advance. It now expires in October 2011. The rent is contractually indexed by 3.61% per annum until 31 October 2006, and then by 3% per annum from 1 November 2006.

These tenancy leases do not impose any particular restriction on SYSTRAN concerning payment of dividends, indebtedness or execution of new leases.

4.3- Personnel Costs

(in thousands of euros)	2006	2005	2004
Wages and benefits	3 286	3 067	2 654
Employment contract termination allowance	0	0	0
Retirement costs (*)	0	0	0
Stock options costs (see 5.6)	166	168	168
Welfare contributions	1 002	865	544
Personnel Costs	**4 454**	**4 100**	**3 366**

The average size of the Group workforce has changed as follows:

Position	2006	2005	2004
Board of Directors	3	3	3
Computer engineers	22	19	15
Computational linguists	28	21	32
Sales and marketing	12	9	7
Administrative	5	5	5
Total workforce	**70**	**57**	**62**

The collective compensation paid to the Group's Executive Committee is as follows:

(in thousands of euros)	2006	2005	2004
Short-term benefits	375	518	372
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Stock option costs (see 5.6)	168	168	168
Employment contract termination allowance	0	0	0
Management personnel expenses	**543**	**686**	**540**

4.4- Other Operating Expenses and Income

(in thousands of euros)	2006	2005	2004
Income from sales of fixed assets	0	0	-11
Non-recurring provision movements	60	116	-39
Other non-recurring expenses and income	1	-2	-134
Other operating expenses and income	**61**	**114**	**-184**

4.5- Other Financial Expenses and Income

(in thousands of euros)	2006	2005	2004
Exchange difference on financial instruments	-236	519	26
Other	41	41	0
Other financial expenses and income	**-195**	**560**	**26**

4.6- Income Taxes

The income tax burden is broken down as follows:

(in thousands of euros)	2006	2005	2004
Current tax expense (tax income)	-370	-1 246	-199
Current tax adjustments for previous reporting periods	144	101	
Differed tax for temporary differences	58	11	166
Group tax income (expense) (*)	**-168**	**-1 134**	**-33**

(*) total current and deferred tax on shareholders' equity items, recorded on 31 December 2004 and 31 December 2005: None at 31 December 2006: 23 thousand euros

At the end of the reporting period, the Company recognized a research tax credit for the financial years 2005 and 2006 for 422 and 235 thousand euros, respectively. Since the end of the 2005 financial year, there is no longer an unused tax loss carryforward.

The differences between the recognized income tax and the theoretical tax amount obtained by applying the French tax rate are as follows:

(in thousands of euros)	2006	2005	2004
Pre-tax income	1 254	4 195	2 713
Theoretical tax expense (rate for parent company)	-418	-1 419	-931
Tax rate	*33,33%*	*33,83%*	*34,33%*
Effect on the theoretical tax:			
- use of carryforward unused tax losses	0	116	891
- research tax credit for the financial year	422	235	
- permanent differences	-55	-56	
- effect of inter-Group distributions	-23	-12	
- Tax adjustment from previous financial years	144	101	
- Other (including differences and changes in the tax rate)	-238	-99	7
Total	**-168**	**-1 134**	**-33**
Tax at the customary rate	-168	-1 134	-33
Tax at the reduced rate	0	0	0
Tax revenue (expense) in the Income Statement	**-168**	**-1 134**	**-33**

4.7– Research & Development Expenditure

Self-financed research expenses totalled MEUR 0.9 in 2005, compared to MEUR 1.1 in 2001. They consist essentially of personnel expenses and external charges resulting from one-time recourse to outside linguistic resources.

No development project satisfied all the criteria required by the IAS 38 at the opening and closing dates of the 2005 and 2006 financial years to be capitalised in the balance sheet.

Notes to the Consolidated Balance Sheet

5.1- Intangible fixed assets

(in thousands of euros)	01/01/2006	Increase	Decrease	Conversion adjustments	31/12/2006
Research & development expenses	**0**	**0**	**0**	**0**	**0**
Concessions, Patents and Licences					
- Gross value	10 842	184	0	-319	10 707
- Depreciation	-10 765	-92	0	316	-10 541
- Net value	**77**	**92**	**0**	**-3**	**166**
Goodwill					
- Customers	45 994	0	0	0	45 994
- Depreciation	-45 994	0	0	0	-45 994
- Dictionaries and know-how	16 569	0	0	0	16 569
- Provisions for impairment	0	0	0	0	0
- Net value	**16 569**	**0**	**0**	**0**	**16 569**
Intangible fixed assets	**16 646**	**92**	**0**	**-3**	**16 735**

(in thousands of euros)	01/01/2005	Increase	Decrease	Conversion adjustments	31/12/2005
Research & development expenses	**0**	**0**	**0**	**0**	**0**
Concessions, Patents and Licences					
- Gross value	10 366	67	0	409	10 842
- Depreciation	-10 319	-44	0	-402	-10 765
- Net value	**47**	**23**	**0**	**7**	**77**
Goodwill					
- Customers	45 994	0	0	0	45 994
- Depreciation	-45 994	0	0	0	-45 994
- Dictionaries and know-how	16 569	0	0	0	16 569
- Provisions for impairment	0	0	0	0	0
- Net value	**16 569**	**0**	**0**	**0**	**16 569**
Intangible fixed assets	**16 616**	**23**	**0**	**7**	**16 646**

(in thousands of euros)	01/01/2004	Increase	Decrease	Conversion adjustments	31/12/2004
Research & development expenses					
Concessions, Patents and Licences					
- Gross value	10 494	80		-208	10 366
- Depreciation	-10 454	-68		203	-10 319
- Net value	**40**	**12**	**0**	**-5**	**47**
Goodwill					
- Customers	45 994				45 994
- Depreciation	-45 994				-45 994
- Dictionaries and know-how	16 569				16 569
- Provisions for impairment					
- Net value	**16 569**	**0**	**0**	**0**	**16 569**
Intangible fixed assets	**16 609**	**12**	**0**	**-5**	**16 616**

(1) The concessions, patents and licences line item primarily consists of software licences for language pairs acquired by the Group. Their gross value as of 31 December 2004, 2005 and 2006 consisted of the following items:

- 7.6 million Euros of software purchased by Gachot S.A. and contributed to SYSTRAN S.A. in July 1989, fully depreciated today.
- 2.8 million Euros of software capitalised at SYSTRAN Software Inc, revalued at the time of the purchase of the company by Gachot S.A. in 1985 and completely depreciated.
- 0.1 million euros in software purchased and not yet completely depreciated.

(2) The net value of goodwill at 31 December 2004, 2005 and 2006 is 16.6 million Euros, based on:

- - the valuation of the language-pair dictionaries, related utilities and know-how contributed in 1989 to SYSTRAN S.A. by Gachot S.A., its parent company at the time, for 15 million euros;
- the purchase in 2000 of the SYSTRAN Luxembourg shares held by minority shareholders, for 1.6 million euros.

The methodology adopted to assess the value in use of these linguistic assets consists in preparing restated net cash flow estimated based on the following principal assumptions:

- Medium-term plans prepared by Management for a 5-year horizon (2007-2011).
- Discounting of estimate cash flows resulting from these plans at a rate representative of the Group's weighted average cost of capital ("WACC") of the cash-generating unit concerned.
- Calculation of terminal value by infinite capitalisation of the last flow on the explicit forecast horizon at the rate representing the difference between the WACC and the long-term growth rate deemed appropriate for the business. This value is then restated using the Group's WACC.

Thus, the value of the company obtained at 31 December 2004, 2005 and 2006 is higher than shareholders' equity on the same date. However, the Group is still in the development phase and estimations are therefore characterised by a level of uncertainty which will require regular review to ensure that the assumptions adopted in the last quarter of 2006 are still valid in light of the real situation. The most significant assumptions are stated below.

- Growth in EBITDA on the adopted forecast horizon is tending towards a normative rate of between 18 and 35% of revenue from sales.
- The applied discount rate is set at 13% after taxes to account for the Group's intrinsic risk premium.
- The long-term forecast growth rate is 1.5% based on a conservative estimate of growth expected in the relevant geographical segments (Europe and USA).

5.2- Property, Plant and Equipment

(in thousands of euros)	01/01/2006	Increase	Decrease	Conversion adjustments	31/12/2006
Fixtures and fittings					
- Gross value	228	8	0	0	236
- Depreciation	-38	-23	0	0	-61
- Net value	**190**	**-15**	**0**	**0**	**175**
Facilities, hardware and tools					
- Gross value	575	125	0	-65	635
- Depreciation	-459	-111	0	47	-523
- Net value	**116**	**14**	**0**	**-18**	**112**
Other fixed assets					
- Gross value	484	172	0	-4	652
- Depreciation	-252	-42	0	3	-291
- Net value	**232**	**130**	**0**	**-1**	**361**
Property, Plant and Equipment	**538**	**129**	**0**	**-19**	**648**

(in thousands of euros)	01/01/2005	Increase	Decrease	Conversion adjustments	31/12/2005
Fixtures and fittings					
- Gross value	228	0	0	0	228
- Depreciation	-15	-23	0	0	-38
- Net value	**213**	**-23**	**0**	**0**	**190**
Facilities, hardware and tools					
- Gross value	411	95	0	69	575
- Depreciation	-335	-70	0	-54	-459
- Net value	**76**	**25**	**0**	**15**	**116**
Other fixed assets					
- Gross value	373	108	0	3	484
- Depreciation	-223	-27	0	-2	-252
- Net value	**150**	**81**	**0**	**1**	**232**
Property, Plant and Equipment	**439**	**83**	**0**	**16**	**538**

(in thousands of euros)	01/01/2004	Increase	Decrease	Conversion adjustments	31/12/2004
Fixtures and fittings					
- Gross value	142	227	-142		227
- Depreciation	-96	-60	142		-14
- Net value	**46**	**167**	**0**	**0**	**213**
Facilities, hardware and tools					
- Gross value	393	53	-2	-33	411
- Depreciation	-340	-25	2	27	-336
- Net value	**53**	**28**	**0**	**-6**	**75**
Other fixed assets					
- Gross value	365	135	-126	-1	373
- Depreciation	-309	-29	116		-222
- Net value	**56**	**106**	**-10**	**-1**	**151**
Property, Plant and Equipment	**155**	**301**	**-10**	**-7**	**439**

5.3- Financial Investments

(in thousands of euros)	01/01/2006	Increase	Decrease	Conversion adjustments	31/12/2006
Deposits and guarantees					
- Gross value	106				106
- Depreciation	-5				-5
- Net value	**101**				**101**
Financial assets	**101**				**101**

(in thousands of euros)	01/01/2005	Increase	Decrease	Conversion adjustments	31/12/2005
Deposits and guarantees					
- Gross value	100	2	0	4	106
- Depreciation	-4	0	0	-1	-5
- Net value	**96**	**2**	**0**	**3**	**101**
Financial assets	**96**	**2**	**0**	**3**	**101**

(in thousands of euros)	31/12/2003	Increase	Decrease	Conversion adjustments	31/12/2004
Deposits and guarantees	**100**	**3**	**(1)**	**(2)**	**100**
Gross values	**(5)**				**(5)**
Provisions					
Net values	**95**	**3**	**(1)**	**(2)**	**95**
Financial assets	**95**	**3**	**(1)**	**(2)**	**95**

The deposits and guarantees are payments made to the lessors of premises occupied by the Group. They are not discounted in view of the possible termination dates.

5.4- Trade and Other Accounts Receivable

(in thousands of euros)	2006	Of which less than one year	2005	2004
Trade accounts receivable	2 525	2 525	3 842	2 553
Trade receivables impairment provision	-191	-191	-172	-275
Current tax on receivables (tax credit) Research and excess pre-paid tax	880	880	759	316
Other receivables from the government	282	282	244	192
Miscellaneous creditors	158	158	90	110
Impairment of miscellaneous creditors	0	0	0	0
Prepaid expenses	301	301	212	145
Trade and other accounts receivable	**3 955**	**3 955**	**4 975**	**3 041**

5.5- Cash and Cash Equivalents

(in thousands of euros)	2006	2005	2004
Transactional financial assets	8 135	3 095	3 272
Available cash	2 034	7 814	4 723
Cash and cash equivalents	**10 169**	**10 909**	**7 995**

Transactional assets are comprised of proceeds from Collective Investment Schemes (OPCVM), certificates of deposit with a term of less than 3 months and are valuated at market value at the end of the reporting period. These instruments are perfectly liquid and do not represent any particular risk exposure to equity except, as the case may be, variations in exchange rate of the currency of investment. Variations in fair market value during the period are recognized as of the part of period's earnings under the "cash income" line item.

5.6- Equity and Liabilities

The equity of the SYSTRAN S.A. is 15,108.623 euros. The number of ordinary shares issued is 9,972,075. Capital is entire paid-up. There is only one category of shares. Fully paid in and duly registered shares that have been held by the same shareholder for at least four years benefit from double voting rights.

Bonus accounts represent an issue bonus paid to shareholders who have bought shares of SYSTRAN S.A. capital. These amounts are fully distributable. Reserve accounts are the result of accumulated

Group profit and are fully distributable, with the exception of SYSTAN S.A.'s legal reserve, which is 396 thousand euros.

Number of shares outstanding (i.e. excluding treasury shares):

Equity and reserves (number of shares)	2006	2005	2004
Number of shares at the start of the financial year	9 848 095	9 833 695	9 833 695
Treasury shares	(145 657)		
Issue of share capital			
Stock-option plan			
- granted options			
- exercised options	61 425	14 400	
Number of shares at the end of the financial year	**9 763 863**	**9 848 095**	**9 833 695**

At 31 December 2006, the Group held 208,212 shares compared to 62,555 shares at 31 December 2004 and 2005.

Number of shares authorised:

Authorisations granted by the Extraordinary Shareholders Meeting of 25 June 2004, but unused at the end of the financial year were as follows:

- Authorization to issue share capital to a maximum of 15 million euros granted to the Board of Directors and;
- Authorization to allocate a maximum number of stock options to employees representing 20 % of shares issued, granted to the Board of Directors.

The associated number of authorised and non-issued shares is 11,818,605.

Stock options

Status of stock options awarded to the Group's employees								Total
Date of the General Shareholders Meeting	**06/03/2000**		**09/11/2001**				**25/06/2004**	
Date of the Board of Directors meeting	06/03/00	01/02/01	09/11/01	04/02/02	13/03/03	23/12/03	14/02/06	
Total number of shares that can be subscribed or purchased	970 000	94 336	43 000	61 175	100 000	100 000	10 000	1 378 511
Of which, shares that can be subscribed or bought by members of the Executive Committee	500 000	-	28 000	-	100 000	100 000	10 000	738 000
Starting date for exercise of options	06/03/05	01/02/06	09/11/05	04/02/06	13/03/07	23/12/07	14/02/10	
Ending date	05/03/08	31/01/09	08/11/09	03/02/10	12/03/11	22/12/11	13/02/14	
Strike price (in euros)	7,6	4,6	1,64	1,94	1,21	4,61	3,93	
Terms of exercise	Options will be permanently vested to the recipients only by equal thirds on the date of the 1st, 2nd and 3rd anniversaries of their granting by the Board of Directors and provided that, for each allocation, the recipient is still a Director or employee of the Company or of its subsidiaries.							
Number of shares subscribed as of 31/12/ 2006	-	-	57 000	18 825	-	-	-	
Number of exercisable options at the end of the year	970 000	94 336	43 000	61 175	-	-	-	1 168 511
of which, "in the money" options	-	-	*43 000*	*61 175*	-	-	-	*104 175*
Changes during the period								
granted options							10 000	10 000
expired	-	-	-	-	-	-	-	-

options								
cancelled options	-	-	-	-	-	-	-	-
exercised options	-	-	42 600	18 825	-	-	-	61 425

5.7- Provisions

(in thousands of euros)	2006	2005	2004
Non-current provisions	7	6	4
Current provisions	75	273	454
Provisions	**82**	**279**	**458**

Non-current provisions consist of the provision for retirement obligations. The Group's retirement obligations were entirely provisioned at the end of the financial year in compliance with IAS 19. Given the average age and seniority of the workforce, the amount of obligations as at 31.12.06 is insignificant. The provision amounts to 6.7 thousand euros.

Pension obligations concern only the severance allowance that payable to the Group's French employees when they retire, in application of the Syntec collective agreement. The principal assumptions applied at 31 December 2004, 2005 and 2006 are as follows:

- Discount rate: 6% 6%
- Annual growth rate of salaries: 3,5%
- Annual attendance rate: 96%
- Life (actuarial) table: TV 88-90

The details of the current provisions are as follows:

(in thousands of euros)	31/12/2005	Allocations	Use	Reversals (*)	Conversion adjustments	31/12/2006
Provisions for litigation	245		-138	-60	0	47
Provisions for obligations						
With respect to trade	28	0	0	0	0	28
Other	0	0	0	0	0	0
Current provisions	**273**	**0**	**-138**	**-60**	**0**	**75**

(*) reversal of provisions with no purpose

Provisions established for obligations with respect to customers cover costs of warranties, product returns, penalties, or losses on ongoing contracts.

5.8- Financial Liabilities

(in thousands of euros)	Gross amount 31/12/2004	Gross amount 31/12/2005	Gross amount 31/12/2006	At less than one year	1 to 5 years
Repayable COFACE advances	167	140	116	24	92
Loans and financial liabilities	21	21	29	25	4
Financing leases	75	75	142	66	76
Financial liabilities	**263**	**236**	**287**	**115**	**172**

The financing lease liabilities correspond mainly to leased computer equipment. Since the relevant amounts are not significant, the reconciliation of the total future minimum lease payments and their discounted value as recognized in the balance sheet is not provided.

There is no clause specific to failure to make payment stipulated in the borrowing agreements. There is no liability having a due date greater than 5 years.

5.9- Deferred Tax Liabilities

(in thousands of euros)	Intangible	Tax loss	Other	Total
Start of 2004	**5 688**			**5 688**
Recognized in the income statement	-166			-166
Recognized as shareholders' equity				
Exchange rate variations				
Start of 2005	**5 522**			**5 522**
Recognized in the Income Statement			-11	-11
Recognized as shareholders' equity				
Exchange rate variations				
On 31.12.05	**5 522**		**-11**	**5 511**
Recognized in the Income Statement		-125	67	-58
Recognized as shareholders' equity				
Exchange rate variations				
On 31.12.06	**5 522**	**-125**	**56**	**5 453**

The Group recognizes differed tax assets of 125 thousand euros on tax losses generated during the 2006 reporting period in France, taking into account the profit outlook beginning in 2007.

Other Liabilities and Accrual and Deferrals

Other liabilities and accruals/deferrals (in thousands of euros)	Gross amount 31/12/2004	Gross amount 31/12/2005	Gross amount 31/12/2006	Under 1 year
Other tax and welfare liabilities	381	1 064	700	685
Other liabilities	0	0	0	0
Forecast income	1 318	1 920	1 538	1 553
Current Liabilities (excluding	**1 699**	**2 984**	**2 238**	**2 238**

provisions)				

6. – Miscellaneous information

6.1 - Off-balance sheet commitments

At 31.12.06, the SYSTRAN Group's obligations were as follows:

Date	Expiry	Creditor	Subject	Amount (in thousands of euros)
20.01.98		Banque Générale du Luxembourg	Overdraft facility	248

6.2- Financial Instruments

The Group does not use financial instruments to reduce its exposure to interest rate and exchange risks.

6.3– Segment Information

Current operating income (in thousands of euros)		Europe	North America	Unallocated/eliminated (*)	Consolidated
31/12/2006	(12 months)	-683	1 864	-8	1 173
31/12/2005	(12 months)	1 969	1 340	-71	3 238
31/12/2004	(12 months)	1 625	1 316		2 942
Segment Investments (in thousands of euros)		**Europe**	**North America**	**Unallocated/eliminated (*)**	**Consolidated**
31/12/2006	(12 months)	342	148	0	490
31/12/2005	(12 months)	162	108	0	270
31/12/2004	(12 months)	402	94	0	496

Segment Assets (in thousands of euros)		Europe	North America	Unallocated / eliminated	Consolidated
31/12/2006	(12 months)	11 562	4 875	15 171	31 608
31/12/2005	(12 months)	12 359	6 708	14 101	33 168
31/12/2004	(12 months)	8 566	5 127	14 494	28 187

Segment liabilities (in thousands of euros)		Europe	North America	Unallocated/eliminated	Consolidated
31/12/2006	(12 months)	2 629	2 007	4 319	8 955
31/12/2005	(12 months)	4 511	3 327	3 209	11 047
31/12/2004	(12 months)	3 562	2 590	3 613	9 764

Unallocated/eliminated items correspond to the Group's intangible assets (segment assets), associated deferred taxes (segment liabilities) and inter-segment eliminated items.

6.4- Net Earnings Per Share

Net earnings per share are calculated on the basis of the weighted average number of shares outstanding in the current fiscal year as shown below: This is also stated after the impact of full exercise of all the stock options listed in the notes.

Earnings per share – IFRS standards	**2006**	**2005**	**2004**
Basic earnings per share			
Number of shares used for calculation	9 868 439	9 848 095	9 833 695
Net profit per share (in euros)	0,11	0,31	0,27
Fully diluted earnings per share:			
Number of shares used for calculation	9 967 016	9 973 321	9 975 417
Net profit per share (in euros)	0,11	0,31	0,27

The fully diluted earnings per share are calculated as follows:

Calculation of the fully diluted earnings per share	**2006**	**2005**	**2004**
Number of ordinary shares	9 868 439	9 848 095	9 833 695
Number of options issued Number of options not in the money” Number of options “in the money”	1 381 841 -1 177 666 204 175	1 451 000 - 1 185 400 265 600	1 451 000 -1 171 000 280 000
Number of shares to be repurchased with the proceeds from dilutive options	-105 598	-140 374	-138 278
Number of diluted shares	**9 967 016**	**9 973 321**	**9 975 417**
average SYSTRAN share price	*3,91*	*3,70*	*3,93*
Net consolidated earnings (in thousands of euros)	1 085	3 060	2 679
Fully diluted earnings per share (in euros)	**0,11**	**0,31**	**0,27**

3.5 FOLLOW-UP TO SYSTRAN'S FINANCIAL STATEMENTS FOR 2004 AND 2005

The consolidated annual financial statements of the Group published on 31 December 2006 were prepared and published in compliance with IFRS (International Financial Reporting Standards) guidelines as adopted in the European Union The Group applied the IFRS 1 standard, "First-Time Adoption of International Financial Reporting Standards" to prepare these financial statements.

The Group's consolidated financial statements published on 31 December 2004 were prepared in accordance with French accounting principles, i.e. since 1 January 1999 in compliance with the accounting rules and methods for consolidated accounts approved by the order of 22 June 1999, confirming regulation 99-02 of the French Accounting Rules Committee.

The 2005 and 2004 reporting periods are respectively presented in the reference documents D. 05-689 and D.04-0670 submitted to the Financial Markets Authority on 18 May 2006 and 12 May 2005.

3.6 AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

Dear Shareholders:

In accordance with the mission entrusted to us by your General Shareholders Meeting, we have performed an audit of the **SYSTRAN** consolidated financial statements for the financial year ending 31 December 2006, as attached to this report.

The consolidated financial statements were accepted by the Board of Directors. Our role is to issue an opinion on these financial statements, based on our audit.

1. Opinion on consolidated accounts

We have performed our audit in accordance with professional standards applicable in France. These standards require the application of due diligence to allow us reasonable assurance that the financial statements contain no significant errors. An audit consists of examining and sampling the evidence supporting the data contained in these financial statements. It also consists of assessing the accounting policies used and significant estimates made in preparing the overall financial statement presentation. We believe our audit provides a reasonable basis for the opinion expressed below:

We certify that the consolidated financial statements for the financial year yield a fair and accurate assessment of the financial position, the assets and liabilities, and income of the persons and entities comprising the consolidated group in accordance with the IFRS standards as adopted in the European Union.

Without calling into question the opinion expressed above, we draw your attention to note 5.1 of the financial statement relating to intangible fixed assets, which provides all appropriate details on the methodology and assumptions used in valuing the linguistic assets (dictionaries and know-how).

2. Justification of opinion

Pursuant to article L.823-9 of the Commercial Code relating to justification of our assessment, we bring the following items to your attention:

As mentioned in the first part of this report:

The value of the linguistic assets (dictionaries and know-how) has been examined by the company as described in note 5.1. to the financial statements.

We have assessed the validity of the methodology used, examined the documentation prepared within this framework as appropriate, and assessed the consistency of the data used, particularly by comparing the forecasts for fiscal year 2006 with actual results.

The assessment we give is in keeping with our approach used to audit the overall consolidated financial statements and therefore helped us to form our unqualified opinion, which is expressed in the first part of this report.

3. Specific audit

We have also carried out the audit as required by law of the information stated in the report on the management of the group. We have no observation to issue as to the integrity of this information or its consistency with the consolidated financial statements.

Paris La Défense and Paris, 21.03.07

The Statutory Auditors

KPMG AUDIT	Grant Thornton
Member of the KPMG International	*Membre français de Grant Thornton International*
Claire GRAVEREAU	Victor AMSELEM
Associate	*Associate*

3.7 AUDITORS' REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDING 31 DECEMBER 2005 AND 2004

The Auditors' Report on the consolidated financial statements for the years ending 31 December 2005 and 2004 are respectively presented in the reference documents D. 05-06889 and D. 04-0670 submitted to the financial markets authorities on 12 May 2005.

4 INFORMATION ON COMPANY ACCOUNTS

4.1 CONSOLIDATED COMPANY INCOME STATEMENT AS AT 31 DECEMBER 2006

(in thousands of euros)	*Notes*	**2006 (12 months)**	**2005 (12 months)**	**2004 (12 months)**
Sales Revenue	*3.1*	4 487	6 549	5 774
Other income		8	10	10
Operating income		**4 495**	**6 559**	**5 784**
Purchases and other external expenses	*3.2*	- 2 210	- 1 840	- 2 205
Taxes, duties and similar payments		- 253	- 103	- 79
Personnel Costs	*3.3*	- 2 569	- 2 455	- 1 523
EBITDA		**- 537**	**2 161**	**1 977**
Net depreciation and amortisation expense (net and restated) and operating provisions		- 133	- 17	- 194
Operating income		**- 670**	**2 144**	**1 783**
Depreciation and amortisation (net and restated) of financial provisions		-192	1 660	-113
Other financial expenses and income		1 504	1 057	57
Financial income	*3.4*	**1 312**	**2 717**	**- 56**
Current earnings		**642**	**4 861**	**1 727**
Net extraordinary provisions		198	116	-38
Other extraordinary expenses and income		0	-2	- 139
Extraordinary income and expenditure	*3.5*	**198**	**114**	**- 177**
Tax on profits		528	- 762	- 86
Net income		**1 368**	**4 213**	**1 464**

4.2 COMPANY BALANCE SHEET AS AT 31 DECEMBER 2006

ASSETS

(in thousands of euros)	*Notes*	**31/12/2006**	**31/12/2005**	**31/12/2004**
Intangible fixed assets	*4.1*	15 130	15 033	14 988
Property, Plant and Equipment	*4.2*	295	306	284
Financial assets	*4.3*	3 941	3 528	2 047
Total fixed assets		**19 366**	**18 867**	**17 319**
Inventory				74
Trade and other accounts receivable	*4.4*	3 043	5 554	3 872
Cash and investment securities		7 221	5 904	3 878
Total current assets		**10 264**	**11 458**	**7 824**
Prepaid expenses		215	136	87
Conversion adjustment for assets		2	9	10
Total assets		**29 847**	**30 470**	**25 240**

LIABILITIES

(in thousands of euros)	*Notes*	**31/12/2006**	**31/12/2005**	**31/12/2004**
Equity		15 202	15 109	15 087
Premium accounts		5 393	5 382	5 380
Statutory reserve		396	185	122
Carryforward		5 212	1 210	- 191
Income for the financial year		1 368	4 213	1 464
Shareholders equity	*4.5*	**27 571**	**26 099**	**21 862**
Provisions for contingencies and expenses	*4.6*	109	304	410
Financial liabilities (excluding bank overdrafts)	*4.7*	224	217	168
Suppliers and other operating payables	*4.8*	1 548	3 405	2 396
Deferred revenue		389	431	388
Conversion adjustment for liabilities		6	14	16
Total external liabilities		**2 276**	**4 371**	**3 378**
Total liabilities		**29 847**	**30 470**	**25 240**

4.3 NOTES TO CORPORATE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2006

1- Important events during the fiscal year

Changes in operating activities

During the year just ended, SYSTRAN was challenged by a decline in operating activities owing to a decrease in product sales to one of its main distributors. This decrease is responsible for 38% of the total decline in sales of licences. The signature of a new distribution contract and a settlement agreement with the distributor took place at the end of January 2007. The associated costs resulting from the settlement agreement and the initial contract did not have a major impact on the earnings for the financial year ended 31 December 2006.

Dispute with the European Commission

On 4 October 2003, the Directorate-General for Translation of the European Commission issued a bid for work on the EC-SYSTRAN for the UNIX environment delivered in 2003 to the European Commission by SYSTRAN. The contract was awarded in January 2004 to a Luxembourg corporation without apparent operating activities, which then hired all those staff members of SYSTRAN's Luxembourg subsidiary who were made redundant owing to the lack of a contract from the Commission. SYSTRAN issued its reserves concerning the call for bids, underscoring that the work in question was likely to infringe upon the copyright for this software.

Given the lack of a rebuttal by the Commission, SYSTRAN filed a complaint on the matter with the European Ombudsman in July 2005. The Ombudsman issued his decision on 23 October 2006. The Ombudsman found that the Commission was not guilty of mismanagement but did not address the matter of infringement of SYSTRAN's copyright.

In January, 2007, SYSTRAN sought damages before the Court of First Instance of the European Communities for the substantial harm it incurred owing to infringement of copyright and disclosure of know-how.

SYSTRAN believes that the lawsuit is progressing well and that the Court will rule in favour of the company.

Dividends received

SYSTRAN S.A. received a dividend of 1.8 million US dollars from its subsidiary, SYSTRAN USA.

2- Accounting Rules and Policies

The corporate financial statements were prepared in accordance with the accounting principles of prudence, historic costs, assessment as a going-concern, independence of accounting periods and consistency of methodology according to assessment methods of the Commercial Code.

Sales Revenue

Revenue is recognised as follows:

- Revenue from licences is recognised after physical or electronic delivery of the platform, or based on statements provided by the distributors. For temporary licences, revenue is recognized *prorata temporis* over the licence grant period;
- Linguistic services provided are invoiced on a percentage of completion basis;
- Advertising revenue from *Portals* is recognised based on the statements provided by the portals;
- Development contracts are invoiced on the basis of percentage of completion. In the event that such contracts are performed with partners, SYSTRAN, as project coordinator and carrier, reports the entire payment under "Revenue from Sales." The share due the partners is recognized under "Purchases and other external expenses".

Income recognition

Income from linguistic service contracts is calculated according to the completion method.

In the event that it is estimated that that it is not probable that the costs incurred will be recovered, a transaction loss provision is established based on most reliable earnings forecast, including, if necessary, rights to complementary income or claims.

Foreign Currency Transactions

Operations activities in foreign currencies performed by the consolidated companies are translated into the functional currency using the going exchange rates on the date of the operations.

Extraordinary income and expenditure

The definition of extraordinary income and expenditure under the French General Accounting Chart of Accounts is applied. It includes items for which recognition is not contingent upon the Company's current operating activities.

Research and Development Costs

Co-funded research and development costs are recognized under Operating Expenses as the project progresses and the financed portion is recognized as revenue from sales.

Self-financed research and development costs are recognized as operating expenses when incurred.

Concessions, Patents and Licences

Concessions, patents and licences essentially include software licences acquired by the Company. This software is amortised on a straight-line basis over periods appropriate to each acquisition, not exceeding 5 years.

Created software, whether intended for internal or commercial use, is recognized as operating expenses.

Goodwill

Goodwill derives primarily from the contribution of assets made in 1989 by Gachot S.A., SYSTRAN's parent company at the time. It is recognized on the balance-sheet at contribution value.

Among the constituent elements were:

- Customers for which valuation was assessed based on the projected profitability of agreements,
- Language pair dictionaries and utilities corresponding to the databases integrated into the marketed software, as well as the corresponding know-how.

The portion of goodwill relating to customers was depreciated over an 8-year period (a multiple of 8 of forecast earnings used at the time to assess contribution of customers).

Given its nature, the remainder of goodwill cannot be amortised, but may be subject to impairment in the event of a sustained decline in its value in use.

Equity securities

Investment securities are reported in the balance-sheet at acquisition cost. In the event of a permanent decline in their value in use, provisions for impairment are applied.

Value in use is calculated according to the financial criteria most appropriate to each company's individual situation. The criteria generally selected are the proportion of net adjusted shareholders' equity and the outlook for profitability and development.

Trade accounts receivable

Trade accounts receivables are reported in the balance sheet at historic cost. Provisions are constituted on the basis of the assessment of risk of non-recovery. These provisions are based on an individual or statistics-based assessment of this risk.

Investment securities

Investment securities are recognized at their acquisition cost. When necessary, a provision is made, calculated for each line of securities of the same type, in order to align their value with the average market price over the last month, or, for unlisted securities, with their probable negotiation value.

Contingent advances

Contingent grants are advances provided by the Government to facilitate project development. Repayment is subject to a number of conditions prescribed by contract (success, break-even point). The culmination of such advances, dependent upon contractual provisions, can be:

- Repayment of the advances granted, if the outcome is successful;
- Forgiveness, if is the outcome is a failure.

Provisions for contingencies and expenses

These are intended to cover the risks and burden likely to result from events that have occurred or that are pending, which are clearly specified as to their object, but for which the occurrence, due date or amount are unknown.

Post-Employment Benefit Obligations

At the time of their retirement, certain Company employees are entitled to receive a retirement benefit. These benefit obligations are discounted using the Projected Unit Credit Method and determined based on the salary at the end of service. These obligations, subject to provisions under operating expenses, are recognized as "Provisions for contingencies and expenses."

3- Notes to the Income Statement

3.1- Breakdown of revenue

(in thousands of euros)	2006	2005	2004
Licences	3 484	5 429	2 318
Services	1 003	1 120	3 456
Revenue	**4 487**	**6 549**	**5 774**

3.2- Purchases and other external expenses

(in thousands of euros)	2006	2005	2004
Purchases & change in inventory	52	37	31
Co-contracting	0	0	885
Sub-contracting	0	0	32
Property leases	313	296	293
Equipment leases – Leasing agreements	121	93	64
Fees	1 447	1 063	589
Copyrights	5	20	-4
Advertising, marketing	-19	83	106
Business travel	90	105	119
Telecommunications	59	47	54
Other	142	96	36
Purchases and other external expenses	**2 210**	**1 840**	**2 205**

3.3- Personnel Costs

(in thousands of euros)	2006	2005	2004
Wages and benefits	1 774	1 689	1 080
Welfare contributions	795	766	443
Personnel Costs	**2 569**	**2 455**	**1 523**

The company's average workforce changed from 24 to 29 people between 2004 and 2005. Compensation granted to Directors of the company totalled 418,000 euros.

3.4– Financial income

(in thousands of euros)	2006	2005	2004
Provision for foreign exchange losses	-2		47
Impairment of financial assets	-190	1 660	-160
Financial provisions	***-192***	***1 660***	***-113***
Dividends received	1 364	679	
Capital gains and losses on traded securities	177	22	24
Securities and bank account compensation	109	42	
Exchange rate gains and losses	-146	314	33
Other financial expenses and income	***1 504***	***1 057***	***57***
Financial income	**1 312**	**2 717**	**-56**

Financial income is mainly comprised of dividends received from the SYSTRAN USA subsidiary amounting to 1.8 million US dollars in 2006 compared with 0.8 million US dollars in 2005 and 0 and 2004.

3.5- Extraordinary income

In 2005 and 2006, extraordinary income mainly includes net reversals of provisions for litigation amounting to 180,000 euros in 2005 and 198,000 euros in 2006

Extraordinary income and expenditure for the 2004 financial year consisted mainly of provisions for litigation, amounting to 86,000 euros net, and costs relating the relocation the SYSTRAN SA head office to La Défense, amounting to 97,000 euros.

3. 6. Tax losses

In 2006, tax losses represented the difference between the tax loss for the 2005 financial year and the research tax credit recognized in the 2004 financial year.

Given its negative income in 2006, the Company did not recognized a tax loss at the end of the reporting period but recorded a research tax credit for the 2005 and 2006 financial years, 422,000 and 235,000 euros, respectively

3.7– Research and development expenses

Research and development expenses were €1,214,000 in 2006 compares to €1,229,000 for 2005. These expenses were fully recognised in the reporting period.

4- Notes to the Balance Sheet

4.1- Intangible fixed assets

(in thousands of euros)	01/01/2006	Increase	Decrease	31/12/2006
Research and Development Costs				
Gross values (1)				
Depreciation				
Net value	**0**	**0**	**0**	**0**
Concessions, Patents and Licences				
Gross value (2)	7 787	171		7 958
Depreciation	-7 740	-74		- 7 814
Net value	**47**	**97**	**0**	**144**
Goodwill				
Trade Accounts	45 994			45 994
Depreciation	-45 994			-45 994
Dictionaries and know-how (3)	14 986			14 983
Provisions for depreciation				
Net value	**14 986**	**0**	**0**	**14 986**
Property, Plant and Equipment	**15 033**	**97**	**0**	**15 130**

(in thousands of euros)	01/01/2005	Increase	Decrease	31/12/2005
Research and Development Costs				
Gross value (1)				
Depreciation				
Net value	**0**	**0**	**0**	**0**
Concessions, Patents and Licences				
Gross value (2)	7 724	63		7 787
Depreciation	-7 722	-18		-7 740
Net value	**2**	**45**	**0**	**47**
Goodwill				
Trade Accounts	45 994			45 994
Depreciation	-45 994			-45 994
Dictionaries and know-how (3)	14 986			14 986
Provisions for depreciation				
Net value	**14 986**	**0**	**0**	**14 986**
Property, Plant and Equipment	**14 988**	**45**	**0**	**15 033**

(1) Until 31 December 1998, a portion of research and development expenses was recognised on the Balance Sheet and amortised over three years. As of 1 January 1999, research and development expenses remain as expenses in the financial year they are incurred.

(2) The “Concessions, patents and licences” item is essentially comprised of software licences for language pairs acquired by Gachot S.A. and contributed to SYSTRAN in July 1989. This software is completely depreciated.

(3) This software is fully depreciated.

The accounting policy adopted to assess the value in use of these linguistic assets consists in preparing net cash flow estimates based on the following principal assumptions:

- Medium-term plans prepared by Management over a 5-year horizon (2007-2011);

- Discount of the forecast flows resulting from these plans at a rate representative of the Company's weighted average cost of capital ("WACC");

- Calculation of terminal value by infinite capitalisation of the last flow on the explicit forecast horizon at the rate representing the difference between the WACC and the long-term growth rate deemed appropriate for the business. This value is then discounted using the Company's WACC.

Thus, the value of the company at 31 December 2006 is higher than the corporate shareholders' equity on the same date. However, the Group is still in the development phase and projections are therefore characterised by a level of uncertainty and so will require regular review to ensure that the assumptions adopted in 2003 are still valid in light of the real situation. The main assumptions are set out below:

- The cash flow forecasts are based on order accepted by the Company. Growth in EBITDA on the adopted forecast horizon is tending towards a normative rate of between 18 and 35% of revenue from sales.

- The adopted discount rate is set at 13% to account for the Company's intrinsic risk premium.

- The long-term forecast growth rate is 1.5% based on a conservative estimate of expected growth.

4.2- Property, Plant and Equipment

(in thousands of euros)	01/01/2006	Increase	Decrease	31/12/2006
Fixtures and other fixed assets				
Gross value	228	8		236
Ongoing capitalisation				
Depreciation	-38	-23		-61
Net value	**190**	**-15**	**0**	**175**
Computer hardware and office furnishings				
Gross value	232	40		272
Depreciation	-116	-36		-152
Net value	**116**	**4**	**0**	**120**
Property, Plant and Equipment	**306**	**-11**	**0**	**295**

(in thousands of euros)	01/01/2005	Increase	Decrease	31/12/2005
Fixtures and other assets				
Gross value	228			228
Ongoing capitalisation				
Depreciation	-15	-23		-38
Net value	**213**	**-23**	**0**	**190**
Computer hardware and office furnishings				
Gross value	166	66		232
Depreciation	-95	-21		-116
Net value	**71**	**45**	**0**	**116**
Property, Plant and Equipment	**284**	**22**	**0**	**306**

4.3- Financial investments

(in thousands of euros)	Gross 31/12/2006	Provisions	Net 31/12/2006	Net 31/12/2005
Equity securities				
SYSTRAN USA (100%)	5 153	-1 935	3 218	3 218
SYSTRAN Luxembourg (100%)	1 950	-1 950		
Subtotal	**7 103**	**3 885**	**3 218**	**3 218**
Related accounts receivable				
(1 USD = 0,9526 EUR)				
SYSTRAN Software				6
Subtotal	**0**	**0**	**0**	**6**
Other				
Treasury shares	683	-39	644	228
Loans	79		79	76
Subtotal	**762**	**-39**	**723**	**304**
Financial assets	**7 865**	**3 924**	**3 941**	**3 528**

(in thousands of euros)	Gross 31/12/2005	Provisions	Net 31/12/2005	Net 31/12/2004
Equity securities				
SYSTRAN USA (100%)	5 153	-1 935	3 218	1 718
SYSTRAN Luxembourg (100%)	1 950	-1 950		
Subtotal	**7 103**	**3 885**	**3 218**	**1718**
Related accounts receivable				
(1 USD = 0,9526 EUR)				
SYSTRAN Software	6		6	59
Subtotal	**6**	**0**	**6**	**59**
Other				
Treasury shares	228		228	197
Loans	76		76	73
Subtotal	**304**	**0**	**304**	**270**
Financial assets	**7 413**	**- 3 885**	**3 528**	**2 047**

The gross value of securities of the US companies (the holding company SYSTRAN USA and its subsidiary, SYSTRAN Software Inc) originates from Gachot's contribution to SYSTRAN in 1989. A reversal of the impairment of SYSTRAN USA's shares was recognized in 2005 to take into account the improvement in the position and prospects for the company, which holds the entirety of shares issued by SYSTRAN Software Inc.

SYSTRAN Luxembourg was discontinued in 2003. As a result, its issued shares have fully depreciated based on the net position of the subsidiary. The balance of the provision to reconstitute the net negative position of the subsidiary is €64,000.

During the first quarter of 2006, the company transferred 62,555 shares totalling €297,000 which it held at the end of 2005. The capital gain was €68,000 was recognized as financial income. During the second quarter of 2006, the Company bought back 208,212 of its own shares for a total of €683,000; these shares were still held by the Company at the end of the reporting period. This operation took place as part of a share buyback program authorized by the Extraordinary Shareholders Meeting of June 23rd, 2006. Given the variation in the market value of the shares at the end of the 2006 financial year (€3.09 per share), the depreciation of these securities was recognised as €39,000.

4.4- Trade and other accounts receivable

(in thousands of euros)	31/12/2004	31/12/2005	31/12/2006
Trade accounts receivable*	3 560	5 120	2 021
Provisions for impairment of trade accounts receivables	-218	-163	-163
Other accounts receivable	530	597	1 185
Trade and other accounts receivable	**3 872**	**5 554**	**3 043**

** for which invoices at 31 December 2006 amounted to €467,000, including tax, or €459,000 before tax.*

All of these accounts receivable have a due date of less than one year at the end of the fiscal year.

4.5 – Deferred Expenses

Deferred expenses totalled €215,000 at 31 December 2006.

4.6 Shareholders' Equity

Shareholder equity in the Company totals €15,201,989, comprised of 9,972,075 shares following a share issue of €93,366 resulting from the exercise of 61,425 stock options in 2006.

Shareholders' equity may be broken down as follows:

(in thousands of euros)	Equity	Bonuses and Reserves	Carryforward	Income for the period	Total shareholders equity
On 31 December 2004	15 087	5 502	-191	1 464	21 862
Issue of share capital	22	2			24
Allocation of 2004 income		63	1 401	-1 464	0
Income for fiscal year 2005				4 213	4 213
At 31 December 2005	15 109	5 667	1 210	4 213	26 099
Issue of share capital	93	11			104
Allocation of 2005 income		211	4 002	-4 213	0
Income for the 2006 financial year				1 368	1 368
At 31 December 2006	**15 202**	**5 789**	**5 212**	**1 368**	**27 571**

4.7- Provisions for Contingencies and Expenses

(in thousands of euros)	31/12/2005	Increase	Decrease	31/12/2006
Provisions for litigation	206		-198	8
Provision for product returns	28			28
Provision for contingencies				
Provision for SYSTRAN Luxembourg	64			64
Provision for restructuring				
Provision for foreign exchange losses	0	2		2

Provision for pension and retirement obligations	6	1		7
Provisions for contingencies and expenses	**304**	**3**	**-198**	**109**

(*) including reversals of unused provisions: €60,000

4.8- Financial liabilities (excluding bank overdrafts)

(in thousands of euros)	**Gross 31/12/2004**	**Gross 31/12/2005**	**Gross 31/12/2006**	**Under 1 year**	**1 to 5 years**
Repayable COFACE advances	167	140	116	24	92
Loans and financial liabilities	1	77	108	108	
Financial Liabilities (excluding CBC)	**168**	**217**	**224**	**132**	**92**

4.9 -Supplier payables and other operating debts

(in thousands of euros)	**Gross 31/12/2004**	**Gross 31/12/2005**	**Gross 31/12/2006**	**At less than 1 year**
Supplier payables	1 582	1 161	1 002	1 002
Tax and welfare payables	401	1 772	532	532
Other liabilities	413	472	14	14
Supplier payables and other operating liabilities	**2 396**	**3 405**	**1 548**	**1 548**

** for which invoices at 31 December 2006 amounted to €467,000, including tax, or €459,000 before tax.*

4.9 – Deferred income

Deferred income recognized per accounting rules on revenue as described in paragraph 2. On 31 December 2006, their breakdown was as follows (in thousands of euros):

(in thousands of euros)	**2006**	**2005**
Licences	232	309
Services rendered	97	122
Deferred income	**389**	**431**

5- Miscellaneous information

4.1 Off balance sheet obligations

Guarantees

As at December 31, 2006, guarantees granted by SYSTRAN SA with respect to third parties on behalf of its Luxembourg subsidiary are the following:

Date	**Expiry**	**Creditor**	**Subject**	**Amount (in thousands of euros)**
20/01/98		Banque Générale du Luxembourg	Overdraft facility	248

Post-Employment Benefit Obligations

The average age of the workforce being low, the provision for retirement obligations amounts to €6,700. The provisions are fully integrated.

Financial leasing commitments

(in thousands of euros)	**2006**
Historical cost	**284**
Depreciation	
Accrued from previous reporting periods	92
Current period	56
Total	148
Net value	**136**
Royalties paid	
Accrued from previous reporting periods	103
Current period	63
Total	**166**
Royalties to be paid	
Maximum of one year	71
More than on year and less than five years	74
Over five years	0
Total	**150**

5.2- Financial Instruments

The company does not use financial instruments to reduce its exposure to rate risks.

5.3- Stock option plan

Status of stock options awarded to the Group's employees								Total
Date of the General Shareholders Meeting	**06/03/2000**		**09/11/2001**				**25/06/2004**	
Date of the Board of Directors meeting	06/03/00	01/02/01	09/11/01	04/02/02	13/03/03	23/12/03	14/02/06	
Total number of shares that can be subscribed or purchased	970 000	94 336	43 000	61 175	100 000	100 000	10 000	1 378 511
Including shares that can be subscribed or bought by members of the Executive Committee	500 000	-	28 000	-	100 000	100 000	10 000	738 000
Starting date for exercise of options	06/03/05	01/02/06	09/11/05	04/02/06	13/03/07	23/12/07	14/02/10	
Ending date	05/03/08	31/01/09	08/11/09	03/02/10	12/03/11	22/12/11	13/02/14	
Strike price (in euros)	7,6	4,6	1,64	1,94	1,21	4,61	3,93	
Terms of exercise	Options will be permanently vested to the recipients only by equal thirds on the date of the 1st, 2nd and 3rd anniversaries of their granting by the Board of Directors and provided that, for each allocation, the recipient is still a Director or employee of the Company or of its subsidiaries.							
Number of shares subscribed as of 31/12/ 2006	-	-	57 000	18 825	-	-	-	
Number of exercisable options at the end of the year	970 000	94 336	43 000	61 175	-	-	-	1 168 511
including, "in the money" options	-	-	*43 000*	*61 175*	-	-	-	*104 175*
Changes during the period								
granted options							10 000	10 000
expired	-	-	-	-	-	-	-	-

options								
cancelled options	-	-	-	-	-	-	-	-
exercised options	-	-	42 600	18 825	-	-	-	61 425

5.4- Items concerning associated companies

Associated companies are those likely to be included as part of overall integration into the same consolidated entity. Consequently, all SYSTRAN S.A. subsidiaries are associated companies.

(in thousands of euros)	31/12/2006	31/12/2005
Investments:		
Gross value	7 103	7 103
Provisions	(3 885)	(3 885)
Net value	**3 218**	**3 218**
Related accounts receivable		
Gross value	0	6
Provisions		
Net value	**0**	**6**
Trade accounts receivable and related accounts	733	2 189
Trade payables and related accounts	248	197
Borrowing	98	74
Financial income	1 364	679
Revenue from operating activities	-	1 915
Licences (income)	1 165	-
Services rendered (income)	748	-
Services rendered (expense)	315	-

5.5 - Table of subsidiaries and interests

Detailed information on each subsidiary company and investment (in thousands of euros)	Equity	Other shareholders' equity	Share of capital held in %	Gross value of shares held	Net value of shares held	Loans and advances granted	Guarantees and backing granted	Revenue before tax for period ending 31/12/06	Results of the period ending 31.12.06	Dividends paid	Comments
1. Subsidiary companies (held share > 50%)											
SYSTRAN USA*	2 300	(421)	100%	5 153	3 218	-	-	-	1 434	1 364	Holding company with 100% control of Systran Software Inc.
Systran Luxembourg S.A.	124	(208)	100%	1 950	-	-	248	-	(7)	-	
2. Other investments (between 10% and 50% of shares held)											
None	-	-	-	-	-	-	-	-	-	-	

(*) Figures expressed in euros. 1USD= 0.7593 euro. Exchange rate as of 31.December 2006

4.4 FINANCIAL INCOME DURING THE LAST FIVE FINANCIAL YEARS (IN EUROS)

Type	2006	2005	2004	2003	2002
Capital at year-end					
a) Capital stock	15 201 989	15 108 623	15 086 735	15 086 735	15 086 735
b) Number of shares					
- ordinary	9 972 075	9 910 650	9 896 250	9 896 250	9 896 250
- preferred					
c) Maximum number of shares to be issued					
- by conversion of bonds					
- by warrant					
Transactions and Income					
a) Revenue net of taxes	4 487 076	6 549 356	5 774 084	6 187 813	3 640 654
b) Income before taxes, profit-sharing, depreciation and provisions	984 062	3 215 679	1 894 898	1 397 900	(761 150)
c) Taxes on profit	511 620	(762 393)	(85 750)	3 811	(206 801)
d) Employee profit-sharing					
e) Depreciation and amortisation expense	(128 711)	1 759 723	(344 865)	(1 101 948)	(3 608 398)
f) Net income	1 367 511	4 213 010	1 464 283	2 495 037	(4 162 747)
g) Distributed earnings					
Earnings Per Share					
a) Income after taxes and profit-sharing, and before amortisation provision expense	0,15	0,25	0,20	0,29	(0,06)
b) Income after taxes, profit-sharing, amortisation and provisions	0,14	0,43	0,15	0,25	(0,42)
c) Awarded dividend					-
Personnel					
a) Average number of employees	38	29	25	26	33
b) Total payroll	1 774 000	1 689 000	1 079 927	1 316 608	1 273 899
c) Amounts paid as social benefits (Social Security, etc.)	795 000	766 000	442 797	551 709	453 975

4.5 AUDITORS' REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006

Dear Shareholders:

In accordance with the mission assigned to us by your General Shareholders meeting, we present our report on the fiscal year ending 31.12.06, on:

- the audit of SYSTRAN's annual financial statements, as attached to this report;
- justification of our assessment;
- the specific verifications and information required by law.

The annual financial statements have been accepted by the Board of Directors. Our role is to issue an opinion on these financial statements, based on our audit.

1. Opinion on consolidated accounts

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we take measures to obtain reasonable assurance that the annual financial statements are free of material misstatements. An audit consists of examining and sampling the evidence supporting the data contained in these financial statements. It also consists of assessing the accounting policies used and the significant estimates made in preparing the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We certify that the annual 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 French accounting rules and principles.

Without calling into question the opinion expressed above, we draw your attention to the following point presented in note 4.1 of the appendix relative to intangible fixed assets, which provides all useful details on the methodology and assumptions used in valuing the linguistic assets (dictionaries and know-how).

2. Justification of opinion

Pursuant to article L.823-9 of the Commercial Code relating to justification of our assessment, we bring the following items to your attention:

- As mentioned in the first part of this report, the company has assessed the value of the linguistic assets (dictionaries and know-how) as described in note 4.1 of the appendix. We have assessed the validity of the methodology used, examined the documentation prepared within this framework as appropriate, and assessed the consistency of the data used, particularly by comparing the forecasts for fiscal year 2006 with actual results.
- On the basis of the elements available to us, we ensured that the value selected for the equity securities was based on the restated net situation and the prospects for the relevant subsidiaries, as is pointed out in note 2 of the appendix "Accounting policies".

The assessments we give are in keeping with our approach used to audit the overall annual financial statements and therefore helped us to form our unqualified opinion, which is expressed in the first part of this report.

3- Specific verifications and information

We have also performed the procedures required by law, in accordance with professional practices applicable in France.

We have no comment to offer regarding:

- The fair presentation of the information given in the Board of Directors management report and in the documents distributed to shareholders on the financial situation and annual financial statements, or as to its consistency with the consolidated financial statements.
- The integrity of the information given in the Management Report with respect to compensation and benefits offered to the directors concerned or the commitments made to them upon the acceptance, transfer or change in function or subsequent to it

Pursuant to the law, we have ensured that the various items of information relating to the identity of the owners of shares (or voting rights) have been provided to you in the Management Report.

Paris La Défense and Paris, 21.03.07

The Statutory Auditors

KPMG AUDIT
Département de KPMG S.A.

Grant Thornton
Membre français de Grant Thornton International

Claire GRAVEREAU
Associate

Victor AMSELEM
Associate

4.6 AUDITORS' REPORT ON THE CORPORATE FINANCIAL STATEMENTS FOR THE YEARS ENDING 31 DECEMBER 2005 AND 2004

The SYSTRAN S.A. company accounts, the auditors' reports on the corporate financial statements and the special auditors' reports on the regulated agreements for the financial years ending 31 December 2005 and 2004, are respectively presented in the reference documents D. 05-689 and D. 04-0670 submitted to the Financial Markets Authority on 18 May 2006 and 12 May 2005.

4.7 CHANGE IN ASSETS

During the meeting of 14 February 2006, the Board of Directors resolved to increase capital by €21,888 through the issue of 14,400 new shares entirely paid up following the exercise of 3 options.

During the meeting of 27 July 2006, the Board of Directors resolved to increase capital by €93,366 through the issue of 61,425 new shares entirely paid up following the exercise of 3 options.

The total number of shares issued as at 31 December 2006 is 9,972,075.

Date	Type of transaction	Change in capital	Change in the issuance and/or contribution premium	No. shares before	No. shares after	Par value	Capital stock
Jan-86	Starting capital of S.A.R.L. SOISY TRADUCTION	FRF 50,000			500	FRF 100	FRF 50,000
Dec-88 (EGM of 30.12.88)	Capital increase by offset with receivables due and payable and conversion to SYSTRAN S.A.	FRF 550,000	FRF 110,000	500	6 000	FRF 100	FRF 600,000
Jun-89 (EGM of 30.06.89)	Reduction in face value	0	0	6 000	12 000	FRF 50	FRF 600,000
Jun-89 (ditto)	Capital increase by partial contribution of assets	FRF 300,000,000	FRF 145,844,423	12 000	6 012 000	FRF 50	FRF 300,600,000
Aug-90 (EGM of 26.10.89)	Capital increase by offset with receivables due and payable	FRF 1,700,000	FRF 544,000	6 012 000	6 046 000	FRF 50	FRF 302,300,000
Jun-91 (MGM of 28.06.91)	Capital increase by transfer of the contribution premium	FRF 100,766,650	FRF -100,766,650	6 046 000	8 061 333	FRF 50	FRF 403,066,650
(ditto)	and by offset with receivables payables	FRF 46,933,350	0	8 061 333	9 000 000	FRF 50	FRF 450,000,000
Mar-00 (MGM of 6.03.00)	Allocation to the premium of a portion of losses carried forward from previous years	0	FRF -45,731,773	9 000 000	9 000 000	FRF 50	FRF 450,000,000
(ditto)	and capital decrease by reduction in the par value of each share (*)	FRF -360,000,000	0	9 000 000	9 000 000	FRF 10	FRF 90,000,000
May-00 (MGM of 3.05.00)	Increase in reserved capital by offset from receivables, and conversion to euros	FRF 1,350,000	0	9 000 000	9 135 000		EUR 13,926,217
Sep-00 (MGM of 03.05.00)	Capital increase applied during the IPO on the Nouveau Marché of the Paris Stock Exchange.	EUR 1,160,518	FRF 26,842,461	9 135 000	9 896 250		EUR 15,086,735
Nov-05	Capital increase by exercising of options	EUR 21,888	EUR 1,728	9 896 250	9 910 650		EUR 15,108,623
Jan-06	Capital increase by exercising of options	EUR 42,560		9 910 650	9 938 650		EUR 15,151,183
May 06	Capital increase by exercising of options	EUR 22,192		9 938 650	9 953 250		EUR 15,173,375
May 06	Capital increase by exercising of options	EUR 28,614		9 953 250	9 972 075		EUR 15,201,989

(*) The Extraordinary General Shareholders Meeting of 6 March 2000 authorized a write-off of the previous losses of SYSTRAN S.A. by allocation of losses carried forward of FRF 488,300,000 at year-end 1999 at the rate of FRF 45,700,000 on the issuance premium, as well a capital reduction of FRF 360,000,000 by decreasing the par value of the shares from FRF 50 to FRF 10 . After this transaction, the Company's capital stock totalled FRF 90,000,000, consisting of 9,000,000 shares of FRF 10, as shown in the following table:

In millions of FRF	Equity	Premiu	Carryforw	Income for	Total

		m account s	ard	the period	sharehold ers equity
Situation as of 31.12.99	450	45,73	-488,31	97,71	105,13
Allocation of premiums to losses carried forward		-45,73	45,73		-
Capital reduction	-360		360		-
Situation after the Extraordinary General Shareholders Meeting of 6 March 2000	90	-	-82,58	97,71	105,13

4.8 REPURCHASE BY THE COMPANY OF ITS OWN SHARES

4.8.1- Programme authorised by the General Shareholders Meeting of 23 June 2006

The General Shareholders Meeting of 23 June 2006 authorized a repurchase program for shares issued by the Company This program replaces the program approved by the General Shareholders Meeting of 24 June 2005.

The aims of this programme are, in decreasing order of priority:

- managing the market making in the secondary market or the liquidity of the Company's share by means of an investment service provider, through a liquidity agreement that complies with the ethic charter recognised by the financial markets authorities;
- SYSTRAN buying shares to hold and subsequently tender in exchange or payment, in any external growth transactions;
- Remitting shares during the exercise of rights attached to securities entitling the holder, through redemption, conversion, exchange, presentation of a warrant or in any other way, to acquire Company shares;
- Distributing shares to employees of the company and group subsidiaries according to the terms stipulated by the law, pursuant to articles L 225-177 and thereafter of the Commercial Code, or through a company savings plan;
- Purchasing Company shares in order to cancel them, up to a maximum of 10% of the Company's capital stock, as part of the authorisation to decrease the capital stock as stated in the twelfth resolution of the present meeting, in its extraordinary part.

A share repurchase programme prospectus complying with the provisions of articles 241-1 to 241-8 of the general regulations of the financial markets authorities is available from the Company.

4.8.2- Operations during the reporting period

During the 2006 financial year, the following operations were conducted by the Company regarding its own shares as part of the provisions of Articles L225-209 of the Commercial Code:

- Purchase of 208,212 shares for the total sum of €682,972, that is, an average share price of €3.28 per share;
- Sale of 62,555 shares for the total sum of €295,511, that is, an average share price of €4.74 per share;

As at 31 December 2006, the Company holds 208,212 shares against 62,555 at 31 December 2005, for a total value of €208,212.

The shares held by the Company represent 2.09% of capital stock.

4.8.3- Assessment of previous programmes

Upon completion of its first repurchase programme authorised by the General Shareholders Meeting of 3 May 2000, the Company held 62,555 of its own shares.

The Company did not acquire any shares as part of the repurchase programme authorised by the General Shareholders Meeting of 9 November 2001, 27 June 2003 and 25 June 2004.

The Company did not acquire any shares and disposed of 62,555 shares as part of the repurchase programme authorised by the General Shareholders Meeting of 24 June 2005.

The ongoing programme authorised by the General Shareholders Meeting of 23 June 2006 and previous share repurchase programmes approved by the General Shareholders Meeting of 3 May 2000, 9 November 2001, 27 June 2003, 25 June 2004 and 24 June 2005 allowed the Company to carry out the following transactions:

Type of transaction	Period	Number of shares purchased	Average purchase price (in euros)	Number of shares sold	Average price of sale (in euros)
Price stabilisation	03.05.00 to 31.12.00	25 981	3,94	360	4,10
Balance at the end of the fiscal year	**At 31.12.00**	**25 621** (0.26% of capital)	**3,94**	-	-
Price stabilisation	01.01.01 to 30.09.01	36 934	3,45	-	-
Balance	**At 30.09.01**	**62 555** (0.63% of capital)	**3,65**	-	-
Price stabilisation	01.01.06 to 31.12.06	208 212	3,28	62 555	4,74
Balance	**At 31.12.06**	**208 212** (2.09% of capital)	**3,65**	-	-

The Company did not proceed with any cancellation of shares over the course of the past twenty-four months.

4.8.4- New programme subject to approval at the General Shareholders Meeting of 22.06.07

The Company hopes to implement a share buyback programme which will be brought before the General Shareholders Meeting on 22 June 2007.

The aims of this programme are, in decreasing order of priority:

- Stimulate the secondary market or the liquidity of the SYSTRAN shares by means of an investment service provider, through a liquidity agreement that complies with the ethic charter recognised by the Financial Markets Authority (AMF);
- The purchase of Company shares up to a maximum of 5% of the Company’s capital stock for retention and subsequent exchange or as payment as part of future external growth activities
- Remitting shares during the exercise of rights attached to securities entitling the holder, through redemption, conversion, exchange, presentation of a warrant or in any other way, to acquire Company shares;
- Distributing shares to employees of the company and group subsidiaries according to the terms stipulated by the law, pursuant to articles L 225-177 and thereafter of the Commercial Code, or through a company savings plan;
- The purchasing of Company shares in order to cancel them, up to a maximum of 10% of the Company's capital stock, within the framework of the authorisation to decrease the capital stock as stated in the ninth resolution of the this meeting, in its extraordinary part.

A share repurchase programme prospectus will be filed with the Financial Market Authority (AMF).

The new programme will supersede the programme implemented by the General Shareholders Meeting of 23.06.06.

4.9 CURRENTLY VALID AUTHORIZATIONS GRANTED BY THE GENERAL SHAREHOLDERS MEETING TO THE BOARD OF DIRECTORS IN THE AREA OF CAPITAL INCREASE.

4.9.1- a) Increase in unreserved capital with pre-emptive subscription rights

The General Shareholders Meeting of 23.06.06 resolved, in its thirteenth resolution, to renew the authorisation given to the Board of Directors to increase the capital stock through the issue of shares, warrants, bonds and/or any securities giving access immediately or in the future, at any time or on a fixed date, to the Company’s capital, in a maximum par value not to exceed a ceiling of 15,000,000 Euros (fifteen million Euros), with or without issuance premium, to be subscribed and fully paid-in in cash at the time of subscription, with such new shares to be subject to all the Company’s statutory provisions and to be assimilated to the old shares, and to enjoy the same rights as of the first day of the fiscal year in which they were created and issued. Moreover, this authorisation is subject to a ceiling of 300,000,000 euros (three hundred million euros), including the issuance premium.

The General Shareholders Meeting has, furthermore, resolved that this authorization applies *ipso jure* to the earnings of holders of securities giving future access to Company shares, an express waiver by the shareholders of their preferential right of subscription to the shares to which these securities entitle them. In the event of issuance with maintenance of the shareholders’ preferential right of subscription, the Board of Directors may grant the shareholders a reduced preferential right.

The General Shareholders Meeting also resolved that if subscriptions did not represent the entirety of a share or security issuance as defined above, the Board of Directors may use one or more of the following authorisations, in the order it decides:

- - to limit the security issuance to the value of the subscriptions provided that it totals at least three-quarters of the approved issuance;
- - to resolve that any balance of the issuance not subscribed be completely or partially allocated by the Board of Directors.

As a consequence of the authorisation granted above, the General Shareholders Meeting delegates to the Board of Directors, with subdelegation authority to its Chairman, all powers necessary for purposes of undertaking, in accordance with the laws and regulations, one or more increases in the Company's capital stock or other issuances of securities, within a period of twenty-six (26) months, in one or more stages, with use of the aforementioned authorisation being partial or total, setting the terms, confirming completion and undertaking the corresponding amendment of the by-laws. Specifically, the General Shareholders Meeting resolved that the Board of Directors will have all powers, specifically to resolve on the number of securities to be issued, the issue price, as well as the total premium that may be required at the time of issuance.

The General Shareholders Meeting resolved that the Board of Directors and by delegation, its Chairman, will have all powers to enforce this authorisation, under the terms set by the law, for the purposes of offsetting the expenses related to the capital increases with the value of the corresponding premiums and to deduct from this amount the required sums allocated to bringing the statutory reserve up to one-tenth of the capital stock after each increase.

More generally, the General Shareholders Meeting resolved that the Board of Directors and by delegation, its Chairman, will have full power to approve all agreements, particularly in order to achieve the aims of the intended issuance, take all measures and carry out all due formalities for the issuance and financial servicing of these shares through this authorisation, as well as the exercise of the rights corresponding thereto, confirming the capital increase made through use of this authorisation, and amending the by-laws accordingly.

The General Shareholders Meeting has noted that the Board of Directors will give an account of the use made of this authorisation to the next General Shareholders Meeting.

This capital increase authorisation has rendered ineffective all previous delegations of the same type, and in particular, that granted in the ninth resolution of the Ordinary and Extraordinary General Shareholders Meeting of 25 June 2004.

To date, this authorisation has not been used by the Board of Directors.

4.9.2- Increase in unreserved capital with cancellation of pre-emptive subscription rights

The General Shareholders Meeting of 23.06.06 resolved, in its fourteenth resolution, to authorise the Board of Directors to increase the capital stock through issuance of shares, warrants, bonds and/or any securities giving access immediately or in the long term, at any time or on a fixed date, to the Company's capital, in a maximum par value not to exceed 15,000,000 euros (fifteen million euros), with or without issuance premium, to be subscribed and fully paid-in in cash at the time of subscription, with such new shares to be subject to all the Company's statutory provisions and to be assimilated to the old shares, and to enjoy the same rights as of the first day of the fiscal year in which they were created and issued. Moreover, this authorisation is subject to a ceiling of 300,000,000 euros (three hundred million euros), including the issuance premium. These amounts will also be charged to the values of the shares issued directly or indirectly, by virtue of the thirteenth resolution of the meeting of 23.06.06.

The General Shareholders Meeting resolved to cancel the preferential right of subscription to the shares to be issued, on the understanding that the Board of Directors may grant priority to the shareholders for subscribing all or part of the issuance for the period and under the terms that it will set. This subscription priority will not give rise to the creation of negotiable rights but may, if the Board of Directors deems appropriate, be exercised on both a reducible and irreducible basis, noting that following the priority period the unsubscribed securities will be up for public placement.

The General Shareholders Meeting has resolved that this delegation applies *ipso jure* to the earnings of holders of securities giving future access to Company shares, an express waiver by the shareholders of their preferential right of subscription to the shares to which these securities entitle them.

The General Shareholders Meeting resolved that the sum allocated or to be allocated to the Company for each of the shares issued as part of the aforementioned delegation, will be at least equal to the average opening prices of the Company's shares noted on 10 consecutive trading days chosen from the 20 trading days prior to the start of issuance of the aforementioned securities.

The General Shareholders Meeting further resolved that if subscriptions did not represent the entirety of a share or security issuance as defined above, the Board of Directors may use one or more of the following authorisations, in the order it decides:

- To limit the security issuance to the value of the subscriptions provided that it totals at least three-quarters of the approved issuance;
- To resolve that any balance of the issuance not subscribed be completely or partially allocated by the Board of Directors.

As a consequence of the authorisation granted above, the General Shareholders Meeting delegates to the Board of Directors, with subdelegation authority to its Chairman, all powers necessary for purposes of undertaking, in accordance with the laws and regulations, one or more increases in the Company's capital stock or other issuances of securities, within a period of twenty-six (26) months, in one or more stages, with use of the aforementioned authorisation being partial or total, setting the terms, confirming completion and undertaking the corresponding amendment of the by-laws.

Specifically, the General Shareholders Meeting resolved that the Board of Directors will have all powers, specifically to resolve on the number of securities to be issued, the issue price, as well as the total premium that may be required at the time of issuance.

The General Shareholders Meeting resolved that the Board of Directors and by delegation, its Chairman, will have all powers to enforce this authorisation, under the terms set by the law, for the purposes of offsetting the expenses related to the capital increases with the value of the corresponding premiums and to deduct from this amount the required sums allocated to bringing the statutory reserve up to one-tenth of the capital stock after each increase.

More generally, the General Shareholders Meeting resolved that the Board of Directors and by delegation, its Chairman, will have full power to approve all agreements, particularly in order to achieve the aims of the intended issuance, take all measures and carry out all due formalities for the issuance and financial servicing of these shares through this authorisation, as well as the exercise of the rights corresponding thereto, confirming the capital increase made through use of this authorisation, and amending the by-laws accordingly.

The General Shareholders Meeting has noted that the Board of Directors will give an account of the use made of this authorisation to the next General Shareholders Meeting.

To date, this authorisation has not been used by the Board of Directors.

4.9.3- Recapitulation of authorizations

Authorizing Shareholders Mtg	Type of authorization	Ceiling of the increase	Term of authorization	Use of Revenue	Subauthorisation	Drawdown
Mix Gen'l Shareholders Mtg of 23 June 2006 (13th) Resolution	Grant of powers to the Board to raise capital stock	€15,000,000 with ceiling of €300,000,000 bonus issue included	24 aug 2008		To the Chairman	None
Mix Gen'l Shareholders Mtg of 23 June 2006 (14th) Resolution	Grant of powers to the Board to raise capital stock with canc. of pref rights	€15,000,000 with ceiling of €300,000,000 bonus issue included	23 Aug 2008		To the Chairman	None

4.10 OTHER LEGAL INFORMATION

4.10.1 Shareholding in French companies

The Company did not acquire any shareholding during the 2006 financial year.

4.10.2 Agreements governed by Articles L 225-38 of the Commercial Code

During the reporting period ending 31 December 2006, no agreement was concluded giving rise to the application of Articles L. 225-38 of the Commercial Code; prior agreements being ongoing or renewed.

4.10.3 Agreements governed by Articles L.225-39 of the Commercial Code

The listing of agreements relating to ongoing operations concluded with standard terms and conditions is kept at the disposal of shareholders and was communicated to the Auditors.

4.10.4 Dispute with the European Union

On 4 October 2003, the Directorate-General for Translation of the European Commission issued a bid for work on the EC-SYSTRAN for the UNIX environment delivered in 2003 to the European Commission by SYSTRAN. The contract was awarded in January 2004 to a Luxembourg corporation without apparent operating activities, which then hired all those staff members of SYSTRAN's Luxembourg subsidiary who were made redundant owing to the lack of a contract from the Commission. SYSTRAN issued its reserves concerning the call for bids, underscoring that the work in question was likely to infringe upon the copyright for this software.

Given the lack of a rebuttal by the Commission, SYSTRAN filed a complaint on the matter with the European Ombudsman in July 2005. The Ombudsman issued his decision on 23 October 2006. The Ombudsman found that the Commission was not guilty of mismanagement but did not address the matter of infringement of SYSTRAN's copyright.

In January, 2007, SYSTRAN sought damages before the Court of First Instance of the European Communities for the substantial harm it incurred owing to infringement of copyright and disclosure of know-how.

SYSTRAN believes that the lawsuit is progressing well and that the Court will rule in favour of the company.

4.10.5 Other elements likely to have an impact on the public offering

There are no other items liable to have an impact in the event of a public offer as per article L. 225-100-3.

5 CORPORATE GOVERNANCE

5.1 5.1.1 BOARD OF DIRECTORS

5.1.1 Operation of the Board of Directors

In 2006 the Board of Directors had 6 directors and 2 independent directors: Mr. Jean GINISTY and Mr. Patrick SELLIER.

The Board of Directors met twice during fiscal year 2006, on 14.02.06 and 27.07.06.

On February 5, 2007, Mr. Jean Gachot resigned from his position as Trustee.

In view of the limited number of Directors, the company has not yet set up specialised committees such as an Audit Committee or Compensation Committee, or draw up rules of procedure or a procedure for assessing the work of the Board of Directors.

Moreover, none of the directors are elected by the employees and no censor has been appointed.

The co-option of all Directors is subject to ratification by the General Shareholders Meeting.

The number of shares that must be held to be eligible for a directorship is 3.

5.1.2 Composition of the Board of Directors

Individual	Assignment	Appointed	Duration
Président*	Chairman & CEO (*)	MGM of 27/06/03	6 fiscal years, until the AGM ruling on the fiscal year ending 31.12.08
Administrateur	Director (2)	AGM of 24.06.05	6 fiscal years, until the AGM ruling on the fiscal year ending 31/12/2010
Administrateur	Director	AGM of 24.06.05	6 fiscal years, until the AGM ruling on the fiscal year ending 31/12/2010
Denis GACHOT	Director	AGM of 30.03.01	6 fiscal years, until the AGM ruling on the fiscal year ending 31.12.06
Guillaume Naigeon	Director	AGM of 24.06.05	6 fiscal years, until the AGM ruling on the fiscal year ending 31/12/2010
Patrick SELLIER	Director	AGM of 27.06.03	6 fiscal years, until the AGM ruling on the fiscal year ending 31.12.08

(*)Appointed by the Board of Directors on 28 July 2003
(2)Resigned 5 February 2007

Mr. Dimitris Sabatakakis, Chairman and CEO of SYSTRAN S.A. is also non-exclusive President of SYSTRAN USA and SYSTRAN Software Inc and CEO of SYSTRAN Luxemburg S.A.

No other director of the parent company holds equivalent office in the subsidiaries of the Group.

<u>Other positions of Mr. Dimitris SABATAKAKIS:</u>

Chairman of the Board of Directors of VALFINANCE S.A.

Chairman of the Board of Directors of TECHNIQUES NUCLEAIRES S.A.

Director of SCHEFFER S.A.

<u>Other positions of Mr. Jean GACHOT:</u>

Director of VALFINANCE S.A.

Director of TECHNIQUES NUCLEAIRES S.A.

<u>Other positions of Mr. Jean GINISTY:</u>

None

<u>Other positions of Mr. Denis GACHOT:</u>

Chief Executive Officer of INPROD Corp. (USA)

<u>Other positions of Mr. Patrick SELLIER:</u>

None

<u>Other positions of Mr Guillaume NAIGEON:</u>

Director of COLBERT PARTICIPATIONS INDUSTRIELLES IMMOBILIERES ET FINANCIERES

5.1.3 Compliance with EU Regulation RE 809/2004

There is no conflict of interest between the duties of the members of the Board of Directors with regard to SYSTRAN and their private interests.

There are family ties between members of the Board of Directors: Mr Dimitris Sabatakakis and Mr Denis Gachot are respectively the son-in-law and son of Mr Jean Gachot.

As far as the Company is aware, over the last five years:

- no member of the Board of Directors has been convicted for fraud;
- no member of the Board of Directors has been associated with a bankruptcy, receivership or liquidation, apart from the liquidation of the Aurora company in 2002, which was a 100% subsidiary of SYSTRAN SA;
- no member of the Board of Directors has been incriminated or been the subject of disciplinary action by regulatory or statutory authorities;
- no member of the Board of Directors has ever been prevented by a court from taking up a position as member of a board of directors, management committee or supervisory board of an issuer, or from participating in the management or supervision of an issuer;

Independent of regulatory clauses, no arrangement or agreement exists among principal shareholders, customers, suppliers or other in virtue of which a member of the Board of Directors was appointed

No loan or guarantee is granted or constituted in favour of the Directors by the Company or any company in its group.

5.1.4 Compensation

Directors' fees have been granted to the Board of Directors during the reporting period ending 31 December 2006 for a total amount of €21,000. A draft resolution will be brought before the General Shareholders Meeting of 22 June 2007, to permit directors' fees in the amount of €18,000 to be paid to the Board for the reporting period ending 31 December 2007

Only company directors who are members of General Management are entitled to receive compensation; directors who are not members of General Management have no right to other compensation and do not benefit from stock options for the issue of shares.

Director	Fixed Compensation *(1)*	Variable Compensation	Benefits in kind	Director's fees	Total compensation	
2006						
Dimitris SABATAKAKIS	152 449	45 000	0	3 000	200 449	
Denis GACHOT	120 449	42 293	0	3 000	165 742	*(2)*
Guillaume Naigeon	100 654	45 000	2 160	3 000	150 814	
2005						
Dimitris SABATAKAKIS	152 449	0	2 515	3 000	157 964	
Denis GACHOT	120 997	0	0	3 000	123 997	*(3)*
Guillaume Naigeon	90 596	40 000	1 948	3 000	135 544	
2004						
Dimitris SABATAKAKIS	152 449	100 000	1 500	3 000	256 949	
Denis GACHOT	125 262	0	0	3 000	128 262	*(4)*
Guillaume Naigeon	61 469	45 000	1 687	0	108 156	

(1) the compensation indicated represents gross compensation before taxes and social contributions
(2) either USD 204,241, excluding director's fees
(3) or USD 150,009, excluding director's fees
(4) or USD 155,779, excluding director's fees

Director	Number of stock options granted/shares subscribed or bought	Average weighted price (in euros)	Ending date
Options awarded in 2006 *(10 largest amounts)*	10 000	3,93	14 February 2006
Options awarded in 2006 *(10 employees)*	28 000	1,64	28 January 2006

No new stock options were granted to Executive Management during the fiscal year.

During the fiscal year, the directors did not benefit from:

- any specific post-employment benefits,
- any allowance relating to termination of their employment contract.

No additional specific retirement benefits were granted to members of the board or management.

No new stock options were granted to Executive Management during the fiscal year.

Mr. Guillaume Naigeon exercised 28,000 stock options to buy 28,000 shares of the Company on 27 January 2006 at a strike price of €1.64 each.

Mr. Dimitris Sabatakakis and Mr. Denis Gachot exercised no options during this period.

5.1.5 Summary of transactions involving SYSTRAN securities

LName, FName Position	Activity	Type of transaction	No. of transactions	Transaction amount (in euros)
Dimitris SABATAKAKIS	For his own account	Sale of 40,000 shares	4	184 620
Guillaume Naigeon	For his own account	Purchase of 28,000 stock options	1	45 920
		Sale of 15,000 shares	9	68 110
		Purchase of 5,500 shares	2	16 425

5.1.6 Shares held by Board of Directors at 31 December 2006

	No. of shares	%	Voting rights	%
Jean Gachot	1 092 546	10,96%	1 092 546	8,22%
Directeur Division Edition de Logiciels	91 984	0,92%	91 984	0,69%
Jean Ginisty	34 501	0,35%	52 812	0,40%
Guillaume Naigeon	25 740	0,26%	25 740	0,19%
Dimitris Sabatakakis	827 140	8,29%	827 140	6,23%
Patrick Sellier	500	0,01%	500	0,00%
SOPI SA	1 017 429	10,20%	2 034 858	15,32%
Valfinance SA	354 924	3,55%	654 924	4,93%
Members of the Board of Directors and associated companies	**3 444 764**	**34,54%**	**4 780 504**	**35,98%**
SOPREX AG	1 420 719	14,25%	2 841 438	21,39%
Alto Invest	597 197	5,99%	597 197	4,50%
Public	**4 301 183**	**43,13%**	**5 064 976**	**38,13%**
Treasury shares	208 212	2,09%		
TOTAL	**9 972 075**	**100%**	**13 284 115**	**100%**

5.2 Chairman’s report on internal audits for the period ending 31 December 2006

1. Summary of the purpose of internal audit inside the Company

Internal audit procedures observed within the Company have as their purpose:

- - Firstly, to ensure that management activities or operations and staff behaviour are in keeping with the guidelines set for Company business by the administrative bodies, laws and applicable regulations, and by the values, standards and internal regulations of the Company;
- Second, to ensure that the accounting, financial and management data provided to administrative bodies accurately reflects the Company's business and situation.

One of the aims of the internal audit system is to prevent and control risks resulting from the Company's business and exposure to error and fraud, in particular in accounting and finance. Like any control system, it cannot, however, provide absolute guarantees that these risks are totally eliminated.

2. Description of the internal audit's overall organisation

Organisation of internal audit in the SYSTRAN Group is characterised by the active involvement of Executive Management in the process but also by a limited number of parties, given the size of the Group.

2.1 – Persons or structures involved in internal audit activities

2.1.1. Executive Management

Given the size of the Group, internal control is largely based on Executive Management involvement:

- Dimitris SABATAKAKIS and Guillaume NAIGEON for all business,
- Denis GACHOT for North-American business.

These three executive managers also have extensive experience in the Group (10, 5 and 20 years, respectively).

Executive Management involvement particularly relates to:

- authorising investment spending,
- signing new contracts,
- monitoring the profitability of the Group's business units.

The Board of Directors has not set any limits on the authority of Executive Management other than those provided for by law or the regulations.

2.1.2. Delegations and authorisations

The Group does not necessarily have the resources in terms of skills required in every field for this purpose. Similarly, the Group does not have an internal audit department.

This is also why the decision-making process is largely centralised in Executive Management.

Power of signature (delegation of signing authority and power of attorney for banking matters) is restricted to the Directors of each company.

2.1.3. Board of Directors

Members

The Board of Directors comprises 6 Directors, including two independent Directors

Organisation of meetings

On average, the Board of Directors meets 2 times a year. On average, each meeting is attended by three members.

Rules, specialised committees and work evaluation

The Company has not set up specialised committees such as an Audit Committee or Compensation Committee, nor drawn up rules or a procedure for assessing the work of the Board of Directors.

Moreover, none of the directors are elected by the employees and no censor has been appointed.

Role

Among its prerogatives, the Board of Directors is responsible for:

- Determining the compensation for the Directors and profit-sharing for the Executive Committee;
- Allocating stock options to the Group's directors and employees.

2.2 – Company guidelines and internal regulations

The Group has not formalized a procedures manual. However, directives on "*what to do*" exist for critical procedures:

- Purchase order and verification procedure;
- Procedure for drafting and reviewing contracts entered into with customers;
- Employee expense reimbursement procedure.

Similarly, the Group has laid down certain rules concerning "*what not to do*". Thus, the Group does not use financial instruments for managing foreign exchange or interest rate risk, as it feels it lacks the resources required in-house to monitor them effectively.

2.3 - Organisation of the preparation of accounting and financial information

The main participants in internal control as regards financial and accounting data are:

- Dimitris SABATAKAKIS, Chairman of the Board of Directors and CEO of SYSTRAN S.A., is responsible for the guidelines document;
- Guillaume NAIGEON, the Deputy CEO and a Director of SYSTRAN S.A.

Their prerogatives include:

- supervising the preparation of internal reporting, individual financial statements and consolidated financial statements;
- relations with the Company's Statutory Auditors.

3. Information on existing procedures

3.1 – Main existing procedures

The main existing procedures concern:

- Purchase orders and audit;
- Drafting and reviewing contracts with customers;
- Reimbursing employee expenses.

Each of these three procedures is documented in writing.

The purchase order and verification procedure involves 3 internal controls: Prior authorisation of the expenditure from Executive Management; reconciliation of invoices against purchase orders issued and goods received; and authorisation to pay (or "approved for payment") stamped on the invoice by Executive Management.

The procedure for drafting and reviewing contracts involves 2 internal controls: Use of standard contracts reviewed by specialist advisers when preparing any new customer contract; and prior review and signing of all sizeable customer contracts by a Director.

The procedure for reimbursing employee expenses involves 3 internal controls: the use of a reimbursement schedule; the checking of expense bills; and approval of payment by a member of Executive Managment.

Given that these procedures are highly centralised, there is no internal procedure for testing control procedures.

3.2 - Procedures for preparing accounting data

The SYSTRAN Group pays particular attention to preparing its accounting data.

First, each Group unit prepares a monthly activity report, including a full income statement, for Executive Management.

Second, the Group has set up an appropriate consolidation procedure to ensure the reliability of the financial data produced:

- It has defined an accounting plan and schedule shared by all Group units,
- All Group units use the same consolidation form,
- Management of the consolidation process using specific consolidation software,
- Data is consolidated quarterly,

- Each Group unit's financial statements and the consolidated accounts are reviewed quarterly by an accountant outside the company;
- The financial statements are audited by the statutory auditors prior to publication.

4. Principles and rules set down by the Board to determine all compensation and benefits awarded to company officers

Compensation to corporate directors are established based on personal performance correlated with Group performance.

Moreover, stock options and gifts of shares are granted on the basis of personal performance correlated to the Group's financial performance.

Dimitris SABATAKAKIS

Chief Executive Officer

5.3 Auditors' Report on internal audits for the period ending 31 December 2006

Dear Shareholders:

In our capacity as auditors of SYSTRAN S.A. and pursuant to the last sub-paragraph of Articles L 225-235 of the Commercial Code, we hereby present our report on the report prepared by the Chairman of the Board of Directors of your company in accordance with Articles L 225-37 of the Commercial Code pertaining to the fiscal year ended 31 December 2006.

It is incumbent on the Chairman to include in his report, in particular, the rules for the preparation and organization of the work of the Board of Directors and the internal control procedures set up within the company.

It is our role to pass on our observations about the information given in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial data.

We have carried out our work according to professional practice applicable in France. This practice requires due diligence in assessing the integrity of the information given in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial data. In particular, these measures involve:

- Verifying the aims and the overall organisation of internal audit, including internal audit procedures relating to the preparation and treatment of accounting and financial data, as presented in the Chairman's Report;
- Auditing the work underlying the information thus given in the report.

On the basis of this work, we have no comment to make as to the information given concerning the company’s internal control procedures relating to the preparation and treatment of accounting and financial data, as contained in the Chairman’s Report, prepared pursuant to the last sub-paragraph of Article L 225-37 of the Commercial Code.

Paris La Défense and Paris, 21 March 2007

KPMG Audit
A department of KPMG S.A.

Grant Thornton
French member of Grant Thornton International

Claire GRAVEREAU
Associate

Victor AMSELEM
Associate

5.4 Executive Management

For the 2006 financial year, responsibility for Executive Management of SYSTRAN was held by:

- Mr. Dimitris SABATAKAKIS, President and CEO, SYSTRAN, S.A., Group Managing Director
- Mr. Denis GACHOT, CEO, SYSTRAN Software, Inc.
- Mr. Guillaume NAIGEON, Deputy CEO.

The curriculum vitae of the members of Executive Management, as well as information concerning their management experience is supplied in section 1.7.2.

6 GENERAL

6.1 INFORMATION ABOUT THE COMPANY

6.1.1 Company name

The corporate name is SYSTRAN S.A.

6.1.2 Date of incorporation

The company SOISY TRADUCTION, *Société à resonsabilité limitée* [French limited liability company], was incorporated on 4 December 1985, and subsequently, on 30 December 1988, adopted the structure of *société limitée*, and the corporate name "SYSTRAN S.A."

6.1.3 Registered office

La Grande Arche,

1 Parvis de La Défense,

92044 PARIS LA DEFENSE Cedex

6.1.4 Lifetime

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

6.1.5 Legal form

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

6.1.6 Financial Year

Each financial year has a duration of a year, beginning 1 January and ending 31 December.

6.1.7 Trade and Corporate Registry

334 343 993 R.C.S. NANTERRE

6.1.8 Activity code

Activity code: 722 A - Software Development

6.2 DOCUMENTS AVAILABLE TO THE PUBLIC

This Annual Report is available via the Internet at www.systran.fr or at the Web site of the Financial Markets Authority (AMF) at www.amf-france.org.

During the period of validity of this reference document, the following documents (or copy of these documents) can be consulted if necessary:

a) The issuer's corporate charter and by-laws;
b) All reports, correspondence and other documents, historic financial information, evaluations and statements drawn by an expert at the issuer's request, a part of which is included or referred to in this reference document;
c) The historical financial data of the Company for the two reporting periods preceding publication of this Annual Report.

Any person wishing to acquire more information about the SYSTRAN Group, may request these documents, without obligation:

- by mail:

  SYSTRAN

  Investor Relations

  La Grande Arche,

  1 Parvis de La Défense,

  92,044 Paris La Défense Cedex

- By telephone: 01 47 96 86 86

Regulatory information is accessible at www.systran.fr

6.3 MAJOR CONTRACTS

To date, SYSTRAN has concluded no major contract, other than those concludes as part of routine business operations, that imposes a significant obligation or commitment on the Group as a whole.

6.4 DEPENDENT CONDITIONS

To date, there exists no relationship between SYSTRAN and entities on which SYSTRAN exerts significant influence or which would be in a state of dependence upon it.

6.5 TRENDS

No significant deterioration affects the outlook for SYSTRAN since 31 December 2006, the late of its last audited and published financial statements.

6.6 SIGNIFICANT CHANGES

No significant change has occurred affecting the financial or business position of the Group since 31 December 2006.

6.7 INVESTMENTS

The Group has made no significant investment during the last reporting periods.

6.8 LEGAL PROCEEDINGS AND ARBITRATION

To the knowledge of the Issuer, none of the legal proceedings involving the Issuer has had a significant detrimental effect on its financial position or profitability.

6.9 CORPORATE CHARTER AND BY-LAWS

Title I

Legal Form – Company Purpose – Name – Registered Offices – Life

Article 1 – Legal Form

SOISY TRADUCTION, a private limited company, was incorporated on 4 December 1985 and registered in ERMONT-OUEST on 6 December 1985, Vol. 1, Folio 67, Bord. 245/2, enforcing Article 20 if its by-laws, adopted starting 30 December 1988 the legal form of a public limited company, as recorded by private document dated 30 December 1988.

This company continues its existence among the owners of shares issued thereupon and those that may be issued in the future.

It will henceforth be governed by the provisions of the Commercial Code related on public limited companies and this charter.

Article 2 – Company Purpose

The Company's purpose, directly or indirectly, in France and abroad, is the following:

Development, use, promotion and sale of computer-based machine translation systems (software and hardware), for all natural language pairs.

All activities corresponding to dictionaries and terminology data banks and all multilingual natural language processing applications.

Management, acquisition, and commercial activities in the field of the language industries.

Article 3 - Name

The Company has taken on the name:

SYSTRAN S.A.

In all acts, correspondence, billings, notices, publications and other documents of any nature issued by the Company and intended for third parties, the Company Name shall be followed by the wording, "public limited company" or the abbreviation "S.A." and declaration of authorised capital.

Article 4 - Registered Office - Subsidiaries

The Company's registered office is located at:

La Grande Arche,

1 Parvis de La Défense

92044 Paris La Défense Cedex

The Registered Offices may be relocated to any other location within the same Département or bordering Département by simple resolution of the Board of Directors, subject to ratification of this decision by the next occurring Ordinary Shareholders Meeting, or to any other location by resolution of the Extraordinary Shareholders Meeting.

The Board of Directors has the power to create any branch offices or subsidiaries that it shall deem appropriate without restriction.

Article 5 - Lifetime

The lifetime of the Company is established an NINETY-NINE (pp) years starting from its registration with the Commercial Registrar in the form of a public limited company, unless the company is prematurely terminated or extended as provided by these by-laws.

At least one year before the expiration of the Company lifespan, the Board of Directors shall call a General Shareholders Meeting to deliberate whether the company lifetime is to be extended.

Title II

Contributions – Authorized Capital - Shares

Article – [DELETED]

Article 7 – Authorized Capital

The authorized capital of the Company is established at FIFTEEN MILLION TWO HUNDRED ONE THOUSAND NINE HUNDRED NINETY NINE euros (€15,201,989), divided into 9,972,075 fully paid up shares.

Article 8 – Issue of Share Capital

The Company's authorized capital may be increased or decreased by any means and measures permitted by law.

Article – [DELETED]

Article – [DELETED]

Article – Paying up Shares

The shares purchased in cash shall be paid up to at least half the par value of their issue and, if necessary, the total of the bonus issue.

The release of surplus shall occur on one or several occasions at the request of the Board of Directors within a timeframe of five years starting from the date on which the share issue is finalised.

The release of shares may take place through compensation with liquid receivables and payable by the Company.

The call on capital that is not fully paid up shall be notified to shareholders by registered letter with return receipt issued by the Board of Directors to the address supplied when shares were subscribed at least fifteen days before the date set for each contribution.

In the event that a shareholder fails to pay the sums due on the number of shares he has subscribed during the periods established by the Board of Directors, interest payable to the Company shall be assessed *ipso jure* at the going key interest rate escalated by 3 percentage points starting at the end of the month in which payment was due without going to court or issuing a notice to perform.

Moreover, to obtain payment of said sums, the Company has the right to performance, actions to enforce guarantees and sanctions pursuant to Articles L. 228-27 to L. 228-29 of the Commercial Code.

With respect to shares issued to represent profit, reserves or bonus issues, they shall be fully paid up upon issue.

Article – Form of Shares

Shares may be registered or issued to the bearer at the discretion of the shareholder.

The Company is authorized at any time to enforce legal provisions with respect to the identification of shares that confer, whether immediately or in the future, voting rights in shareholders meetings in compliance with Article L. 228-1 and following of the Commercial Code.

Article – Transfer of Shares

The shares are negotiable without restriction.

Any party, acting alone or jointly, who comes to hold or ceases to hold, in any way, a percentage of shares equal to or greater than 3% of the capital stock and/or voting rights is required to inform the Company on the holding of each fraction of 3% of the capital and/or voting rights, up to 5%, within fifteen days of exceeding this threshold, by registered letter with request for acknowledgment of receipt sent to its registered office, specifying the total number of shares or instruments giving access to the capital as well as the numbers of voting rights held, alone, indirectly or jointly.

In the event of breach of this reporting obligation, one or more shareholders holding a portion of capital or voting rights equal to at least three percent (3%) may request that the shares exceeding that portion which should have been declared be deprived of voting rights for any shareholders meeting held within a period of two years following the date on which the reporting requirement is satisfied. The request will be countersigned in the minutes of the General Shareholders Meeting. Accordingly, the voting rights corresponding to the shares that were not properly declared may not be delegated by the shareholder in breach.

Added to the following reporting obligation is the obligation to report any surpassing of thresholds as provided for by law.

Article 15 – Rights and responsibilities associated with share ownership

1/ With respect to profits and corporate assets, each share grants a share proportional to the number of shares issued, specifically, to payment of the net sum for division or reimbursement during the life of the company or upon winding-up. Accordingly, all steps must be taken to ensure that each share enjoys the same benefits or fiscal exemptions and reimbursements to which all others are subject.

2/ The rights and obligations associated with a share shall accompany this share into any hand into which it shall pass and transfer includes all dividends due, unpaid or to be due, as well as a potential share in reserve funds and provisions.

The ownership of a share entails ipso jure acceptance of the decisions of the general shareholders meeting as well as these by-laws.

The heirs, creditors, beneficiaries or other representatives of a shareholder cannot under any circumstances, demand legal sequester of the goods and assets of the Company, request division or sale by public auction of the Company, or interfere in any way its management; moreover, in order to enjoy entitlement to their rights, they are required to accept the Company's statement of assets and the resolutions of the general shareholders meeting.

3/ Shareholders are responsible only up to the par value of the portion of shares that they own; beyond this limit, any demand for funds is prohibited.

4/ When it is required to hold several shares to exercise a right, in the event of exchange, regrouping or issue of securities or during and increase or decrease in capital, merger or any other corporate transaction, the owners of securities or in a number below that required may not exercise this right unless forming the grouping acting in their own right, if necessary the purchase or the sale of the number of shares necessary.

5/ Unless otherwise agreed and notified to the Company, the usufructuaries of shares legally represent remaindermen with respect to the Company. The voting rights default to the usufructuary in Ordinary General Shareholders Meetings, and to the remainderman in Extraordinary General Shareholders Meetings.

The preferential right of subscription as well as the right to award complementary shares is granted to remaindermen. In the event that a remainderman fails to exercise his or her rights, the usufructuary may be substituted for the remainderman.

Title III

Management of the Company

Article 15 – Board of Directors - Appointment

1/ The Company is administered by Board of Directors comprised of a minimum of three up to a maximum of twelve members unless otherwise permitted by law.

2/ In the event that a Director’s position is vacated between two Shareholders Meetings as a result of death or resignation, the Board may appoint a temporary replacement.

In the event that there are only two Administrators serving, they, or failing this, the Statutory Auditors, must immediately convene an Ordinary Shareholders Meeting for the purposes of filling the vacancy.

Director nominations made by the Board are subject to ratification at the next occurring Ordinary Shareholders Meeting. Failing ratification, the resolutions made and acts performed by the Board are nevertheless binding.

The Director named to replace another shall serve in this position for the time remaining in the mandate of his or her predecessor.

3/ The upper age limit set for the position of Director is 85 years; however, this limit is applicable only in the event that the number of Directors and permanent representatives having reached 85 years of age exceeds one-third of the number of serving directors.

When this provision is exceeded, the oldest Director shall be deemed to have resigned from office during the next occurring meeting of the Ordinary Shareholders Meeting.

However, the oldest Administrator shall not be deemed to have resigned if exceeding this provision of the bylaws is the result of a death or resignation following the previous General Shareholders Meeting. But the foregoing provisions shall be enforced upon replacement of the deceased or resigning Administrator.

In the event that a permanent representative of a juristic person reaches the age limit, he or she must by replaced by the immediate appointment of a new representative below this age by the juristic person represented.

Each Director shall own THREE shares.

If, on the date of his or her appointment, a Director does not own the requisite number of shares or if, during his or her mandate, a Director relinquishes ownership of the requisite number of shares, he or she shall be deemed as having resigned from office if he or she does not take steps to redress this condition within a period of THREE months.

Article 16 - DELIBERATIONS OF THE BOARD OF DIRECTORS

The Board of Directors shall meet as often as the interests of the Company require upon convocation by the Chairman or by one-third of the membership of the Board, either in the registered offices, or in any other location whether in France or abroad. It is convened by all means, even verbally. The Chief Executive Officer can also ask the Chairman to convene the Board of Directors for the examination of a given agenda.

An attendance register, which is signed by the Directors participating in meetings, shall be kept.

For the validity of business transacted, the actual attendance at least half of the serving Board members is required. Resolutions are carried by a majority of the votes cast by the members present or represented. In the event of a tie, a ruling by the Chairman shall be determining.

Reports are prepared and the copies or extracts of business conducted are issued and certified in accordance with the provisions of the Commercial Code.

Article 17 – Powers and duties of the Board of Directors

1° / the Board of Directors determines the orientation of the activities of the Company and ensures implementation.

Subject to the powers expressly granted to Shareholders' Meetings and within the scope of the Company purpose, the Board shall handle any matter concerning the satisfactory operation of the Company and, thorough its resolutions, shall rule on matters brought before it.

The Board of Directors shall conduct any audit and inspection that it deems opportune.

Each Director shall receive the information necessary to perform his or her mission and can require any and all documents which he or she shall consider useful.

2°/ The Board of Directors shall elect a Chairman from among its membership who, unless his or her appointment is nullified, shall be a natural person of less than 80 years of age. When the Chairman reaches this age limit, he is automatically deemed as having resigned from office and a replacement shall be found in compliance with the stipulations of these by-laws.

The Board of Directors can also designate from among its membership, if consider useful, a Vice-Chairman who shall preside over Board and General Shareholders meetings in the event of absence of the Chairman

The Chairman and the Vice-Chairman are appointed for a term that cannot exceed that their mandate as Director. They may serve again in this capacity subject to the provisions relating to the age limit on their functions. The Board of Directors may at any time withdraw from their functions.

In the event of absence or impediment on the part of the Chairman or Vice Chairman, the Board shall, each time the Board meets, appoint one of its members to preside over the meeting.

The Chairman represents the Board of Directors. The Chairman organises and directs the business conducted by the Board which he shall report to General Shareholders Meeting as well as executes its decisions. He shall ensure the unhindered operation of Company bodies and ascertain that the Directors are able to perform their duties.

Article 18 - Board of Directors - Proxies

1°/ In accordance with the provisions of Article L. 225-1 of Commercial Code , the management of the company shall be assured by its Executive Committee or by the Chairman of the Board or by another natural person who shall be appointed by the Board of Directors and shall bear 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 its Chairman. Shareholders and the third parties shall be kept abreast of company management and operations in compliance with laws and regulations in force.

The Board of Directors resolution on the choice of the executive management method shall be carried by majority vote of the Directors present or represented.

The option retained by the Board of Directors can be questioned only at the time of the renewal or replacement of the Chairman of the Board or upon expiry of the mandate of the Chief Executive Officer.

The change of method of executive management shall no require an amendment of the by-laws.

2°/ In the event that the Board of Directors shall elect to split the functions of Chairman and Chief Executive Officer, the Board shall appoint a Chief Executive Officer, establish the term of his or her mandate which shall not exceed that of the Chairman, determine the modalities of compensation and, if necessary, the limitations of his or her powers.

To perform his duties, the Chief Executive Officer shall not be over 80 years of age. In the event that the Chief Executive Officer reaches this age limit, he or she is automatically deemed to have resigned and shall be replaced in compliance with the provisions of the by-laws.

The mandate of Chief Executive Officer may be revoked at any time by the Board of Directors. In the event that the Chief Executive Officer does not also serve as Chairman of the Board, the revocation of his or her mandate can give rise to claims for damages, if removal is unjustified.

3°/ The Chief Executive Officer is granted the fullest powers necessary to act on behalf of the Company in all circumstances. He or she shall exercise these powers within the limits of the purpose of the Company as provided in the corporate by-laws subject to those rights that Commercial Code expressly awards to Shareholders Meetings and to the Board of Directors.

The Chief Executive Officer represents the Company in its relations with the third-parties. The Company is also committed by acts of the Chief Executive Officer that do not directly involve the company purpose, unless it can be proven that the third party concerned was aware that the act exceeded this purpose or that this party could not be unaware of the Company purpose given the circumstances, it being excluded that the mere publication of the by-laws does not constitute proof.

In the event that Executive Management of the Company is assumed by the Chairman of the Board of Directors, the provisions of this paragraph 3°/ relating to the Chief Executive Officer are applicable to the Chairman.

4°/ At the request of the Chief Executive Officer, the Board of Directors can appoint one or more natural persons to assist the Chief Executive Officer; these persons shall bear the title of Deputy Chief Executive Officer.

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

For the performance of his or her duties, a Deputy Chief Executive Officer shall not be more than 85 years of age. In the event that a Deputy Chief Executive Officer reaches the age limit, he or she is automatically deems as having resident and shall be replaced according to the by-laws.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and the term of the powers granted to the Deputy CEOs as well as the modalities of their compensation.

With respect to third parties, the Deputy CEOs shall have the same powers with which the Chief Executive Office is vested.

Unless otherwise determined by the Board, in the event of termination of duties or impediment on the part of the of the Chief Executive Officer, the Deputy CEO's shall keep their positions and responsibilities until a new CEO is named.

In the event that Executive Management of the Company is assumed by the Chairman of the Board of Directors, the provisions of this paragraph 4°/ relating to the Chief Executive Officer are applicable to the Chairman.

Article 19 – Compensation of the Board and Executive Management

1°/ The General Meeting of Shareholders can grant to the Directors, as compensation for their work, a fixed annual lump sum as directors' fees to be paid by the Company

The Board shall freely distribute this sum among its members.

2°/ Compensation to the Chairman of the Board of Directors, the Chief Executive Officer and the deputy Directors-General is set by the Board of Directors, as well as, if necessary, that of the Director delegated to assume the functions of Chairman, in the event of temporary impediment on the part of the Chairman or in the event of his death.

3°/ The Board of Directors may grant exceptional compensation for specific missions or duties entrusted to the Directors; in this case, said compensation shall be reported as operational overhead and submitted to the General Shareholders Meeting for approval in compliance with the provisions of Articles L. 22538 to L. 225-42 of the Commercial Code.

4°/ No other compensation, whether permanent or not, can be awarded to the Directors, except if they are bound by an employment contract with the Company.

Article 20 – Agreement between the Company and a Director or CEO

Any agreement, whether direct or through an intermediary, between the Company and its CEO, one of its Deputy CEOs, a Director or a shareholder entitled to more than 5% of voting rights or between the Company and a single shareholder having control of the Company pursuant to Article L. 233-3 of the Commercial Codes is subject to the prior consent of the Board of Directors.

The same applies in the event of an agreement in which one of the persons cited in the preceding clause is indirectly concerned.

Also subject to prior authorisation are agreements between the Company and another corporation, should the Chief Executive Officer, one of the Company's Deputy Chief Executive Officers or one of the Company's Directors be proprietor, the ultimate responsible party, managing director, director, member of the board of trustees or, generally speaking, participating in the management of that corporation.

The interested party is required to inform the Board as soon as he or she is informed of a covenant to which the foregoing provisions are applicable.

The provisions hereinabove are not applicable to covenants related to the current operating activities of the Company for which a standard contract has been signed. However, these covenants shall be notified to the Chairman of the Board of Directors by the interested party. The listing and purpose of the aforesaid covenants shall be notified by the Board of

Directors to the members of the Board and to the Statutory Auditors.

TITLE IV

Audit – Prevention of problems

Article 21 – Statutory Auditors

Audit of the Company is performed by one or more Statutory Auditors as determined by law.

Article 22 – Avoidance of Difficulty

If the Company satisfies the legal criteria, the Board of Directors shall prepare the accounting and financial documentation as well as periodic reports pursuant to Articles L 232-2 and 232-3 of the Commercial Code.

The Labour-Management Committee, or, failing this, representatives of the employees shall perform the duties prescribed by Article 422.4 and 432.5 of the Labour Code.

TITLE V

Shareholders Meetings

Article 23 – General Shareholders Meetings

1°/ Joint resolutions by shareholders are adopted during General Shareholders Meetings, whether ordinary or extraordinary. An Ordinary General Shareholders Meeting is one that is required to take all decisions that do not modify the by-laws.

The General Meeting of Shareholders takes place at least once a year, within six months following the end of the related financial year.

The Extraordinary General Shareholders Meeting is the only body authorised to change the by-laws in all their provisions, and to rule on the conversion of the Company to any other legal form, whether civil or commercial. It may not, however, increase the shareholders' commitments, subject to operations resulting from a properly-applied share consolidation.

General Shareholders Meetings are called either by the Board of Directors or, failing this, by the Statutory Auditors or any legal representative, according as prescribed by the law and applicable regulations.

2°/ Any shareholder has the right, upon proving his identity, to take part in the meetings and to attend them personally by returning an absentee ballot or by appointing a proxy in accordance with the applicable legal and regulatory provisions, provided that:

- - registered shareholders are personally registered in the Company records;
- - bearer shareholders file, at the location mentioned in the notice of convocation, a certificate issued by a qualified intermediary, noting the locking of their shares in their account until the date of the shareholders' meeting.

These formalities must be completed at least five (5) days before the meeting is held.

The Board of Directors may shorten the above period by means of a general provision benefiting all shareholders.

3°/ For every proxy sent to the Company by a shareholder without naming a representative, the Chairman shall cast a vote in favour of the adoption all draft resolutions submitted or approved by the Board of Directors, and a vote against the adoption of all the other draft resolutions.

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 held for at least 4 years by the same shareholder, pursuant to article L.225-123 of the Commercial Code.

The voting right belongs to the usufructuary in Ordinary General Shareholders Meetings, and to the remainderman in Extraordinary General Shareholders Meetings.

In the event of an issue of share capital by capitalisation of reserves, earnings or premiums, a double voting right is granted upon their issuance to registered shares granted *gratis* to a shareholder in proportion to the number of old shares benefiting from this right.

Any registered share converted to bearer (anonymous) form or for which ownership is transferred forfeits the double voting right. However, transfer as a consequence of succession, liquidation of shared property between spouses, or donation from living individuals a spouse or relative having right to inheritance does not cause the right to be forfeited and does not interrupt the timeframes prescribed by Article L.225-123 of the Commercial Code.

Merger of the Company is without effect on the double voting right, which can be exercised within the acquiring company, if permitted by its by-laws.

5°/ An attendance register is maintained at each meeting.

The accuracy of the attendance register, duly initialled by the attending shareholders and their proxies, is certified Bureau of the Shareholders Meeting.

The Meeting is presided over by the Chairman of the Board of Directors, and failing this, by a Director appointed to replace him.

The positions of the ballot-counters are filled by two shareholders, present and accepting, either representing themselves or as proxies, having the largest number of shares.

Thus formed, the Bureau will appoint a Secretary, who may not be a shareholder.

Article 24 – Quorum and Majority

1°/ The Ordinary General Shareholders Meeting shall be deemed in valid session upon its first convocation only if the attending or represented shareholders hold at least one-quarter of the shares having voting rights.

On the second convocation, no quorum is necessary.

Resolutions are carried by a majority of votes cast by shareholders, whether attending or represented. The Company itself cannot validly vote with its own shares, whether subscribed or purchased. Such shares are not counted in calculating the quorum.

2°/ The Extraordinary General Shareholders Meeting can validly transact business if attending or represented shareholders constitute at least one-third of voting shares on first convocation, and one-quarter on second convocation.

Resolutions are carried by a two-thirds majority of votes cast by attending or represented shareholders.

Notwithstanding the foregoing provisions, a General Shareholders Meeting that approves an increase in capital through capitalisation of reserves, earnings or premiums can adopt resolutions under the quorum and majority conditions applicable to Ordinary General Shareholders Meetings.

A General Shareholders Meeting called to ratify a change in the legal form of the Company shall so under the conditions of majority provided for in article L.225-245 of the Commercial Code, which differ according to the new form to be resolved upon.

3°/ In the event of a absentee ballot, this will be in paper form in accordance with the regulatory requirements.

In making quorum calculations, consideration is given only to forms received by the Company before the holding of the General Shareholders Meeting, within the timeframes set by regulatory provision.

Forms giving no voting instructions or expressing abstention are considered no votes.

Article 25 - Minutes

The business transacted in the General Shareholders meeting is reported in written minutes bundled into a special register and initialled, in compliance with the law.

These minutes shall be signed by the members of the Bureau. Copies or extracts of the legal minutes may be distributed if they are signed by the Chairman of the Board, the Chief Executive Officer if substituting for the Chairman or by two Directors, or, in the event of dissolution of the Company, by a liquidator.

Title VI

Article 26 – The right of shareholders to information

Any shareholder has the right to acquire information and the Board of Directors has the obligation to deliver or to make the necessary documentation available to the shareholder to allow him or her to make an informed decision or to form an opinion about the performance of the Company

The nature of this documentation and the terms under which they are delivered or made accessible are determined by law and the decrees complementing them.

All shareholders also have the right, beginning with the transmission of documents and before all General Shareholders Meeting, to ask questions in writing to which the Board of Directors shall be required to respond during the Meeting.

TITLE VII

Year-end financial statements

Article 27

The financial year begins on the 1st of January and runs through the 31st of December each year.

At the end of the reporting period, the Board of Directors shall prepare, upon reviewing the accounting entries and assets and liabilities of the Company, the annual accounts which, understood as a consolidated whole, shall include: The Balance Sheet, accompanied by a statement of all pledges, guarantees, and sureties, the Income Statement and an addendum to complete this information and, if necessary, notes to provide further explanation of the Balance Sheet and the Income Statement.

The Board shall also provide a written report on the position of the Company and its operating activities for the reporting period.

All these documents shall be made accessible to the Statutory Auditors as provided by law.

From the profits of each reporting period, adjusted for losses carried forward, five percent is allocated to the legal reserve; this deduction ceases being mandatory when said fund reaches one-tenth of the capital stock; it is reinstituted when, for any reason whatsoever, the statutory reserve falls below this fraction.

The remainder of profits, increased if necessary by unallocated earnings, constitutes distributable profits.

Upon the recommendation of the Board of Directors, the Ordinary General Shareholders Meeting may resolve to allocate of all or part of distributable income to be carried forward, or to allocate such amounts to existing or future reserves, or extraordinary, special or general reserves, especially in cases where it is required by law. The General Shareholders Meeting shall ratify the allocation or use of these funds. The General Shareholders Meeting may also entrust such allocation or use to the Board of Directors.

From the remainder, if any, an sum is allocated to pay to all shares an interest rate of five percent per year on their par value, paid-in and not amortised, as first dividend, without, in the event that earnings for reporting period fail to allow full payment of this first dividend, permitting shareholders to claim it from the earnings of subsequent financial years.

The surplus may be disposed of by the General Shareholders Meeting, which is responsible for its allocation. To this end, it may allocate all or part of this sum to general or special reserves accounts, carry it forward, or distribute it to shareholders.

Any loss, should it occur, is, after approval of the financial statements, recognised on the Balance Sheet as a special line item.

The General Shareholders Meeting may resolve to distribute the amounts allocated to the reserve for which it has responsibility; in such a case, the decision expressly applies to recognition of reserves from which withdrawals are made.

Apart from the case of capital reduction, no distribution may be made to shareholders when net assets are or would become lower than the amount of the capital increased by the reserves that the law does not allow to be distributed.

The General Shareholders Meeting may offer shareholders, for all or part of the dividend to be paid, an option between payment of the dividend in cash or in shares issued by the Company, under the conditions set or allowed by the legal or regulatory provisions.

Article 28 – Advances on dividends

When a balance sheet prepared during the course of or at the end of a fiscal year and certified by the statutory auditors shows that the Company has earned a profit since the end of the previous fiscal year, after deducting any necessary depreciation and provisions, and after deducting any previous losses and amounts to be applied to reserves, pursuant to the law and pursuant to the by-laws, it may make advances on dividends before approving the financial statements for the fiscal year.

The amount of these advances may not exceed the total earnings defined above.

They are distributed under the terms and according to the methods set by regulation.

Shareholders may be given, for all or part of the dividend advances distributed, an option between payment in cash or in shares.

Title VIII

Dissolution - Liquidation

Article 29 – Measures to be implemented if equity in the Company falls below half of the authorized capital

If, as a result of losses reported in the financial statements, the Company's equity is less than half the authorised capital, the Board of Directors shall, within a period of four months following approval of the accounts in which this loss is stated, call an Extraordinary Shareholder Meeting to determine whether the company should be prematurely dissolved.

If dissolution is not the outcome, then the Company shall, at the latest by the second financial year following the reporting period in which the loss is reported, and in compliance with the law establishing minimum authorised capital, reduce its capital by an amount at least equal to the loss which could not be imputed to reserves if within this period, equity has not been reconstituted up to a amount at least equal to half of the authorised capital.

Article 30 – Dissolution - Liquidation

At the end of the life of the Company or in the event of premature dissolution for any reason whatsoever, liquidation shall be carried out by one or several liquidators appointed by the General Shareholders Meeting on the condition that quorum and majority criteria are met for Ordinary General Assemblies and, failing this, by a decision of the courts.

Liquidation is carried out in compliance with the provisions of law.

The net income from liquidation, after extinction of all liabilities and social contributions and reimbursement of all shareholder of the unamortized par value of their shares, is divided between the shareholders in proportion with their holdings, taking into account, if necessary, the rights of shares with different classifications.

TITLE IX

Disputes

Article 31

All disputes that may arise during the Company's operation or liquidation, whether between the shareholders and the company or among the shareholders themselves, in relation to company affairs or to statutory provisions, shall be judged in conformity with French law and submitted to the competent courts.

6.10 DRAFT RESOLUTIONS OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF 23 JUNE 2006

Eleven resolutions were put to the vote in the Mixed General Shareholders Meeting of 24.06.07.

First resolution

The General Shareholders Meeting, after having heard the reading of the reports of the Board of Directors, of the report of the Chairman of the board pursuant to Article L. 225-37 of the Commercial Code and the report of the Statutory Auditors, approves the annual financial statements for the reporting period ending December 31, 2006 such as they were presented to it, the accounts for this reporting period showing a profit of €1.367.511 as well as the operations translated in these accounts or summarized in these reports.

The General Shareholders Meeting, having heard the reading of the report of the Statutory Auditors on the consolidated accounts, approves the consolidated financial statements as at December 31st, 2006 which report a net profit of €1,085,114, as well as the operations translated in these accounts or summarized in the report on the management of the Group included in the Annual Report.

The General Shareholders Meeting approves the full amount of expenses and costs not deductible from profits and subject to corporate tax amounting to €5 014.

Accordingly, it grants that the Directors and Statutory Auditors complete and unqualified release from their respective mandates for the aforementioned financial year.

Second Resolution

The General Shareholders Meeting resolves to allocate the profit of the reporting period, which amounts to €1,367,511, to be carried forward in the amount of €1,299,136, and to the Legal Reserve in the amount of €68 375 Euro.

In accordance with the legal provisions, the General Shareholders Meeting acknowledges the statement of the Board of Directors according to which there was no dividend distributed during the last three financial years.

Third resolution

The General Shareholders Meeting, after having been read the special report of the Statutory Auditors on covenants governed by article L. 225-38 et seq. of the Commercial Code, approves the conclusions of said report and the covenants mentioned therein.

Fourth resolution

The General Shareholders Meeting resolves to allocate attendance fees to the Board of Directors for an overall amount of 18,000 Euros.

Fifth resolution

The General Shareholders Meeting, noting that Mr. Denis GACHOT, Director, has completed his term of office, re-elects him for a term of six years, expiring when Ordinary General Shareholders Meeting convenes to ratify the financial statements for the financial year ending 31 December 2012.

Sixth resolution

The General Meeting of Shareholders, noting that the mandate of Grant Thornton, Statutory Auditors, is about to expire, resolves to renew said mandate.

GRANT THORTON has already indicated that it would accept a renewal of its mandate.

Seventh resolution

The General Meeting of Shareholders, noting that the mandate Mr. Gilles HENGOAT, alternate Statutory Auditor, .is about to expire, resolves to renew his mandate.

Mr. Giles HENGOAT has already indicated that it would accept a renewal of its mandate.

Eighth Resolution

The General Shareholders Meeting, after having heard the reading of report of the Board of Directors, authorises the Board to trade the Company's shares on the Stock Exchange pursuant to articles L. 225-209 of the Commercial Code, and consequently to proceed, in order of priority, with:

- Stimulating the secondary market or the liquidity of the SYSTRAN shares by means of an investment service provider, through a liquidity agreement that complies with the ethical charter recognised by the Financial Markets Authority (AMF);
- Purchase of Company shares up to a maximum of 5% of the Company's capital stock for retention and subsequent exchange or as payment as part of future external growth activities;
- Remitting shares during the exercise of rights attached to securities entitling the holder, through redemption, conversion, exchange, presentation of a warrant or in any other way, to acquire Company shares;
- The award of shares to employees of the company and group subsidiaries according to the provisions of law, pursuant to articles L 225-177 et seq. of the Commercial Code, or through a company savings plan;
- The purchase of Company shares in order to cancel them, up to a maximum of 10% of the Company's capital stock, within the framework of the authorisation to decrease capital stock as stated in the ninth resolution of the this meeting, in its extraordinary part.

These shares may be acquired, sold, transferred or exchanged, by any means, on the market or privately, including through the use of any financial derivative instrument negotiated on a regulated or private market. These means also include block acquisitions without limit to size.

The meeting resolves that:

- The maximum value of funds targeted for the purchase of Company shares may not exceed €7,977,656,
- The maximum number of shares the Company may acquire under this resolution must not exceed the maximum of 10% of the capital stock, as established by Article L 225-209 of the Commercial Code, including shares bought as part of purchase authorisations previously granted by the Ordinary General Shareholders Meeting.

The meeting resolves that the maximum and minimum purchase and sale prices will be as follows:

- Maximum purchase price per share: €8, after rounding, excluding acquisition fees,
- Minimum selling price per share: €2, after rounding, excluding acquisition fees. However, if all or part of the shares acquired pursuant to this delegation were used to grant stock options pursuant to article L 225-179 of the Commercial Code, the sale price would then be calculated in accordance with the legal provisions relating to the stock options.

In the event of a capital increase by the capitalisation of reserves and the distribution of free shares, as well as in the event of the split or aggregation of the shares, the prices noted above shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares comprising the capital prior to the transaction, and the number resulting from the transaction.

With a view to ensuring execution of this delegation, full authority is given to the Board of Directors, for the purpose of:

- Preparing and publishing the explanatory note relating to the share repurchase program, following its decision to proceed with the launch of this program
- Too issue all trading orders, and enter into all agreements, specifically with a view to keeping records of the purchase and sale of the shares,
- To make all declarations and fulfil all formalities and, generally speaking, do all that is necessary.

This authorisation to purchase and to sell shares cancels all previous delegations of the same type, and specifically the one granted in the seventh resolution of the Ordinary and Extraordinary General Shareholders Meeting of 23 June 2006.

This authorisation is granted for a period of 18 months from today's date.

The Board of Directors will inform the annual Ordinary General Shareholders Meeting of the transactions carried out pursuant to this resolution.

II. Powers of the Extraordinary General Shareholders Meeting

Ninth resolution

The General Shareholders Meeting, after having heard the reading the report of the Board of Directors and the special report of the Statutory Auditors, as part of the authorisation permitting the Company to purchase its own shares pursuant to the seventh resolution of this meeting in ordinary session, resolves, pursuant to article L 225-209 of the Commercial Code, to authorise the Board of Directors to:

- Reduce capital stock by up to 10% of the capital stock through cancellation of all or part of the acquired shares in one or more stages,
- Allocate the difference between the purchase value of the cancelled shares and the book value to premiums and available reserves.

For this purpose, the meeting gives the Board of Directors full powers to set the conditions and terms thereof, to settle any disputes, to note the reduction(s) in capital resulting from cancellation transactions authorised by the present resolution, to amend, as applicable, the by-laws accordingly, and more generally to do all that is necessary for the completion of these transactions.

This authorisation is granted for a period of 24 months from this day, and cancels all previous delegations of the same type, and in particular the one granted by the twelfth resolution of the Ordinary and Extraordinary General Shareholders Meeting of 23 June 2006.

Tenth resolution

The Shareholders Meeting, after having heard the reading of the report of the Board of Directors and special report of the Statutory Auditors, resolves pursuant to article L 225-177 of the Commercial Code, to authorise the Board of Directors to grant options with entitlement to subscription of new shares in the Company, in one or more stages.

The recipients may be salaried employees and Directors of the Company or its subsidiaries under the terms lay down in article L 225-180 of the Commercial Code.

This authorisation to grant the award of options cancels all previous delegations of the same type, and in particular the one granted in the eighth resolution of the Ordinary and Extraordinary General Shareholders Meeting of 25 June 2004.

This authorisation may be implemented by the Board of Directors within a period of 38 months from this day.

The number of shares resulting from the stock options as allocated by the Board of Directors may not exceed 20% (twenty percent) of the capital stock, this threshold being evaluated at the time of the granting of the stock-options by the Board of Directors.

The Shareholders Meeting acknowledges that this authorisation includes, to the benefit of the recipients of the stock options, the shareholders' express waiver of preferential right of subscription to the shares to be issued as the stock options are exercised.

The Board of Directors will determine the stock-option plan, which also includes the terms under which the stock options are awarded, which may or may not include clauses banning immediate resale of all or part of the shares; the Board of Directors may allocate stock options in one or more stages and set the list of recipients for each allocation.

The subscription price of the shares by recipients of the stock-options will be set by the Board of Directors on the day it grants the stock-options to their recipients. The share subscription price may not be lower than ninety-five percent (95%) of the average share price on the regulated market on which the Company's shares are listed, during the twenty trading sessions prior to the date of allocation.

No stock option may be allocated for a period of twenty (20) trading days following the date of detachment of the shares from a coupon entitling the recipient to a dividend or capital increase.

The meeting resolves that recipients will be permanently vested only in equal thirds on the date of the first, second and third anniversaries of their granting by the Board of Directors and provide that, for each allocation, the recipient is still a Director or employee of the Company or its subsidiaries on each of the aforementioned dates, subject to express waiver granted by the Board of Directors in keeping with the applicable legal provisions. Exceptionally, in the event of the retirement, death or permanent disability (second or third category) in accordance with the Social Security Code, of the recipient of the stock-options before the third anniversary date of their granting, all stock-options already granted will be acquired by him.

Moreover, the Shareholders Meeting grants the Board of Directors full powers to set the maximum period for exercising stock-options, which may not exceed 8 years from the date of allocation, as well as the period for holding the shares, which would be imposed on recipients beginning with exercise of the stock options, as applicable.

The increase in capital stock resulting from the exercise of stock-options will be definitively attained following mere declaration of the exercise of the stock options, accompanied by the subscription form and payment in cash or by payment of the corresponding sum with credits.

III. Powers of the Ordinary and Extraordinary General Shareholders' Meeting

Eleventh resolution

The General Shareholders Meeting grants full powers to the Board of Directors and to its Chairman, with authority of delegation, to complete all legal formalities required for publication relating to this shareholders' meeting, as well as to the bearer of an original, an extract or a certified copy of the minutes reporting its resolutions, to conduct all formalities prescribed by the law relative to this shareholders meeting.

6.11 AUDITORS' REPORT ON INTERNAL AUDITS FOR THE PERIOD ENDING 31 DECEMBER 2006

Dear Shareholders:

In our capacity as Statutory Auditors for your company, we present to you our report on covenant and regulated transactions.

1. Covenants and commitments authorised during the reporting period

Our responsibility is to research the existence of any other covenants or commitments and to notify you, based on the information given us, of the essential characteristics and conditions of those of which we have been informed, without issuing an opinion on their usefulness or justification. According to the terms of article 92 of the decree of 23 March 1967, it is for you to judge the importance to be attached to the conclusion of these covenants with a view to their approval. We inform you that we have not knowledge of any covenant or commitment covered by Article L. 225-38 of the Commercial Code.

2. Covenants and commitments approved during prior reporting periods for which performance continues into this period.

Moreover, pursuant to the decree of 23 March 1967, we have been informed that the performance of covenants and commitments, approved in prior reporting periods, have continued into the recent reporting period.

A personal pledge given with a ceiling of €152.449.02 by Mr Dimitris SABATAKAKIS as guarantee of the refund of all the amounts due by SYSTRAN SA by Natexis.

The Director concerned is Mr. Dimitris SABATAKAKIS (Chairman of the Board of Directors of SYSTRAN S.A.).

We performed our work according to the professional standards applicable in France. These standards require the taking of measures aimed at ensuring that the information provided to us is consistent with the basic documents from which it is derived.

Paris La Défense and Paris, 21 March 2007

KPMG Audit
A department of KPMG S.A.

Claire GRAVEREAU
Associate

Grant Thornton
French member of Grant Thornton International

Victor AMSELEM
Associate

7 ENTITY RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS

7.1 STATUTORY AUDITORS

KPMG	**Grant Thornton**
3 cours du Triangle	100 rue de Courcelles
92 939 La Défense cedex	75 017 Paris

KPMG S.A. has been appointed Statutory Auditor by the Mixed General Shareholders Meeting of 23.06.06 for a term of six financial years expiring after the General Shareholders Meeting ratifying the financial statements for the financial year ending 31 December 2011.

KPMG is represented by Ms. Claire GRAVEREAU

Alternate:

SCP J.C. ANDRE, represented by Ms. Danielle PRUT-FOULATIERE residing at 2 bis rue de Villiers – 92309 Levallois Perret.

GRANT THORNTON has been appointed Statutory Auditor by the Mixed General Shareholders Meeting of 31.05.02 for a term of six financial years expiring after ratification by the General Shareholders Meeting of the financial statements for the financial year ending 31.12.06.

GRANT THORNTON is represented by Mr. Victor ANSELEM

Alternate:

Mr. Gilles HENGOAT, 100 rue de Courcelles, 75017 PARIS

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7.2 SCHEDULE OF STATUTORY AUDITORS' FEES

In thousands of euros	*KPMG SALUSTRO REYDEL*					*GRANT THORNTON AMYOT-EXCO*				
	2006	2005	2004	*%N°*	*% n-1*	2006	2005	2004	*%n°*	*% n-1*
Audit: Statutory Auditors (certification, inspection of individual and consolidated accounts)	24	24	24			24	24	24		
Audit of the US subsidiary, SSI by McGladrey and Pullen		4	12							
Audit of the US subsidiary, SSI by KPMG		6								
Audit of the US subsidiary, SSI by AMYOT-EXCO Grant Thornton						14	9			
Subtotal	24	34	36	*96%*	*92%*	38	33	24	*97%*	*92%*
Other services: Legal, fiscal and social Information Technology IFRS Internal audit Other: TBD if > 10% of auditing fees	1	2	5			1	2	5		
Subtotal	1	2	5	*4%*	*8%*	1	2	5	*3%*	*8%*
TOTAL	**25**	**36**	**41**	***100%***	***100%***	**39**	**35**	**29**	***100%***	***100%***

The Ordinary and Extraordinary Shareholders Meeting of 23 June 2006 has:

- Acknowledged the change in the corporate name of Amyot Exco Grant Thornton since 31 May 2005, henceforward known as Grant Thorton;
- Appoints KPMG SA as Statutory Auditors for a period of six financial years, replacing Salustro Reydel, whose appointment has expired;
- Appoints SCP J.C. André as alternate Statutory Auditors for a period of six financial years, replacing Mr. Patrick Iweins , whose appointment has expired;

8 PERSON RESPONSIBLE FOR THIS DOCUMENT

8.1 PERSON RESPONSIBLE FOR THIS DOCUMENT

Mr. Dimitris Sabatakakis, Chief Executive Officer, SYSTRAN S.A.

8.2 AFFIDAVIT BY THE PERSON RESPONSIBLE FOR THIS DOCUMENT

"Having taken all reasonable measures for the purpose, I certify that to the best of my knowledge the information contained in this reporting document is truthful and does not include any misleading omissions.

I have obtained from the Statutory Auditors, KPMG Audit and Grant Thornton, a letter in which they state they have conducted an audit of information relating to the financial situation and accounts reported in this document and have read the this entire document.

The consolidated company financial statements for the financial year ending 31 December 2006 are the subject of reports by Statutory Auditors found in pages 66 through 68 and 85 through 86 of this Annual Report and contain their comments.

The corporate and consolidated financial statements for the financial year ending 31 December 2005 presented in Annual Report Ref. D. 06-0420 have been audited by the Statutory Auditors for which their report is found on pages 60 and 76 of the said Annual Report, and contain their comments.

The corporate and consolidated financial statements for the financial year ending 31 December 2004 presented in Annual Report Ref. D. 05-0689 have been audited by the Statutory Auditors for which their report is found on pages 79 and 94 of the said Annual Report, and contain their comments."

Paris La Défense, 14.05.07

Dimitris SABATAKAKIS

Chairman of the Board of Directors

9 ANNUAL REPORTING INFORMATION

A document drafted in compliance with the provisions of Article 221-1-1, General Rules and Regulations of the Financial Markets Authority (AMF).

Subject	Publication date	Platform
Exceeding the threshold	27 January 2006	AMF
Revenue 4th Quarter 2005	10 February 2006	BALO n° 18
2005 income	14 February 2006	Press release
2005 income	14 February 2006	*La Tribune* (newspaper)
Statutory Auditors' fees	06 April 2006	Press release
Declaration of transactions conducted by the officers of the company	10 April 2006	AMF
Declaration of transactions conducted by the Company with respect to its own shares	25 April 2006	Press release
Revenue for the 1st quarter of 2006	28 April 2006	Press release
Revenue for the 1st quarter of 2006	28 April 2006	*La Tribune* (newspaper)
Revenue for the 1st quarter of 2006	2 May 2006	BALO n°52
ANNUAL report	5 May 2006	AMF
SYSTRAN – Reference document 2005	18 May 2006	AMF
Notice of First Convocation of the Annual Shareholders Meeting	19 May 2006	BALO n°60
Notice of Convocation of the Annual Shareholders Meeting	2 June 2006	La Gazette du Palais n°153-154
Notice of Convocation of the Annual Shareholders Meeting	2 June 2006	Journal Spécial des Sociétés n°153-154
Explanatory notes prepared in view of implementation of a share repurchase program	06 June 2006	AMF
Explanatory notes prepared in view of implementation of a share repurchase program	07 June 2006	*La Tribune* (newspaper)
Issue of provisional consolidated company 2005 financial statements	7 June 2006	BALO n°68
Declaration of voting rights for the Annual Shareholders Meeting	17 July 2006	BALO n°85
Six-month 2006 financial statement	4 August 2006	Press release
Six-month 2006 financial statement	4 August 2006	*La Tribune* (newspaper)
Revenue for the second quarter of 2006	09 August 2006	BALO n°95
Consolidated company financial statement for the 2005 financial year.	09 August 2006	BALO n°95
Six months financial statements	11 August 2006	BALO n°96
Declaration of transactions conducted by the Company with respect to its own shares	11 August 2006	AMF
Declaration of transactions conducted by the Company with respect to its own shares	18 August 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	25 August 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to	01 September 2006	AMF

its own shares		
Declaration of weekly transactions conducted by the Company with respect to its own shares	08 September 2006	AMF
Declaration of monthly transactions conducted by the Company with respect to its own shares	08 September 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	15 September 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	22 September 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	29 September 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	06 October 2006	AMF
Declaration of monthly transactions conducted by the Company with respect to its own shares	10 October 2006	AMF
Rectified declaration of transactions carried out by the Company on its own share for the week of 20 September to 5 October	11 October 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	13 October 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	20 October 2006	AMF
Revenue 3rd Quarter 2006	27 October 2006	Press release
Revenue 3rd Quarter 2006	27 October 2006	*La Tribune* (newspaper)
Revenue 3rd Quarter 2006	15 November 2006	BALO n°137
Declaration of weekly transactions conducted by the Company with respect to its own shares	27 October 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	03 November 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	10 November 2006	AMF
Declaration of monthly transactions conducted by the Company with respect to its own shares	10 November 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	17 November 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	24 November 2006	AMF
Declaration of weekly transactions	01 December	AMF

conducted by the Company with respect to its own shares	2006	
Rectified declaration of transactions carried out by the Company on its own share for the week of 24 to 30 November	06 December 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	11 December 2006	AMF
Declaration of monthly transactions conducted by the Company with respect to its own shares	12 December 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	15 December 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	22 December 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	29 December 2006	AMF
Declaration of weekly transactions conducted by the Company with respect to its own shares	5 January 2007	AMF/Internet site
Declaration of weekly transactions conducted by the Company with respect to its own shares	12 January 2007	AMF/Internet site
Declaration of weekly transactions conducted by the Company with respect to its own shares	19 January 2007	AMF/Internet site
Declaration of weekly transactions conducted by the Company with respect to its own shares	26 January 2007	AMF/Internet site
Declaration of weekly transactions conducted by the Company with respect to its own shares	2 February 2007	AMF/Internet site
Monthly disclosure of the number of shares and voting rights	31 January 2007	AMF/Internet site
Disclosure of monthly transactions conducted by the Company with respect to its own shares	8 February 2006	AMF/Internet site
Disclosure of weekly transactions conducted by the Company with respect to its own shares	9 February 2007	AMF/Internet site
Revenue 4th Quarter 2006	14 February 2007	BALO n°20
2006 income	14 February 2007	Press release
2006 income	14 February 2007	*La Tribune* (newspaper)
Monthly disclosure of the number of shares and voting rights	28 February 2007	Internet Site
Disclosure of monthly transactions conducted by the Company with respect to its own shares	9 March 2007	AMF/Internet site
Monthly disclosure of the number of shares and voting rights	31 March 2007	Internet Site
Disclosure of monthly transactions	6 April 2007	AMF/Internet site

conducted by the Company with respect to its own shares		
Filing of provisional consolidated company 2006 financial statements	23 April 2007	BALO n°49
Monthly disclosure of the number of shares and voting rights	30 April 2007	Internet Site
Filing of provisional consolidated company 2006 financial statements	23 April 2007	BALO n°49
Disclosure of monthly transactions conducted by the Company with respect to its own shares	9 May 2007	AMF/Internet site
Revenue for the 1st quarter of 2007	11 May 2007	Press release
Revenue for the 1st quarter of 2007	11 May 2007	*Les Echos* (newspaper)

These monthly disclosures relating to the sale and purchase of the Company's own shares carried out as part of the share repurchase programmes approved by the Mixed Shareholders Meetings of 24 June 2005 and 23 June 2006, were regularly forwarded to the Financial Markets Regulator (AMF) during the 2006 financial year and have been published at the www.systran.fr website under the heading "Regulated Information" since January 20th, 2007.

The monthly disclosures related to the number of Company shares and voting right have been published at www.systran.fr under the heading "Regulated Information" since January 20th, 2007.

The press releases may be found at www.systran.fr and www.amf-france.org.

10 GLOSSARY OF TERMS USED

Natural language: Language intended to be spoken by humans, as opposed to a programming language.

Gisting: Language comprehension aid

Internet Service Provider (or Internet Access Provider): A company providing Internet users with an Internet network connection: e.g. AOL, Club-Internet, Compuserve, Free or Wanadoo.

Intranet: internal network using communications protocols and sometimes Internet navigation tools.

Localisation: The process of translating content (e.g. a Website) and adapting it to the specific cultural preferences of the target language.

OEM - Original Equipment Manufacturer: A term used in the computer field to designate a product manufactured by a company to be incorporated into a product manufactured by another company that markets the product assembled under its own brand.

Language pair: Machine translation terminology designating the pair consisting of a source language (to be translated) and a target language (translated). Example: from French into English.

Portal: A generalist Web site, the purpose of which is to support a panel of current services (directory, research, knowledge base, e-mail, forums, etc) for Internet users who often make the home page the default for their browser, thus constituting an entry to the Web (hence the use of the word “Portal”). AltaVista, AOL, Google, Lycos and Yahoo! are Internet portals.

"Powered by SYSTRAN" means that the application is supported by SYSTRAN. It may be operated either by SYSTRAN or by a customer or partner.

11 REFERENCE AND CONSISTENCY TABLE

For In order to facilitate the reading of the Reference document, the following concordance table refers to the principal headings required by Appendix I of European Regulation N° 809/2004 implementing the so-called “Prospectus” directive.

1.	**PERSONS RESPONSIBLE**	
1.1.	Declare all the persons responsible for the information contained in the reference document, and if applicable, certain parts of the reference document, in which case these parts must be indicated. When the persons responsible are physical persons, including members of the issuer’s administrative, managerial or supervisory bodies, indicate their name and position. If they are legal entities, indicate their name and registered office.	**p. 127**
1.2.	Supply a declaration by the persons responsible for the reference document certifying that having taken all reasonable measures for the purpose, the information in the present reference document corresponds to reality and does not comprise any distorting omissions, to the best of their knowledge. If necessary, supply a declaration by the persons responsible for certain parts of the reference document certifying that having taken all reasonable measures for the purpose, the information contained in the part of the reference document for which they are responsible corresponds to reality and does not comprise any distorting omissions.	**p. 127**
2.	**STATUTORY AUDITORS**	
2.1.	Give the name and address of the issuer’s statutory auditors, for the period covered by the historic financial information (also indicate if they belong to a professional body).	**p. 125**
2.2.	If the auditors have resigned, have been eliminated or have not been reappointed during the period covered by the historic financial information, divulge the details of this information if they are important.	**N/A**
3.	**SELECTED FINANCIAL INFORMATION**	
3.1.	Present the historic financial information selected for the issuer for each fiscal year in the period covered by this historic financial information and for the whole of any subsequent interim period, in the same currency. The selected historic financial information must contain the key elements summarising the issuer’s financial situation.	**p.5 ; p. 37 to 39**
3.2.	If financial information has been selected for interim periods, comparative data covering the same period of the previous fiscal year must also be provided. Presentation of the closing balance sheets suffices however to satisfy the requirement for comparable balance sheet information.	**N/A**
4.	**RISK FACTORS**	
	In a section entitled “risk factors”, highlight the risk factors inherent to the issuer or its business sector.	**p. 24 to 31**
5.	**INFORMATION ABOUT THE ISSUER**	
5.1	**Company history and changes**	
5.1.1	Issuer’s corporate name and title	**p. 107**
5.1.2	Issuer’s registration number and location	**p. 107**
5.1.3	Issuer’s date of creation and duration, if it is not undetermined.	**p. 107**

5.1.4	Registered office and legal form of the issuer, legislation governing its activities, its country of origin, address and telephone number of its registered office (or of its main place of business, if different from its registered office)	**p. 107**
5.1.5	Important events in the development of the issuer's business	**p. 37 to 40, p. 44 and p. 71**
5.2	**Investments**	
5.2.1	Main investments (including their amount) made by the issuer during each fiscal year in the period covered by the historic financial information, up to the date of the reference document.	**p. 22 to 23 and p. 108**
5.2.2	Main current issuer investments, including geographical locations of these investments (in the national territory and abroad) and their funding method (internal or external)	**N/A**
5.2.3	Information concerning the main investments the issuer is planning to make in the future, for which the management bodies have already made firm commitments.	**N/A**
6.	**OVERVIEW OF ACTIVITIES**	
6.1	**Main activities**	
6.1.1	Describe the nature of the operations performed by the issuer and its main activities - including key factors and related factors – mentioning the main categories of products sold and/or services provided during each fiscal year in the period covered by the historic financial information.	**p. 15 to 17 p. 37 to 40**
6.1.2.	Mention any new important product and/or service launched on the market, and if the development of new products or services has been advertised, indicate the state of progress of this development.	**p. 15 to 17, ; p. 37 to 40**
6.2	**Main markets**	
	Describe the main markets where the issuer operates, giving a breakdown of the total amount of its revenue for each type of activity and each geographical market, for each fiscal year in the period covered by the historic financial information.	**p. 8 to 11 ; p. 51**
6.3	If the information supplied for points 6.1 and 6.2 was affected by exceptional events it must be mentioned,	**N/A**
6.4	If the issuer's business or profitability is significantly influenced by patents or licences, industrial, commercial or financial contracts or new manufacturing procedures, provide summarised information concerning the issuer's degree of dependence on such factors.	**N/A**
6.5	Indicate the elements justifying any declaration by the issuer concerning its position in relation to competitors.	**p. 8**
7.	**ORGANISATIONAL CHART**	
7.1.	If the issuer is part of a group, briefly describe this group and the position the issuer has within it.	**p. 18**
7.2.	Draw up the list of the issuer's main subsidiaries, including their name, country of origin or establishment and the capital percentage and, if it is different, the percentage of voting rights the issuer holds.	**p. 18**

8.	**PROPERTY, PLANT AND EQUIPMENT**	
8.1.	Indicate any important existing or planned tangible fixed asset, including rented buildings and land, and any major expense pertaining to such property.	**p. 23**
8.2.	Describe any environmental issue that may influence the issuer's use of the tangible fixed assets.	**N/A**

9.	**EXAMINATION OF THE FINANCIAL SITUATION AND INCOME**	
9.1	**Financial position**	**p. 41 to 84**
	Insofar as this information is not shown elsewhere in the reference document, describe the issuer's financial situation, the changes in this financial situation and the income from activities undertaken during each fiscal year and interim period for which the historic financial information is required. Indicate the causes of the major changes that have taken place from one fiscal year to another in this financial information, insofar as is necessary to understand the issuer's overall business activities.	
9.2.	**Operating income**	
9.2.1.	Mention the important factors, including unusual or infrequent events or new developments that have had a substantial impact on the issuer's operating income, and indicate the extent to which the issuer has been affected.	**p. 44**
9.2.2.	If the financial reports indicate major changes in the net revenue or net income, explain the reasons for these changes.	**N/A**
9.2.3.	Mention any governmental, economic, budgetary, monetary or political strategy or other factor that has had a substantial influence or could substantially influence the issuer's activities, directly or indirectly.	**N/A**
10.	**CASH AND ASSETS**	
10.1.	Provide information about the issuer's capital (short-term and long-term).	**p.32 ; p. 58 to 60 p. 82**
10.2.	Indicate the source and amount of the issuer's cash flow and describe these cash flows.	**p. 43**
10.3.	Provide information about the issuer's borrowing terms and conditions and financing structure.	**p. 28 to 29 p. 61 to 62 p. 80**
10.4.	Provide information about any restriction on use of capital that has had a substantial influence or could substantially influence the issuer's activities, directly or indirectly.	**N/A**
10.5.	Provide information concerning the expected sources of funding that will be necessary to fulfil the commitments listed in points 5.2.3 and 8.1.	**N/A**
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**	
	If these are important, provide a description of the research and development policies implemented by the issuer during each fiscal year in the period covered by the historic financial information, and indicate the cost of the research and development activities financed by the issuer.	**p. 22 to 23**
12.	**INFORMATION ABOUT TRENDS**	
12.1.	Indicate the main trends that have affected production, sales and stock levels, costs and sales prices since the end of the last fiscal year to the date of the reference document.	**N/A**
12.2.	Point out any known trend, uncertainty, demand, commitment or event that may reasonably be considered likely to significantly influence the outlook for the issuer, at least for the current fiscal year.	**N/A**

13.	**PROFIT FORECASTS OR ESTIMATES**	
	If the issuer decides to include a profit forecast or estimate in the reference document, it must contain the information listed in points 13.1 and 13.2:	**N/A**
13.1.	a statement setting out the main assumptions serving as the basis for the issuer's forecast or estimate. It is necessary to draw a clear distinction between assumptions relating to factors that can influence members of the administrative, managerial or supervisory bodies and assumptions relating to factors that are completely beyond their control. In addition these assumptions must be easy for investors to understand, specific and precise, and must not relate to the general exactness of the estimates underlying the forecast.	**N/A**
13.2.	a report drawn up by independent auditors or accountants, stipulating that in their opinion the profit forecast or estimate was drawn up correctly on the indicated basis and that the accounting methods used for the purposes of this forecast or estimate are in conformity with the accounting methods applied by the issuer.	**N/A**
13.3.	The profit forecast or estimate must be drawn up using a basis that is comparable to the historic financial information.	**N/A**
13.4.	If a profit forecast has been included in a leaflet which is still pending, provide a declaration indicating that this forecast is, or is not, still valid on the date of the reference document, and if necessary explain why it is no longer valid.	**N/A**

14.	**ADMINISTRATIVE, MANAGERIAL, SUPERVISORY AND EXECUTIVE MANAGEMENT BODIES**	
14.1	Give the name, professional address and position of the following persons within the issuing company, and indicate the main activities they perform outside this issuing company if these activities are significant in relation to this company: a) members of administrative, managerial or supervisory bodies; b) general partners, if it is a partnership limited by shares; c) founders, if the company was founded less than five years ago; and d) any Chief Executive Officer whose name can be given to prove that the issuing company has at its disposal the appropriate expertise and experience to run its own affairs. Indicate the nature of any family ties existing between any of these persons. For any person who is a member of an administrative, managerial or supervisory body and for any person concerned by points b) and d) of the first paragraph, provide detailed information about their managerial expertise and experience, as well as the following information: a) name of any companies and limited partnerships within which this person has been a member of an administrative, managerial or supervisory body or a general partner, at any time during the last five years (also indicate whether s/he still holds this position). It is not necessary to draw up the list of all the subsidiaries of an issuing company within which the person is also a member of an administrative, managerial or supervisory body; b) any conviction for fraud pronounced in the last five years at least; c) details of any bankruptcy, receivership or liquidation proceedings in which a person concerned by points a) and d) of the first paragraph and who is acting by virtue of any one of the positions listed in points a) and d) has been involved in the last five years at least; d) details of any incrimination and/or disciplinary action taken against such a person by the regulatory or statutory authorities (including the designated professional associations). It should also be indicated this person has ever been prevented by a court from taking up a position as member of a board of directors, management committee or supervisory board of an issuer, or from participating in the management or supervision of an issuer during the last five years at least. If no information of this kind has to be divulged, a statement to this effect must be provided.	**p. 96 to 100**

14.2.	**Conflicts of interest at the level of administrative, managerial and supervisory bodies and executive management** Potential conflicts of interest between the duties of any one of the persons concerned by point 14.1 with regard to the issuer, and their private interests and/or other duties must be clearly indicated. In the absence of such conflicts of interest, a statement to this effect must be provided. Indicate any arrangement or agreement made with the main shareholders, customers, suppliers or others by virtue of which any one of the persons concerned by point 14.1 has been selected as a member of a board of directors, management committee or supervisory board or as a member of the executive management. Give details of any restriction accepted by the persons concerned by point 14.1 with regard to the transfer of their participation in the issuer's capital stock, after a certain period of time has elapsed.	**p. 97 to 98**

15.	**COMPENSATION AND BENEFITS**	
	For the whole of the last financial year, indicate for any person concerned by point 14.1, first paragraph, points a) and d):	
15.1	the amount of the remuneration paid (including any conditional or deferred remuneration) and the benefits in kind granted by the issuer and its subsidiaries for services of any kind which this person has provided to them. This information must be supplied on an individual basis, unless individualised information is not required in the country of origin of the issuer or is published elsewhere by the issuer;	**p. 98 to 100**
15.2.	the total amount of the sums provisioned or recorded in addition by the issuer or its subsidiaries in order to pay pensions, retirement allowances or other benefits.	**N/A**
16.	**FUNCTIONING OF ADMINISTRATIVE AND MANAGERIAL BODIES**	
	For the issuer's last fiscal year, and subject to contradictory instructions, provide the following information concerning any person concerned by point 14.1, first paragraph, point a):	
16.1	the expiry date of this person's current assignment, if any, and the period during which s/he has remained in office;	**p. 96**
16.2.	information about the service contracts binding members of the administrative, managerial and supervisory bodies to the issuer or to any of its subsidiaries and providing for granting of benefits upon termination of such a contract, or else an appropriate negative declaration;	**p. 97 to 98**
16.3.	information about the issuer's audit committee and remuneration committee, including the names of members of these committees and information on the audit committee and the remuneration committee of the issuer, including the names of the committee members and a summary of the mandate by virtue of which they sit.	**N/A**
16.4.	Also include a statement indicating whether or not the issuer complies with the system of corporate governance in force in its country of origin. If the issuer is not in compliance, the statement must include an explanation.	**p. 97 to 98**
	Report by the Chairman of the Supervisory Board on the internal control procedures. Report of the Statutory Auditors on the report by the Chairman of the Supervisory Board on internal audit procedures.	**p. 100 to 104**
17.	**EMPLOYEES**	
17.1.	Indicate either the number of employees at the end of the period covered by the historic financial information, or the average number of employees during each fiscal year in this period, up to the date of the reference document (as well as changes in this number, if they are significant) and, if possible, and if this information is important, the allocation of the employees to each principal type of activity and each site. If the issuer employs a large number of temporary workers, indicate also the average number of these temporary workers during the most recent fiscal year.	**p. 19 to 20**
17.2.	**Shares and stock options**	
	For each person concerned by point 14.1, first paragraph, a) and d), supply information that is as recent as possible about the shares they hold in the issuer's capital stock and any stock options they hold.	**p. 99 to 100**
17.3.	Describe any agreement providing for shareholding by employees in the issuer's capital.	**N/A**

18.	**MAIN SHAREHOLDERS**	
18.1.	Insofar as this information is known to the issuer, give the name of all persons who are not members of an administrative, managerial or supervisory body who directly or indirectly holds a percentage of the issuer's capital stock or voting rights, who must be notified by virtue of the national legislation applicable to the issuer, as well as the amount of the shares thus held, or if such persons do not exist, provide an appropriate negative statement.	**p. 100**
18.2.	Indicate whether the issuer's main shareholders have different voting rights, or supply an appropriate negative statement.	**p. 100**
18.3.	Insofar as this information is known to the issuer, indicate whether it is owned or controlled directly or indirectly, and by whom; describe the nature of this control and the measures taken to ensure that it is not exercised in an abusive manner.	**N/A**
18.4.	Describe any agreement known to the issuer, the implementation of which could subsequently bring about a change in control.	**N/A**
19.	**RELATED PARTY TRANSACTIONS**	**N/A**
	The detail of related party transactions (who for this purpose are those stipulated in the standards adopted in conformity with the regulation(CE) n° 1606/2002) entered into by the issuer during the period covered by the historic financial information up to the date of the reference document, must be divulged, in application of the relevant norm adopted in conformity with the said regulation, if this regulation applies to the issuer. If this is not the case, the following information must be published: a) the nature and amount of any operations which - considered in isolation or in their entirety - are important for the issuer. When the transactions with relatives are not entered into according to market conditions, explain why. In the case of ongoing loans, including guarantees of any type, indicate the outstanding amount; b) the amount or percentage for which the transactions with relatives are recognised in the issuer's revenue.	

20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL POSITION AND INCOME**	
20.1.	**Historic financial information**	
	Supply verified historic financial information for the last three fiscal years (or for any shorter period during which the issuer was in business) and the audit report drawn up for each fiscal year. For Community issuers, this financial information must be drawn up in conformity with regulation (CE) n° 1606/2002 or, if this regulation is not applicable, in conformity with the national accounting standards of a Member State. For the issuers from third countries, they must be drawn up in conformity with the international accounting standards adopted in application of the procedure stipulated in article 3 of regulation (CE) n° 1606/2002 or in conformity with the national accounting standards of a third party that are equivalent to these standards. In the absence of any equivalence, the financial information must be presented in the form of restated financial reports. The verified historic financial information for the last two fiscal years must be drawn up and presented in a format compatible with the format that will be adopted in the next annual financial statements the issuer will publish, taking into account the accounting standards, methods and legislation applicable to the said annual financial statements. If the issuer has been operating in its current business sector for at least one year, the verified historic financial information for this period must be drawn up in conformity with the norms applicable to the annual financial statements by virtue of regulation (CE) n° 1606/2002 or, if this is not applicable, in conformity with the national accounting standards of a Member State, if the issuer is a Community issuer. For the issuers from third countries, they must be drawn up in conformity with the international accounting standards adopted in application of the procedure stipulated in article 3 of regulation (CE) n° 1606/2002 or in conformity with the national accounting standards of a third party that are equivalent to these standards. This historic financial information must be verified. If the information is drawn up in conformity with national accounting standards, the verified financial information required for the purposes of the present section must include as a minimum: a) the balance sheet; b) the income statement; c) a statement indicating all the changes in shareholders' equity or the changes in shareholders' equity other than those caused by transactions on the capital with the owners and distribution to the owners; d) the financing schedule; e) the accounting policies and explanatory notes. The annual historic financial information must be verified by an independent entity or a statement must be incorporated indicating whether, for the purposes of the reference document they give a true reflection, in conformity with the auditing standards applicable in a Member State or with an equivalent standard.	**p. 41 to 64**

20.2.	**Pro forma financial information**	
	If the gross values are modified significantly, describe the way in which the transaction could have affected the assets, liabilities and income of the issuer, depending on whether it had taken place at the start of the relevant period or on the indicated date. This requirement will normally be fulfilled by including pro forma financial information. The pro forma financial information must be presented in conformity with appendix II and must include all the data relating to that appendix. It must include a report drawn up by independent auditors or accountants.	**N/A**
20.3.	**Financial statements**	
	If the issuer draws up its annual financial statements on an individual and consolidated basis, in the reference document include at least the annual consolidated financial statements.	**p. 41 to 43**
20.4.	**Verification of annual historic financial information.**	
20.4.1.	Provide a statement certifying the historic financial information has been verified. If the auditors have refused to draw up an audit report on the historic financial information, or if this audit report contains reserves or notifications that it is impossible to express an opinion, this refusal, these reserves or these notifications must be reproduced in their entirety and accompanied by an explanation.	**p. 66 to 68 p. 85 to 87**
20.4.2.	Indicate what other information contained in the reference document has been verified by the auditors.	**N/A**
20.4.3.	If the financial information appearing in the reference document is not taken from the issuer's verified financial statements, indicate its source and specify that it has not been verified.	
20.5.	**Date of the latest financial information**	**N/A**
20.5.1.	The latest fiscal year for which financial information has been verified must be no earlier than: a) at the most 18 months prior to the date of the reference document, if the issuer includes in it the interim financial statements that have been verified; b) at the most 15 months prior to the date of the reference document, if the issuer includes in it the interim financial statements that have not been verified.	
20.6.	**Interim and other financial information**	**N/A**
20.6.1.	If the issuer has published quarterly or half-yearly financial information since the date of its latest verified financial statements, this information must be included in the reference document. If this quarterly or half-yearly financial information has been examined or verified, the examination or audit report must also be included. If this is not the case, point this out. If the reference document was drawn up more than nine months after the last verified fiscal year, it must contain interim financial information, which does not have to be verified (in which case this must be indicated), covering at least the first six months of the new fiscal year. Interim financial information must be accompanied by comparative financial statements covering the same period of the previous fiscal year. However, presentation of the closing balance sheets is sufficient to satisfy the requirement for comparable balance sheet information.	**N/A**

20.6.2.	If the reference document was drawn up more than nine months after the last verified fiscal year, it must contain interim financial information, which does not have to be verified (in which case this must be indicated), covering at least the first six months of the new fiscal year. Interim financial information must be accompanied by comparative financial statements covering the same period of the previous fiscal year. However, presentation of the closing balance sheets is sufficient to satisfy the requirement for comparable balance sheet information.	
20.7.	**Dividend distribution policy**	**p. 34**
	Describe the issuer's policy with regard to dividend distribution and any applicable restriction in this respect.	**N/A**
20.7.1.	For each fiscal year of the period covered by the historic financial information, give the dividend amount per share, possibly corrected to allow comparisons when the number of the issuer's shares has changed.	
20.8.	**Legal proceedings and arbitration**	**p. 29** **p. 44** **p. 71**
	Indicate for a period covering at least the last twelve months, any governmental, legal or arbitration proceedings (including any proceedings of which the issuer is aware but that have been suspended, or that have been threatened) which may have or may have had a significant impact on the financial situation or profitability of the issuer and/or the group, or provide an appropriate negative statement.	
20.9.	**Significant change in the financial or commercial situation**	**N/A**
	Describe any significant change in the group's financial or commercial situation that has occurred since the end of the last fiscal year for which the verified financial statements or interim financial statements have been published, or provide an appropriate negative statement.	
21.	**ADDITIONAL INFORMATION**	
21.1.	**Capital stock**	
	Provide the following information, dated from the most recent balance sheet included in the historic financial information:	**p. 32** **p. 88** **to 94**
21.1.1.	the amount of the subscribed capital, and for each share category: a) the number of authorised shares; b) the number of shares issued and fully paid in and the number of shares issued but not fully paid in; c) the face value per share, or the fact that the shares do not have a face value; and d) a reconciliation of the number of shares in circulation on the opening and closing dates of the fiscal year. If more than 10 % of the capital was paid in by means of assets other than cash during the period covered by the historic financial information, point this out;	**N/A**
21.1.2.	If there are shares not representing the capital, indicate their number and main characteristics;	**p. 89** **to 90**

21.1.3.	the number, book value and face value of the shares held by the issuer itself or in its name, or by its subsidiaries;	**N/A**
21.1.4.	the amount of securities that are convertible, exchangeable or with subscription warrants, with an indication of the terms and conditions for conversion, exchange or subscription;	**N/A**
21.1.5.	information about the conditions governing any acquisition right and/or obligation attached to the subscribed capital, but not paid in, or about any enterprise aiming to increase the capital;	**N/A**
21.1.6.	information about the capital of any member of the group that is the subject of an option or a conditional or unconditional agreement providing for it to be an option, and the details of these options, including the identities of the persons to which they relate;	**p. 88**
21.1.7.	a history of the capital stock for the period covered by the historic financial information, highlighting any change that has occurred.	**p. 109 to 118**
21.2.	**Incorporating document and by-laws**	**p. 109**
21.2.1.	Describe the corporate purpose of the issuer and indicate where it is stated in the incorporating document and by-laws.	**p. 112 to 114**
21.2.2.	Summarise any provision contained in the incorporating document, by-laws, charter or regulation from the issuer concerning members of its administrative, managerial and supervisory bodies.	**p. 111**
21.2.3.	Describe the rights, privileges and restrictions attached to each category of existing shares.	**p. 110 to 111 and p. 115**
21.2.4.	Describe the actions necessary to modify the rights of shareholders and, if the conditions are stricter than provided for by law, point this out.	**p. 115 to 116**
21.2.5.	Describe the conditions governing the way in which the annual general shareholders' meetings and extraordinary general shareholders' meetings are convened, including the requirements for admission.	**N/A**
21.2.6.	Briefly describe any provision in the incorporating document, by-laws, charter or regulation from the issuer the effect of which could be to delay, defer or prevent a change in control.	**p. 111**
21.2.7.	Indicate if applicable any provision of the incorporating document, by-laws, character or regulation setting the threshold above which any holding of shares must be divulged.	**N/A**
21.2.8.	Describe the conditions imposed by the incorporating document and the by-laws, charter or regulation, governing modifications of the capital, if these conditions are stricter than provided for by law.	
22.	**IMPORTANT CONTRACTS**	**p. 108**
	For the two years immediately preceding publication of the reference document, summarise each important contract (other than contracts entered into in the normal business context) to which the issuer or any other member of the Group is a party. Summarise any other contract (other than contracts entered into in the normal business context) entered into by any member of the Group which contains provisions requiring any member of the Group to fulfil an obligation or commitment that is important for the whole of the Group, on the date of the reference document.	

23.	**INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST**	**N/A**
23.1.	When a statement or a report attributed to a person intervening as an expert is included in the reference document, indicate the name of this person, their business address, qualifications and if appropriate any major interest s/he holds in the issuer. If this statement or report was produced following a request from the issuer, attach a statement specifying that this document has been included as well as the form and context in which it was included, with an indication of the consent of the person who ratified the content of this part of the reference document.	**N/A**
23.2.	When information originates from a third party, provide an affidavit confirming that this information has been faithfully reproduced and that to the best of the issuer's knowledge and as far as it is able to guarantee in the light of the data published by this third party, no fact has been omitted that would make the reproduced information incorrect or misleading. In addition, identify the source(s) of the information.	

24.	**DOCUMENTS AVAILABLE TO THE PUBLIC**	
	Provide a statement certifying that during the period of validity of the reference document, the following documents (or copy of these documents) can be consulted if necessary: d) The issuer's corporate charter and by-laws; e) all reports, correspondence and other documents, historic financial information, evaluations and statements drawn by an expert at the issuer's request, a part of which is included or referred to in the reference document; f) all reports, correspondence and other documents, historic financial information, evaluations and statements drawn by an expert at the issuer's request, a part of which is included or referred to in the reference document; g) the issuer's historic financial information, or in the case of a group, the historic financial information relating to the issuer and its subsidiaries for each of the two fiscal years preceding publication of the reference document. Indicate where the above documents can be consulted, on hard copies or by electronic means.	**p. 108**
25.	**INFORMATION ABOUT HOLDINGS**	
	Supply information about the enterprises in which the issuer holds a fraction of the capital that may have a significant impact on the appreciation of its assets, its financial situation or its income.	**p. 83**

In compliance with Article 28 of Regulation 809-2004 on prospectuses, the following elements are included for reference purposes:

- the Group's consolidated accounts, the financial statements of SYSTRAN, S.A., the Statutory Auditors' report on the consolidated financial statements for the year ending 31.12.05 and the Statutory Auditors' reports on the corporate financial statements for the year ending 31.12.05, as presented in the "Financial positions and results" section of the reference document submitted to the Financial Market Authority (AMF) on 18.05.06 under number D. 04-0670.

- the Group's consolidated accounts, the financial statements of SYSTRAN, S.A., the Statutory Auditors' report on the consolidated financial statements for the year ending 31.12.04 and the Statutory Auditors' reports on the corporate financial statements for the year ending 31.12.04, as presented in the "Financial positions and results" section of the reference document submitted to the Financial Market Authority (AMF) on 12.05.05 under number D. 04-0670.

Information contained in these two reference documents other than the information listed above has when appropriate been replaced and/or updated with information contained in the present reference document.