REFERENCE DOCUMENT

2011

This document was filed with the French Securities Regulator on 24 April 2012 in accordance with article 212.13 of the general regulations. It can be used in support of a financial transaction if it is completed by an operations memorandum approved by the French Securities Regulator. This document was drawn up by the issuer and attaches the liability of its signatories.

CONTENTS

1 PRESENTATION OF THE SYSTRAN GROUP

1.1 PRESENTATION OF THE GROUP

SYSTRAN is the world leader in machine translation technologies enjoying major European and US market share. The Group enjoys significant competitive advantages, thanks to its intensive Research and Development policy and over forty years' experience in its market.

SYSTRAN is a key player in both its areas of business:

- Software publishing:
  - for businesses;
  - for major *Internet* portals;
  - for the general public;

- Professional Services:
  - for companies;
  - for American and European administrations.

SYSTRAN markets corporate solutions that improve multilingual communication, can publish information in several languages, reduce costs and human translation times, and result in multilingual business applications.

For several years, SYSTRAN has been selling its translation technology to the main *Portals* (Yahoo!, AltaVista, Apple, etc.), resulting in it translating millions of pages daily on the Internet.

As well as selling its “general public” products directly via its Web download site, SYSTRAN also sells its products indirectly through a network of specialist resellers.

SYSTRAN is continuing to maintain its high levels of R&D with the objectives of improving the quality of the translations its software produces and increasing its range of language pairs.

SYSTRAN S.A. is the parent company heading up the SYSTRAN Group.

1.2 SYSTRAN GROUP KEY FIGURES

1.2.1 Results

In thousands of euros	**2011**	**2010**	**2009**	**2008 *(1)***	**2007 *(1)***
Revenue	**10 587**	**8 934**	**8 564**	**7 649**	**8 848**
Current operating income	**1 069**	**(396)**	**28**	**(72)**	**954**
Operating income	**841**	**(627)**	**40**	**(11 936)**	**917**
Pre-tax income	**1 148**	**(487)**	**136**	**(11 437)**	**760**
Net income from consolidated companies	**698**	**82**	**304**	**(7 107)**	**818**
Net income per share (in euros) *(2)*	**0.09**	**0.01**	**0.03**	**-0,75**	**0,08**
Shareholders' equity	**15 186**	**14 330**	**15 020**	**15 279**	**22 347**
Net financial debt	**170**	**203**	**294**	**224**	**245**
Cash	**22 320**	**9 984**	**11 510**	**9 534**	**10 742**

(1) : According to the IFRS international standards.
(2) : The notes to the consolidated financial statements of 31 December 2010 (see Chapter 3.6, note 7.3) give the exact details of the method used to calculate net income per share.

1.2.2 Market capitalisation

In millions of euros	**2011**	**2010**	**2009**	**2008**	**2007**
Market capitalisation	15,0	10,5	8,4	12,3	31,9

Source: SYSTRAN

1.3 SYSTRAN'S ACTIVITY

SYSTRAN is the world leader in machine translation technologies and markets innovative solutions and products that facilitate multilingual communication for businesses and individuals.

SYSTRAN develops and markets a complete line of software products and solutions for businesses and individuals, as well as a range of professional services.

For many years, SYSTRAN has focused its strategy on the development of its software publishing business, which currently represents 58% of its total revenue.

In 2011, its Software Publishing business therefore represented EUR 6.1 million, broken down as follows:

- Desktop products generating EUR 1.4 million;
- Server products generating EUR 4.2 million;
- Online services generating EUR 0.5 million.

1.3.1 Software publishing

SYSTRAN publishes a full range of machine translation software and solutions intended both for companies and for the general public. In addition, SYSTRAN supplies its translation technology to other software publishers under OEM agreements.

SYSTRAN Enterprise Server 7 (Server products)

SYSTRAN Enterprise Server 7 is a solution that meets all the machine translation needs of businesses in a secure, economical, fast and collaborative manner.

It contains the latest generation hybrid translation engine and is customisable to meet the translation quality required by the specific needs of each client.

It is easy to install and configure on one or more servers, and allows the performance of thousands of translations daily. It supports many formats and easily integrates with all business applications: collaboration, content management, internet communication, eCommerce, customer support, business intelligence, knowledge management and business research.

Available in three editions (Workgroup, Standard and Global), it adapts to the specific needs of each company and is used by many of our major accounts.

The roll-out of this software often involves customisation and integration services.

Version 7 of SYSTRAN Enterprise Server was released in spring 2009. The average lifetime of a server version is between two and three years.

In July 2010, SYSTRAN launched the “SYSTRAN Training Server” that complements the SYSTRAN Enterprise Server 7 suite for businesses and translation service providers. This server allows training with already translated business texts and machine learning in their specialised language. Companies can also customise SYSTRAN Enterprise Server 7 for their business domain for quality translations.

Server products are released under an annual or perpetual licence. The share of annual licences is gradually declining in favour of perpetual licences coupled with annual maintenance contracts and optional product updates. Maintenance revenue is included under "Professional services". Therefore, licence sales activity is less recurring.

Products for personal computers (Desktop products)

SYSTRAN offers a complete range of software for personal computers with many translation features built into Microsoft Office and advanced tools for terminology management and translation projects.

In December 2010, SYSTRAN launched a new 7.0 version of Desktop products. SYSTRAN Desktop 7 is enriched by major innovations such as a new interactive interface for the intelligent display of alternative translations or machine learning based on the choice of the user. SYSTRAN products translate all types of documents precisely and quickly. Their use leads to significant productivity gains by reducing the time required to post-edit translations. The Desktop 7 range is the most advanced and sophisticated on the market. It provides users with high quality translations for all types of texts, email, web pages, and professional documents, as well. Fast and accurate, SYSTRAN Desktop 7 offers an intelligent user interface, powerful new tools for automatic customisation, and the ability for users to translate online on the Internet or locally on their computer.

The SYSTRAN Desktop 7 range consists of products that respond to the needs of different markets:

7 SYSTRAN Premium Translator provides translation professionals and companies innovative tools for automatic customisation to produce reliable and high quality translations, as well as effective post-editing tools to streamline their work and enhance productivity.

SYSTRAN 7 Business Translator is designed for small and medium enterprises looking for high quality translations for correspondence, procedures, product information and presentations..

SYSTRAN 7 Office Translator allows Microsoft Office users to translate and easily understand all Word documents, Excel spreadsheets, PowerPoint presentations, Outlook email or other text messages.

SYSTRAN 7 Home Translator is designed to meet the needs of individuals seeking to quickly and accurately translate Word documents, web pages, emails, text messages and tweets.

SYSTRAN markets its software for individual use directly on its websites and through a network of distributors and general public resellers or professionals.

Desktop products are released only under perpetual licences. This activity is non-recurring and is subject to variations related to the life cycle of the products.

In 2011, SYSTRAN released the new version 7 of Desktop products through all of its distribution channels.

In 2010, SYSTRAN has also developed and marketed a SYSTRAN Mobile for iPhone, iPod touch and iPad version.

Online services

SYSTRAN is the inventor of internet based translation with AltaVista's Babelfish service.

SYSTRAN has developed a comprehensive range of online services to meet the needs of its customers who do not wish to host the software themselves.

This range of online 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 a pay service used to translate text and web pages. The service is available on the Internet and is customised to meet individual customer needs. This service is used by many reference portals including Apple and Free, thereby giving it high visibility on the Internet.

SYSTRANLinks is a pay service used to translate web pages.

SYSTRANet is a free service that offers SaaS access to essential SYSTRAN PC software features. It offers functions such as the translation of files while maintaining formatting, the translation of emails and RSS feeds, and the handling of user-created dictionaries.

Online services are marketed exclusively by subscription, and the corresponding revenues are recurring. This activity is most exposed to competition from new online services offered by Google and Microsoft.

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.)

1.3.2 Professional Services

From its inception, SYSTRAN has provided services to American and European governmental bodies seeking solutions for processing, extracting and translating large volumes of multilingual data. Increasing globalisation has created a similar need for large businesses that want to benefit from professional services for the customisation and implementation of automated translation solutions.

Services to administrations

SYSTRAN is developing new language pairs for the American government and maintains and upgrades existing systems. These jobs amount to co-financed research and development projects because SYSTRAN extracts the benefits in terms of intellectual property for the work, but they are treated as contracts for services and not as co-financed research contracts.

Despite the existence of established relationships with this longstanding customer, this activity is characterised by a lack of visibility on future orders and may be subject to significant fluctuations from one fiscal year to another. Thus in 2011, this activity was at a particularly high level.

Services to companies

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 partner value-added resellers (VAR).

To address the quality issues of machine translation solutions, the systems must be customised by providing them with information on the documents to be translated and the special 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 new SYSTRAN Training Server offering as well as new extraction, coding or updating tools available with SYSTRAN software now enable customers to perform most of these tasks.

This activity encompasses the benefits of customisation and installation which are non-recurring and maintenance contracts which are recurring in nature but are not always subscribed to and can be terminated annually.

Co-financed Research and Development

In Europe, SYSTRAN has participated in research projects co-financed by the European Union. In 2011, the co-financed share of these development contracts totalled approximately EUR 0.3 million. The development projects co-financed by the European Union will continue in 2012.

1.4 TECHNOLOGY

1.4.1 Machine translation usage

Machine translation is found in two main families of applications: 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 the free translation services available on Internet, which translate several million pages daily. Each day, these services, which have been adopted by all the Internet *Portals* and search engines, enable millions of Internet users to access pages that would otherwise be incomprehensible.

Faced with this need, companies are deciding to provide their employees with identical Web-based translation services they can access directly via their Intranet, taking the company's business context into account as it translates.

Publication

Today, machine translation is entering the heart of information systems. Internal and external corporate communications are strongly influenced by globalisation and increased recourse to electronic media (e-mail, Intranets, extranets, and web sites).

International companies feel linguistic barriers even more strongly as trade borders disappear.

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

The functional departments, in their turn, want to incorporate automatic translation into their business applications so that they can translate more information without increasing their translation costs.

as a result, automatic translation software is increasingly integrated into companies' business applications, making them multilingual: Web sites, content management solutions, e-Commerce platforms, technical support knowledge bases, etc.

1.4.2 Technology

Machine Translation, or automatic translation software, is a process that uses computer software to translate text from one natural language (such as English) to another (such as Spanish).

There are two main families of machine translation software: rule-based software ("*Rule-based MT*") and software based on statistical processing of previously-translated texts ("*Statistical MT*").

In 2009, SYSTRAN introduced **the first hybrid translation engine** that overcomes the inherent limitations of each of the two technologies.

New hybrid technology

The hybrid translation engine developed by SYSTRAN combines the qualities of technology based on rules (“rule-based”) and “statistical” treatment. The linguistic rules and the general and specialised dictionaries guarantee that translations are faithful to the corporate language used in the business. They ensure compliance with business terminology and a good quality translation, even without customising the software. The new components allow fast and automatic statistical machine learning from a monolingual corpus, and from previously translated and validated texts (multilingual corpus). They significantly reduce the costs and delays of customisation for a specialised field.

The hybrid engine has the same level of performance, speed and robustness that has built SYSTRAN's reputation for many years. Statistical modules operate at each stage of the process (analysis, transfer, post-editing) to improve the translation quality.

The combination of “rule-based” and “statistical” technologies can significantly reduce the volume of data needed to train the software. As a result, the size of the statistical models generated and implemented is also reduced, which constitutes a performance and system requirement advantage.

The hybrid engine can achieve company objectives in terms of translation quality, investment and productivity.

The customisation of software for a particular area is based on a wide range of resources to improve the translation quality: dictionaries, glossaries, translation memories, and monolingual and bilingual corpora. The hybrid engine is trained on existing corpora and takes into account existing dictionaries or business glossaries. It uses the corpus to automatically generate statistical models (models of language and translation models resulting from machine learning) that are subsequently used in the translation process, but are also to create new terminology dictionaries. The ongoing maintenance of these resources incrementally improves the translation quality.

The implementation and maintenance of automated translation solutions based on this hybrid technology is optimal in investment terms. Performance is high and does not need the deployment of significant hardware configurations. SYSTRAN leverages all of the available linguistic assets in the company to improve the translation quality, reducing the costs of customisation and maintenance.

Statistical machine translation software

Statistical machine translation software translates by applying “statistical models” constructed from monolingual and bilingual texts. These statistical models are quick to construct but require a large quantity of previously-translated texts. A minimum of 2 million words are needed to construct a bilingual model for a specific field, and considerably more are required for general applications.

In theory, statistical machine translation software can be rapidly developed but, in reality, several problems must be solved in the process. Firstly, the data needed to construct the software is rare and varies in quality. The data may be completely nonexistent or unavailable for certain languages. The computing power required to process and feed the data is a second difficulty. The quality of translations obtained through statistical machine translation software is not significantly better than that produced through rule-based translation software. In addition, new problems appear with the use of statistical translation software as it has no linguistic or grammatical “knowledge,” resulting in many mistranslations. Lastly, statistical machine translation software requires powerful hardware to achieve normal translation performance rates.

Rule-based machine translation software

The foundation of this approach, which is based on linguistic rules and resources, is that, in order for it to be translated, the meaning of the original (source) text must be understood so that it can be reconstructed in the target language. Translation is not limited to merely substituting one word for another. The software must analyse and interpret the text and also understand the relationships between the words that could influence their meaning. This demands a knowledge of grammar, syntax (sentence structure) and semantics (the meaning of the words) in both the source language and the target language.

All rule-based machine translation software is based on using many linguistic rules and millions of dictionary entries for each language pair.

The software reads through the text for translation and creates a working version from which the translation is generated. This process requires enormous dictionaries, syntactic, morphological and semantic data, and many linguistic rules. The software uses these rules to transfer the source text's grammatical structure into the target text (translation).

Translations are constructed from gigantic dictionaries and sophisticated linguistic rules. Users can improve the quality of translations by incorporating their own terminology, which will be included in the translation process. The information in these user dictionaries takes precedence over the software's standard parameters.

Rule-based machine translation software can achieve a high level of translation quality, but the customisation process may be a long and complicated one.

In view of the complexity of natural languages, the development of rule-based translation software is a very complex process that requires continuous work:

- Each language has its own structure - this is the asymmetry of languages;
- There are numerous grammatical combinations and stylistic variations for each language, and the number of combinations increases as sentences become more complex;
- Translation software cannot understand the meaning of a sentence. It has to use information already integrated into the software.

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

Considerable investment is required to develop a rule-based translation system, but SYSTRAN possesses a major competitive advantage since it offers the widest range of language pairs currently available.

1.5 WORLD TRANSLATION MARKET

1.5.1 World translation market

The world market for translation services includes different activities:

- Internationalisation services that include all services relating to the internationalisation of software, Web services and content;
- Localisation services that include all services relating to the translation of Web sites and interfaces;
- Human translation;
- Interpreting services: these mainly consist of services providing simultaneous or consecutive translation of speeches, conferences, etc.

World translation market

In millions of USD	Market region	2009	2010	2011	2012	2013
North America	48.50%	11,284	12,769	14,448	16,347	18,497
Northern Europe	19.00%	4,421	5,002	5,660	6,404	7,246
Western Europe	11.10%	2,583	2,922	3,307	3,741	4,233
Southern Europe	8.59%	1,999	2,264	2,559	2,895	3,276
Asia	7.67%	1,785	2,019	2,285	2,585	2,925
Eastern Europe	4.49%	1,045	1,182	1,338	1,513	1,712
Latin America	0.35%	81	92	104	118	133
Africa	0.18%	42	47	54	61	69
Oceania	0.13%	30	34	39	44	50
Total	**100%**	**23,267**	**26,327**	**29,789**	**33,706**	**38,138**

Source: Common Sense Advisory, Languages Services Market 2010

Most growth is due to the growth in localisation and translation services, which is mainly due to the strong increase in the volume of content published by companies.

This increase in the translation and localisation volumes, however, causes capacity problems that can only be solved through the greater use of machine translation software.

For several years this market, historically highly fragmented, has been changing thanks to the emergence of significant players. These companies are transforming the translation profession and require new tools and working methods. Informational tools, particularly computer-assisted translation software, are increasingly used to achieve productivity gains necessary to improve margins.

1.5.2 The market for translation support tools

Human translation is faced with three major problems that limit its use and its market growth:

- Time: a translator translates an average of 2,000 words per day;
- Cost: on average, human translation costs EUR 40 per translated page;
- Capacity: the volumes of information available electronically are beyond the capabilities of translators.

The tools to help translation - translation memory and machine translation - are becoming essential to meet customers' lower cost requirements and increased demand. These allow considerable productivity gains and also the translation of documents that otherwise would not have been translated.

Revenue in Europe (€M)

	2008	2009	2010	2011	2012	2013	2014	2015
Translation, interpreting; software localisation , website globalisation	5 675	6 243	6 867	7 554	8 309	9 140	10 054	11 059
Translation tools	**568**	**624**	**687**	**755**	**831**	**914**	**1 005**	**1 106**
Subtitling and dubbing	633	696	765	842	926	1 019	1 121	1 233
Language learning	1 579	1 737	1 911	2 102	2 312	2 543	2 797	3 077
Conference organisation	143	157	172	190	209	229	252	278
Total	**8 598**	**9 457**	**10 402**	**11443**	**12 587**	**13 845**	**15 229**	**16 753**

Source: The size of the Language industry in the UE, EC DGT, 2009

The market for translation tools should reach EUR 1,106 million in 2015.

1.5.3 Competition

Historically, the machine translation market has been characterised by strong barriers to entry, given the investment required and the development time needed to implement the software. The development of the Internet and advances in computer processing capabilities have enabled statistical machine translation technologies to make significant progress. The barriers to entry are much lower than in the past, and certain technology components for developing statistical machine translation software are now available as Open Source. Meanwhile, the growing use of machine translation by human translators and translation companies results in the development of a market that is attracting new entrants. SYSTRAN must now face new competitors who are positioned in this developing market.

<u>Google and Microsoft</u>

For several years, these two companies have been implementing significant research and development programmes to develop their own software for machine translation.

Initially, Google and Microsoft positioned themselves in the market for free services to general consumers. These good-quality offers compete directly with the consumer products offered by SYSTRAN.

In 2011, Google and Microsoft launched pay products and are entering the professional products market.

So Google's Translate API is now a pay service. In parallel, it signed a partnership deal with the European Patent Office for the translation of the patents of European companies. This partnership follows a similar partnership with the United States Patent and Trademark Office (USPTO).

Microsoft has also launched a pay API service (Microsoft Translator) and a more global Translation Hub that allows companies to personalise the translation using their own data.

These two competitors represent the greatest competitive risk, given:

- their power and resources;
- their positioning in relation to free services and pay products;
- the very cheap nature of the commercial products;
- their technical positioning is developing towards the ability to personalise software which, up to present, is a SYSTRAN differentiation factor.

Translation services suppliers

For several years, translation service suppliers have been increasingly interested in technology and new alliances have appeared.

Thus in 2010, SDL, one of the world's top translation services providers, acquired Language Weaver, the company created in 2002 in the United States and financed by the investment fund In-Q-Tel. SDL is also the publisher of the Trados package and is principally positioned in the large company and government market.

For its part, the world leader Lionbridge has signed an alliance with IBM, which has also developed its own automatic translation technology

Finally, several companies supplying corporate translation services have developed on-line services. As an example of this trend, ALS launched the on-line SmartMate service based on the Open Source Moses package.

The historic players

There are several other historical players in the market:

- IBM has a business translation offering, “WebSphere Translation Server”, and is developing a new generation of translation software;
- the Russian company, Promt, operates in the consumer and business market;.
- Logomedia, a subsidiary of Language Engineering Corp., operates in the North American market, primarily with offerings targeted to individuals;
- The German company “Sail Labs,” founded in 2001 to take over the assets of Lernout & Hauspie that went bankrupt in February 2002, has since merged with two other Swiss companies to form the company, Comprendium;

The Open Source players

The Open source Moses package is experiencing increasing success and more and more companies are experimenting with this package which has, in fact, become a not insignificant competitor.

The risk of newcomers entering the market and the probability of strategic alliances being formed in the coming years is high.

1.6 THE ASSETS OF SYSTRAN

For more than 40 years, SYSTRAN has provided businesses and administrative bodies recognised machine translation solutions: strong and rapid technology for quality translations. In 2009, SYSTRAN brought to market a new hybrid translation engine with its version 7.

In the context of growing competition, SYSTRAN has important advantages:

- Its ability to innovate and develop its technology in order to incorporate the latest innovations in natural language processing;
- The uniformity and modularity of its technology, enabling it to optimise its use in producing a wide range of solutions, from Pocket PCs to translation servers;
- The quality and robustness of its systems, which are optimised to handle the high service demands of Internet *Portals*;
- The richness and scope of its linguistic databases (rules and dictionaries), which have been built up over a period of 40 years;
- Its long experience in linguistic customisation to meet customer needs.

1.6.1 A culture of innovation

Created in 1968 from research conducted at Georgetown University (Washington, DC), SYSTRAN's vision was to enable people to communicate in different languages using software automatically translating from one language to another.

In the context of the Cold War, SYSTRAN worked with the U.S. Air Force and NASA to develop the first translation software from Russian to English. Today, SYSTRAN still continues its relationship continues its relationship with the Department of Defense for the development of new language pairs depending on geopolitical requirements.

SYSTRAN teams are at the forefront of research in the field of both linguistic and statistical natural language processing. New avenues are constantly being explored to improve the software in terms of quality, performance and integration.

SYSTRAN employs more than forty engineers and computational linguists and every year has invested over 20% of its revenues in research and development centres in Paris and San Diego. SYSTRAN cooperates with several private and public research centres and in France and abroad, and successfully participates in international competitions in the field.

Since its inception, SYSTRAN has been inventing the machine translation technology of tomorrow:

- First hybrid translation solution combining 40 years of linguistic research with the latest technological advances in the field of statistical MT for quality translations;
- First translation solution for RSS feed;
- First translation software for Windows Mobile;
- First translation software integrated into multifunction copiers;
- First translation solution for XBRL feed;
- First translation solution for XML feed;
- First Unicode compliant translation technology;
- First translation technology integrated into online gaming platforms;
- First online translation service on portals and websites;
- First business client-server translation solution;
- First implementation of automatic coding of bilingual dictionaries to quickly customise translation engines;
- First translation technology integrated into mobile devices;
- First translation software for Windows;
- First translation solution used by the US government and the European Commission.

SYSTRAN has also set up a major R&D programme designed to make use of the new statistical approaches. In this context, SYSTRAN has won several international competitions (NIST 2009 and 2008, WMT 2008 and 2007, and CWMT 2009). In fiscal 2009, this research led to market launch of the first hybrid translation software combining rule-based and statistical technology.

1.6.2 Quality guarantee

SYSTRAN software products are recognised for the quality of their techniques and translations.

SYSTRAN has always been the reference solution for the high demands of customers such as the European Commission or the U.S. Department of Defense for which the translation quality and the robustness of the solution were fundamental.

For its large Internet customers (portals and search engines), such as Yahoo, Altavista or Apple, SYSTRAN software translates millions of pages in real time and large volumes of texts every day.

SYSTRAN's technology is robust, standardised and open. Deployable on a large scale, it is compatible with all major file formats and interfaces easily with other business applications via standardised APIs.

The technological options implemented by SYSTRAN meet the principles of uniformity and transparency to allow easy integration with industry standards and full portability of products, from Pocket PCs to translation servers.

SYSTRAN's sustained R&D investment enables it to constantly enhance the quality of translations that its software provides for every language pair it offers. These efforts are combined with significant investments intended to increase the number of language pairs offered.

The new hybrid translation engine meets its needs. The hybrid engine has the same level of performance, speed and robustness that has built SYSTRAN's reputation for many years. Statistical modules operate at each stage of the process (analysis, transfer, post-editing) to improve the translation quality.

This new technology combines the qualities of technology based on rules (“rule-based”) and “statistical” treatment. The linguistic rules and the general and specialised dictionaries guarantee that translations are faithful to the corporate language used in the business. They ensure compliance with business terminology and a good quality translation, even without customising the software. The new components allow fast and automatic statistical machine learning from a monolingual corpus, and from previously translated and validated texts (multilingual corpus). They significantly reduce the costs and delays of customisation for a specialised field.

1.6.3 Significant linguistic assets

SYSTRAN has significant linguistic resources and specialist terminological dictionary assets. SYSTRAN's assets include at least 58 language pairs and numerous specialised dictionaries, which are the result of 40 years of research and development.

List of language pairs developed by SYSTRAN

Europe	Europe	Asia, Africa and the Middle East
English <> German	English < Albanian (1)	Simplified Chinese <> English
English <> French	English < Bulgarian (1)	English <> Traditional Chinese
English <> Spanish	English <> Danish (1)	French <> Chinese (1)
English <> Greek	English <> Finnish (1)	Japanese <> Chinese (1)
English <> Italian	Estonian >English (1)	English <> Korean
English <> Dutch	English <> Hungarian (1)	English <> Japanese
English <> Polish	French < Hungarian (1)	French <> Japanese (1)
English <> Portuguese	English <> Latvian (1)	Japanese <> Korean (1)
English <> Russian	English < Lithuanian (1)	English <> Arabic
English <> Swedish	English <> Norwegian (1)	French <> Arabic
French <> German	Polish <> French (1)	English < Bengali (1)
French <> Spanish	English <> Romanian (1)	English < Dari (1)
French <> Greek	English < Serbian (1)	English < Farsi (1)
French <> Italian	English < Slovenian (1)	English < Hindi (1)
French <> Dutch	English < Serbo-Croatian (1)	English < Pashto (1)
French <> Portuguese	English < Slovak (1)	English < Tajik (1)
Spanish <> German	English <> Czech (1)	English < Urdu (1)
Spanish <> Italian	English <>Turkish (1)	Somali > English (1)
Spanish <> Portuguese	English < Ukrainian (1)	
German <> Italian		
German <> Portuguese		
Italian <> Portuguese		

(1) limited sales

1.6.4 Specialised dictionaries

List of specialised dictionaries developed by SYSTRAN:

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

Source: SYSTRAN S.A.

1.6.5 A significant installed user base

SYSTRAN's clients include many large companies from various sectors in Europe and the United States, such as BNP Paribas, Cisco, Daimler, eBay, PSA, Veolia, Kroll, Symantec, etc.

SYSTRAN provides its technology to a number of Internet *Portals* 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 as search engines. As a result, SYSTRAN has millions of users on the Internet.

In addition, the installed user base for its PC-based products consists of tens of thousands of people.

Finally, SYSTRAN is the system used by the European Commission and European institutions, the NAIC, US intelligence agencies, the US Air Force and numerous public administrative bodies in Europe and the United States.

1.6.6 A recognised customisation methodology

SYSTRAN's methodology and customising techniques are recognised. They allow the achievement of company objectives in terms of translation quality, investment and productivity.

The customisation of software for a particular area is based on a wide range of resources to improve the translation quality: dictionaries, glossaries, translation memories, and monolingual and bilingual corpora. The hybrid engine is trained on existing corpora and takes into account existing dictionaries or business glossaries. It uses the corpus to automatically generate statistical models (models of language and translation models resulting from machine learning) that are subsequently used in the translation process, but are also to create new terminology dictionaries. The ongoing maintenance of these resources incrementally improves the translation quality.

The implementation and maintenance of automated translation solutions based on this hybrid technology is optimal in investment terms. Performance is high and does not need the deployment of significant hardware configurations. SYSTRAN leverages all of the available linguistic assets in the company to improve the translation quality, reducing the costs of customisation and maintenance.

1.7 HISTORY

1.7.1 The origin of SYSTRAN: development of translation systems for the American and European governments

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, his company was chosen to develop the Russian → English system for the US Air Force. The first system developed by SYSTRAN was tested in early 1969 at 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 Eastern Europe language pairs. During the conflict in Yugoslavia, SYSTRAN developed the first Serbo-Croat → English system for the US government.

SYSTRAN's patented technology was also used by NASA for the Apollo-Soyuz American-Soviet project in 1974-1975. This historical event prepared the ground for the setting up of a first English → French prototype for the European Commission. Shortly afterwards, SYSTRAN was chosen by the Commission to provide translation systems for all European language pairs. Currently, the Commission and numerous European institutions use 17 SYSTRAN translation systems.

1.7.2 From mainframes 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 version for PCs and a Client/Server version. Since 1997, the Company has brought to market 6 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.

1.7.3 Growth of Internet-based translation

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.

1.7.4 SYSTRAN: Machine translation software publisher

Since 2002, SYSTRAN has continued its growth strategy based on product sales while also maintaining its traditional business as a service provider to the major American and European administrative bodies.

SYSTRAN has widened its product range and now sells products for standalone PCs, corporate solutions and online services. It also continues to supply the main Internet *Portals*.

SYSTRAN is continuing to invest in R&D, enabling it to offer new pairs of languages, further improve its translation quality and ensure compatibility with the leading products on the market every year.

In 2009, SYSTRAN will launch the first hybrid translation engine that combines the benefits of linguistic-rule-based and statistical translation technologies to enable it to automatically learn from previous validated translations. This new engine's machine learning techniques mean it can be quickly and easily customised for a specific field and provide top-quality translations at a reduced cost.

In 2010, SYSTRAN has expanded its offering to companies with the launch of the SYSTRAN Enterprise Server Training for the customisation of the SYSTRAN Enterprise Server 7 through machine learning from already translated company texts. The company also launched a new 7.0 version of Desktop products.

SYSTRAN's business growth strategy is firstly based on direct sales to large companies and secondly on sales via the Internet and via software retailers and resellers for individual workstations.

1.7.5 Legal background

1986: GACHOT S.A., a French company, the principal activity of which is industrial valves and fittings and fluids control, acquires both US companies, STS (formerly, WTC) and LATSEC, who are the developers and sole owners of the SYSTRAN technology, and also acquires 76% of the capital of the German company SYSTRAN INSTITUT GmbH.

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

1989: In order to ensure efficient development, it is decided to give the Machine Translation activity an autonomous operational and legal structure. GACHOT S.A. transfers part of its 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 then holds 99.9% of the capital of 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 to its shareholders the shares of SYSTRAN S.A. that it holds. From this point on, the two companies no longer have any direct legal affiliation.

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

1998: SYSTRAN S.A. becomes affiliated with the Luxembourg corporation TELINDUS Luxembourg S.A. and its management in a new corporation called SYSTRAN Luxembourg S.A., which works primarily with European administrative bodies 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 holding in its Luxembourg subsidiary company to 78.4%.

2000 (March): SYSTRAN S.A. acquires the minority shareholders' stake in SYSTRAN Luxembourg S.A.

2000 (September): SYSTRAN S.A. is listed on the Nouveau Marché of the Paris Stock Exchange.

1.8 DESCRIPTION OF SYSTRAN'S ORGANISATION

1.8.1 Legal organisation

Legal organisation chart of the Group (as of 31 December 2011)

Company	Holding (%)	Acquisition date	Staff	Capital	Business
SYSTRAN S.A. (France)	Parent company	-	48	4.12 MEUR	1. Software publishing and sales 2. Professional Services (European companies and administrations)
SYSTRAN USA (United States)	100 %	03/1986	0	2.60 MUSD	Holding company controlling 100% of SYSTRAN Software Inc.
SYSTRAN Software Inc. (United States)	100 %(*)	01/1986	31	4.05 MUSD	1. Software sales 2. Professional Services (US companies and administrations)
SYSTRAN Luxembourg S.A. (Luxembourg)	100 %	1998	0	0.12 MEUR	No business since 2004.

(*) Indirect stake held by SYSTRAN USA

The voting rights of SYSTRAN S.A. are identical to the percentage stakes in the share capital for each subsidiary, as indicated in the table above. No loans or advances have been made between SYSTRAN S.A. and its subsidiaries.

1.8.2 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 Group's Executive Committee is composed of Mr. Dimitris Sabatakakis, Chairman and CEO of SYSTRAN S.A., Mr. Denis Gachot, CEO of SYSTRAN Software Inc., Mr. Guillaume Naigeon, Deputy CEO, and Mr. Jean Senellart, Director of R&D.

Dimitris Sabatakakis, Chairman and CEO. Born in 1962 in Athens, Greece. An Economic Sciences graduate from Strasbourg University, he began his career in finance, then in industry. Joined by investors, he took over and managed the recovery of the Gachot S.A. company, which was sold to the KEYSTONE/TYCO Group in 1995. Mr. Sabatakakis has managed SYSTRAN since February 1997.

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

Mr. 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, Director of R&D. 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 the University of Marne la Vallée.

1.8.3 Human resources

The Group's employees are spread between France (SYSTRAN S.A.) and the United States (SYSTRAN Software Inc.), as SYSTRAN Luxembourg S.A. no longer operates. SYSTRAN has introduced attractive compensation policies to attract the best employees. Working hours differ for each company in the group and comply with the laws in force in the country where it operates.

Workforce

Most of the Group's current workforce is made up of software engineers and computational linguists with degrees or doctorates from the best universities.

Changes in the Group's average headcount (2009-2011)

Profile	2011	2010	2009
Executive management	4	3	3
Computer experts (engineers)	40	30	31
Computational linguists (*)	15	15	16
Sales and marketing	14	11	11
Administrative staff	7	7	6
Total	**80**	**66**	**67**
of which are time-limited work contracts and apprenticeship contracts	3	*1*	*1*
Average total cost (in thousands of euros)	86	84	75
Average salary (in thousands of euros)	62	62	54

(*) Many linguists, particularly in the United States, are employed under permanent contracts that can be terminated by the employer, notably when the projects to which they are assigned are completed.

Changes in SYSTRAN S.A. 's average headcount (2011)

	Permanent	Fixed term	Other	Total
Headcount at the start of the fiscal year	42	0	0	42
New hirings	17	1	4	22
Terminations	12	0	4	16
Headcount at the end of the fiscal year	**47**	**1**	**0**	**48**

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 legislation by directly applying the National Work Time Agreement signed on 22 June 1999 within the SYNTEC Federation.

Non managerial staff

Their actual average weekly working time is counted in hours, in accordance with clause 1 (article 2) of the SYNTEC agreement signed on 22 June 1999. These are either collective working hours (called standard working hours) or personal working hours, as appropriate. The collective working hours are 36.5 hours per week.

They also receive days of compensatory time off as a result of the reduction in working hours for employees working more than 1,600 hours a year.

Middle management (1, 2 and 3.1 positions)

Their actual average weekly working time is counted in hours, in accordance with clause 2 (article 3) of the SYNTEC agreement signed on 22 June 1999. These are either collective working hours (called standard working hours) or personal working hours, as appropriate. Their collective working hours are 38.5 hours per week including 10% of overtime in accordance with the SYNTEC agreement, provided that their salary is above both the monthly Social Security limit and 115% of the minimum salary specified in the agreement. They also receive days of compensatory time off as a result of the reduction in working hours for employees working more than 220 days a year.

Senior management (3.2 and 3.3 positions)

Their working time is counted in days in accordance with clause 3 (article 4) of the SYNTEC agreement signed on 22 June 1999. They are not directly covered by the collective working hours and receive days of compensatory time off as a result of the reduction in working hours. They work a maximum of 218 days a year. This “day” rate is applicable if their monthly salary is more than double the monthly Social Security limit.

Special case of apprentices

The reduction in working hours also applies to apprentices. They are considered as full-time employees if their combined working time spent at SYSTRAN and mandatory hours spent studying are the same as the working hours of similar full-time employees working at SYSTRAN. If not, they considered as part-time employees.

Stock options

The Ordinary and Extraordinary General Shareholders' Meetings of 9 November 2001, 25 June 2004, 22 June 2007 and 25 June 2010 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 assessed on the dates the stock options are granted by the Board of Directors. The Board of Directors meetings of 13 March 2003, 23 December 2003, 14 February 2006, 9 February 2007, 8 February 2008, 10 February 2009, 9 March 2011 and 27 July 2011 used this authorisation as shown in the following table:

Status of the stock options granted to the Group's employees										Total
Date of the General Shareholders' Meeting	09.11.01		25.06.04		22.06.07		25.06.10			
Date of the Board of Directors meeting	13.03.03	23.12.03	14.02.06	09.02.07	08.02.08	10.02.09	09.03.11	27.07.11	08.02.12	
Total number of shares that can be subscribed or purchased	-	-	10 000	10 000	310 000	20 000	4 450	30 000	10 000	394 450
of which shares that can be subscribed or bought by the members of the Executive Committee:	-	-	-	-	300 000	-	-	-	-	300 000
Starting point for exercise of the options	13.03.07	23.12.07	14.02.10	09.02.11	08.02.12	10.08.13	01.04.15	07.12.15	01.04.16	
Expiry date	12.03.11	22.12.11	13.02.14	8.02.15	7.02.16	09.08.17	31.03.19	06.12.19	31.03.20	
Strike price (in euros)	1,52	4,61	3,93	3,92	1,57	0,81	1,97	1,50	1,67	
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 its subsidiaries.									
Closing number of exercisable shares for the fiscal year	-	-	10 000	10 000	-	-	-	-	-	20 000
of which options are in the money	-	-	-	-	-	-	-	-	-	0
Movements during the period										
Granted options	-	-	-	-	-	-	4 450	30 000	10 000	44 450
Expired options	20 627	100 000	-	-	-	-	-	-	-	120 627
Cancelled options	-	-	-	-	-	-	-	-	-	0
Exercised options	79 373	-	-	-	-	-	-	-	-	79 373

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

In accordance with the provisions of article L. 225-129-6 of the Commercial Code, shareholders were consulted at the Combined General Shareholders' Meeting of 24 June 2011 (fourteenth resolution) regarding a capital increase to pay employees (three-year obligation) participating in a company savings plan, in accordance with the provisions of article L. 3332-18 of the Labour Code.

The fourteenth resolution was rejected by the shareholders present or represented at the Combined General Shareholders' Meeting on 24 June 2011.

This consultation will be renewed at the latest at the Combined General Shareholders' Meeting which will rule on fiscal year 2013, so long as the participation of employees in the capital of the Company remains below 3%.

1.8.4 Research and Development

One of SYSTRAN'S major assets are its linguistic assets, acquired through forty years of research and development. As a result of the European Commission violating the copyright and revealing these linguistic assets and related know-how, SYSTRAN has made a provision for these assets in the financial statements.

SYSTRAN's historic technology has been based on a linguistic approach that consisted in developing a set of rules describing each language pair's linguistic phenomena. This long, expensive approach has been superseded by “statistical” approaches that can automatically create databases of translations that can be reused from corpora of monolingual and bilingual texts.

Since 2007, SYSTRAN has allocated considerable investment to the development and evaluation of statistics modules, which are gradually being integrated into the traditional translation engines as a supplement to the linguistic rules. Their first tangible result is the increased size of the SYSTRAN dictionaries, which are now constantly enriched by means of automatic processes that extract information from the Internet.

In 2009, this new approach has resulted in the release of a new generation of “hybrid” translation engines integrated into version 7 of its Server products. The level of quality achieved through use of this new generation of software means that it can be adopted and used by larger numbers of professional translators.

SYSTRAN maintains its research efforts in four areas: hybrid translation engines, the development of new language pairs, the unsupervised acquisition of data and machine learning, and the development of customisation tools and revision interfaces for translators.

Each year, SYSTRAN participates in international competitions that reward the best translation software. In 2009 and 2010, SYSTRAN obtained very good results in these competitions, including several first place finishes.

Research and Development costs are handled in accordance with IAS 38.

Self-financed Research and Development

Self-financed research expenditure rose to EUR 2.3 million in 2011, in other words 21% of the consolidated revenue, against EUR 1.9 million in 2010 and EUR 1.7 million in 2009. It consists primarily of staff and external expenses.

These are posted as expenses for the fiscal year and so are not recorded as balance-sheet assets.

Co-financed research

In Europe, SYSTRAN has participated in research projects co-financed by the European Union. In 2011, the co-financed share of these development contracts totalled approximately EUR 0.3 million. The development projects co-financed by the European Union will continue in 2012.

Contracts with the American governmental agencies

In the United States, SYSTRAN Software Inc. signed new contracts with the US government to develop translation systems for Middle Eastern and Asian languages. These jobs amount to co-financed research and development projects because SYSTRAN extracts the benefits in terms of intellectual property for the work, but they are treated as contracts for services and not as co-financed research contracts.

1.8.5 Premises

SYSTRAN owns no buildings or land. The premises rented by the Group's two entities belong to private companies with no legal or financial links to SYSTRAN and/or its management.

List of premises occupied by SYSTRAN in 2011

Company	Address	Floor space	Annual rent
SYSTRAN S.A.	5, rue Feydeau - 75002 Paris - France	1320 m^2	EUR 560 thousand
SYSTRAN Software Inc.	4445 Eastgate Mall, Suite 310 – San Diego - Californie 92121- United States	916 m^2	279 KUSD

The lease entered into on 15 October 2010 by SYSTRAN S.A. at Rue Feydeau is a 3/6/9 commercial lease, with no specified term. The rents are linked to the construction cost index.

SYSTRAN Software Inc. has remained at the same premises since 1 November 2009. A new lease was executed for a period of 7 years and 5 months.

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

There is no contract providing for conditional rentals.

1.9 ANALYSIS OF SYSTRAN RISK FACTORS

The Company has conducted a review of risks that could have a material adverse effect on its business, financial condition or results (or ability to achieve its objectives), and considers that there are not, to its knowledge, other significant risks other than those listed below.

1.9.1 Risk of a change of activity

Professional service activity with American governmental bodies is characterised by a lack of visibility on future orders and may be subject to significant fluctuations from one fiscal year to another. Given the unpredictability of the business with this longstanding customer and its significant in the revenue of the Group, there is a risk of falling revenue, despite the existence of an established relationship.

Moreover, the product life cycle has a significant impact on the development of revenue. The launch of new versions usually results in a high level of sales related to updates by existing customers. There is therefore a risk of a change in revenue related to the launch of new versions and product life cycles.

1.9.2 Technology risks

SYSTRAN's success will partly depend on its ability to market machine translation solutions, and, in particular, software adapted to the needs of companies to meet the increasingly specific requirements of its present and future customers within strict time and budget constraints, and to grow and to adapt to progress in technology, new IT standards, the market environment and new offerings from 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 has migrated successfully from mainframes to personal computers then to the Internet.

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

The new, statistical machine translation technologies that have entered the market in recent years may result in rule-based technologies, such as those developed by SYSTRAN, becoming obsolete.

SYSTRAN has countered this risk through adapting its technologies by developing “hybrid” engines that utilise its existing linguistic assets and combine them with the benefits of statistical techniques.

1.9.3 Competition risks

The cost of machine translation software development has decreased considerably, and there are fewer barriers to enter the market than in the past. Previously, linguistic resources and grammatical, semantic and syntactic analysers had to be built and algorithms created in order to develop a machine translation system. This required a high level of linguistic and computing expertise, and SYSTRAN has built up its know-how in this technological field over many years.

The emergence of statistical machine translation software, which can be developed rapidly and automatically provided the necessary resources are available (monolingual and bilingual texts, and the appropriate infrastructure), has further reduced the effectiveness of the barriers to entry.

Since 1997, SYSTRAN has been the traditional supplier of the major Internet Portals and search engines for these services.

Thus, in recent years, Google and Microsoft have developed their own technologies and have changed from being customers to being competitors. Initially, Google and Microsoft focused on free services, which led to increased competition in the consumer products segment. In 2011, these companies launched new commercial products (refer to paragraph 1.5.3. above) which are creating increased competition in the professional products segment. They represent extremely serious competition for SYSTRAN

New offerings of statistical machine translation software are also being developed for the corporate market. For example, the Language Weaver company in California has positioned itself in this market segment with good results. In July 2010, Language Weaver was acquired by SDL. This acquisition marks a new market trend characterised by the entry of translation service providers in the machine translation technology market. These companies primarily seek to equip themselves to achieve productivity gains but also to develop new integrated offerings for their large corporate customers. Providers of translation services thus become major market actors both as clients and as potential competitors.

In addition, some technological components used to develop machine translation software are distributed as Open Source code, and the number of players in the market has increased considerably during the last three years. These are mainly research laboratories, but new companies will probably also enter the market.

1.9.4 Legal risk

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

On 4 October 2003, the European Commission's Translation Executive Management launched a call for proposals for development work on the EC-SYSTRAN version for UNIX, which SYSTRAN delivered to the European Commission in 2003. This contract was awarded in January 2004 to a Luxembourg company with no apparent trading activity, which hired all of the workforce that SYSTRAN's Luxembourg subsidiary was obliged to lay off due to the lack of orders from the European Commission. SYSTRAN expressed concerns about this request for proposals, emphasising that the work concerned was likely to affect its intellectual property rights to the software. Receiving no explanation from the Commission, SYSTRAN lodged a complaint with the European Ombudsman on the matter in July 2005. The Ombudsman announced his decision on 23 October 2006, judging that the European Commission was not guilty of misconduct, but made no statement regarding the violation of SYSTRAN's intellectual property rights. In January 2007, SYSTRAN began proceedings with the European Communities' Trial Court against the Commission, demanding compensation for the considerable harm it suffered as a result of its intellectual property rights being violated and its know-how being revealed. In May 2007, the European Commission filed its memorandum in response. On 31 October 2007, SYSTRAN filed its case in reply with the European Communities' Trial Court. The European Commission's response, which occurred at the end of January 2008, should have closed the pleadings. Contrary to the Company's expectations, the oral arguments did not take place in 2008. On 3 December 2008, the Court issued the parties a series of questions before closing the pleadings. These questions were mainly intended to determine whether the claim came within the Court's jurisdiction. SYSTRAN, conforming to the request of the Court, filed its responses on 30 January 2009.

On 15 Septembre 2009, the Court decided to open oral proceedings and address the parties with a series of questions upon hearing the report. These questions dealt with the substance of the case (ownership of SYSTRAN Unix, rights of lawful users, type of interventions proposed under the disputed contract, and the Gosselies company). Conforming to the request of the Court, the parties filed their responses on 7 October 2009. The hearing before the CFI took place on 27 October 2009 in Luxembourg. After the hearing, the Court stated that the hearing was closed and has not informed the Parties of the date of deliberation. On 24 February 2010, the Court indicated that the matter was under deliberation, and that “the decision can be expected before summer”.

On 26 March 2010, the Court decided to reopen the oral proceedings and sent a series of questions to the Parties, who replied on 5 May 2010. On 20 May 2010, the Tribunal issued a new set of questions to the Parties who responded on 11 June 2010. On 29 June 2010, the Court stated that the oral proceeding was closed and has not informed the Parties of the date of deliberation.

On 16 December 2010, the CFI declared that "the Commission infringed the copyright and know-how held by the SYSTRAN Group regarding the Unix version of the SYSTRAN machine translation software". As a sanction for those acts, the Court ordered the Commission to pay SYSTRAN liquidated damages in the amount of EUR 12,001,000.

On 28 February 2011, SYSTRAN was informed that the Commission had appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. This appeal is limited exclusively to questions of law and has no suspensive effect.

The European Commission has partially implemented the terms of the CFI's judgment of 16 December 2010 by paying SYSTRAN the sum of EUR 5,685,240 on 9 February 2011, then EUR 6,315,760 on 14 March 2011.

However, despite repeated requests from SYSTRAN, it is yet to pay the balance of the sentence imposed upon it, namely, costs.

On 4 March 2011, the European Commission appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. On 13 May 2011, SYSTRANS filed its memorandum in response. In 9 September 2011, the Commission produced its response. On 28 October 2011, SYSTRANS filed its rejoinder. On November 8, 2011, the clerk of the Court informed the parties that the written procedure was closed, failing a subsequent decision by the Court. The Court decided to open the oral procedure. The court heard the arguments on 19 April 2012. During the hearing, the Advocate-general indicated that he would deliver his conclusions on 6 September 2012.

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

1.9.5 Key person risks

The future success of SYSTRAN will depend on it retaining its technical and commercial staff. In particular, the Group depends on its specialist engineers who develop its linguistic resources and engines. Until now, SYSTRAN has succeeded in attracting the appropriate staff to its traditional businesses as well as to its new activities through an attractive pay policy and an ambitious and incentivising employee development plan.

1.9.6 Customer risks

SYSTRAN'S principal customers are major corporate customers (administrations and large corporations), for which there are very few bad debts to date. For all other customers, SYSTRAN applies a policy of payment with the order to avoid this type of risk.

The share represented by the 10 largest customers in the Company's consolidated revenues increased in 2011 compared to 2010:

Rank	2011	2010	2009	2008	2007
Customer n°1	16,6%	8,9%	18,4%	10,9%	11,3%
Customer n°2	10,0%	8,5%	14,4%	8,9%	8,4%
Customer n°3	6,8%	7,7%	8,4%	8,9%	8,3%
Customer n°4	5,3%	4,8%	4,0%	7,0%	7,1%
Customer n°5	4,0%	4,4%	2,8%	6,6%	6,7%
Subtotal for the top 5	42,6%	34,3%	47,9%	42,3%	41,7%

Rank	2011	2010	2009	2008	2007
Customer n°6	3,9%	3,1%	2,5%	4,2%	6,6%
Customer n°7	2,4%	2,6%	2,2%	3,8%	3,8%
Customer n°8	2,4%	2,5%	2,2%	2,9%	3,6%
Customer n°9	2,0%	2,3%	2,0%	2,0%	2,6%
Customer n°10	1,9%	1,9%	2,0%	1,9%	2,2%
Total for the top 10	**55,1%**	**46,7%**	**58,8%**	**57,1%**	**60,5%**

Payment terms vary by customer type:

Customer	Invoicing method	Payment terms
Corporate	Licences: annual or lifetime fee	Licences: 30 to 90 days
	Services: invoiced according to work progress or upon completion, depending on the contract	Services: 60 to 90 days
Distributors	Invoiced upon delivery of goods	60 to 120 days
Services to administrations	Invoiced based on contractual schedules (every 3 or 6 months depending on the contract)	Europe: 60 days United States: 90 to 120 days

Information on the Company's exposure to credit risk is presented in the Notes to the Consolidated Financial Statements (Chapter 3, paragraph 3.6.6.1, page 82)

1.9.7 Industrial and environmental risk

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

SYSTRAN performs software design activities using quasi-exclusive intellectual services. As a result, its activities do not have a direct impact on the environment. The production tool requires only the technical means to achieve its design, development and testing goals. The quality of SYSTRAN products is based on the creativity and skill of the design team as relates to the industrial development methods, testing and quality tracking of the products.

1.9.8 Supplier risks

There is no supplier related risk due to the small proportion of subcontractor involvement in revenue. The SYSTRAN Group only calls upon external service providers in special cases and to a very limited extent.

The Company uses subcontractors to do the following in its software development business and in fulfilling its service agreements:

- Multilingual dictionary translation and post-editing;
- Writing technical documentation;
- Developing GUIs;
- Quality control;
- Creating graphics for Web site design and product packaging.

However, subcontracting remains limited compared to revenue: the largest subcontractor represents less than 1% of the Group's consolidated revenue. The other suppliers correspond to rent, consulting fees or compensation for intermediaries.

Rank	**2011**	**2010**	**2009**	2008	2007
Supplier n°1	5,8%	4,2%	4,1%	4,5%	3,7%
Supplier n°2	2,1%	2,4%	2,3%	2,8%	2,4%
Supplier n°3	1,3%	2,3%	1,5%	1,8%	2,2%
Supplier n°4	1,0%	1,4%	1,1%	1,3%	2,1%
Supplier n°5	0,8%	1,1%	1,1%	1,0%	1,6%
Subtotal for the top 5	11,0%	11,4%	10,1%	11,4%	11,9%
Supplier n°6	0,7%	1,1%	1,0%	1,0%	1,5%
Supplier n°7	0,6%	1,1%	1,0%	0,8%	1,0%
Supplier n°8	0,6%	1,0%	0,9%	0,8%	0,9%
Supplier n°9	0,6%	1,0%	0,8%	0,7%	0,9%
Supplier n°10	0,4%	0,9%	0,8%	0,6%	0,9%
Total for the top 10	13,9%	16,5%	14,7%	15,3%	17,2%

1.9.9 Risk of decline in sales prices

There is pressure on SYSTRAN's prices, notably in its software publishing business and particularly regarding its entry-level products. This phenomenon is accentuated through the growth of free Web-based services. However, the Group manages to maintain prices at high levels, given the quality of its products, but at the expense of its market share in a very competitive market. SYSTRAN earns a portion of its revenue by providing solutions to large enterprises and value-added services that are less subject to competitive pressure on its prices as SYSTRAN has a recognised position in this sector. However, the development of this market segment is accompanied by the emergence of new players and increased competition.

1.9.10 Risk of recruitment difficulties

The Group's growth, 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 engineers and 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 affect the Group's ability to recruit new employees during the next few years.

However, SYSTRAN's attractive pay policy and stock option plans, the attraction of working for an extremely well known Group, and the Group's ambitious growth plans are all key factors in the recruiting process.

1.9.11 Securities risks

SYSTRAN does not have a portfolio or shares in companies apart from those in its subsidiaries, and is therefore not open to any risk with regard to securities.

On 31 December 2011, SYSTRAN held 432,397 of its own shares, totalling EUR 670 thousand at their value on that date. These shares were acquired on the market for an amount of EUR 518 thousand in order to cancel them within the framework of the stock repurchase programme authorised by the Extraordinary General Meetings of 24 June 2011 and from previous years.

Consequently, the Company's securities-related risk is negligible given the risks of fluctuations in treasury share prices.

1.9.12 Liquidity risk

The liquidity risk is the risk that the Group will have difficulty in honouring its debts when they become due. The Group's approach to managing this risk is to ensure that, whenever possible, it still has sufficient liquidity to honour its liabilities when they become due.

Details of shares issued or loans raised	Fixed rate or variable rate	Total amount (in thousands of euros)	Terms	Existence or lack of coverage
Loans and financial liabilities	0%	6	From 1 to 5 years	No
Financing leases	Fixed rate	164	From 1 to 5 years	No
Total		**170**		

The Company faces a negligible liquidity risk given its available cash flow and low level of debt. Net cash as of 31 December 2011 totalled 22.2 million euros compared to 9.8 million euros a year earlier.

During the fiscal year, cash flow increased by 12.3 million euros, while financial debt remained stable. The variation in cash flow is explained mainly by the liquidated damages obtained by SYSTRAN in the case against the European Commission.

1.9.13 Foreign currency exchange risk

The Group's exposure to foreign currency exchange risk relates mainly to US Dollars (USD). SYSTRAN S.A.'s foreign subsidiary companies invoice their services in local currency and incur costs that are also stated in local currency. In addition, SYSTRAN S.A. holds US Dollars and so is exposed to foreign currency exchange risk related to that currency. The parent company also bears the risk on foreign currency exchange related to intercompany transactions. In reality, this risk concerns only Euro-zone companies. The Group does not carry out transactions involving exchange derivatives. The Group's exposure to foreign currency exchange risk is analysed as follows, based on the notional amounts at the year-end of the fiscal years concerned:

Net position after management (net assets) (in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Financial assets of Euro-zone companies, in USD (cash and receivables)	499	1 694	149
Financial liabilities of Euro-zone companies, in USD	0	(4)	(7)
Net position before management (in USD)	499	1 690	142
Coverage derivatives			
Total	**499**	**1 690**	**142**

Analysis of the net earnings's sensitivity to USD foreign exchange risk measures the effect of a variation in that currency on cash held in USD in the Euro-zone companies.

A 10% decrease (increase) in the Euro against the US Dollar on 31 December would result in the following increase (decrease) in net income. For the purposes of this analysis, all other variables, and notably interest rates, are assumed to remain constant.

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Impact on net income	33	113	9

In addition, sales in the North American region are recorded in U.S. dollars and represent a significant share of consolidated revenues. Revenue and net income are thus exposed to risk tied to the fluctuation of the Euro/USD exchange rate. A 10% decrease (increase) in the Euro against the US Dollar on 31 December would result in the following increase (decrease) in revenue and net income in the amounts indicated below. For the purposes of this analysis, all other variables, and notably interest rates, are assumed to remain constant.

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Impact on revenue	648	514	610
Impact on current operating income	116	72	140
Impact on net income	67	39	77

1.9.14 Interest rate risk

At the end of the fiscal year, the main interest rate details of related instruments are as follows:

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Fixed-rate instruments			
Financial assets	18 684	7 592	6 620
Financial liabilities	(170)	(203)	(294)
Net value	*18 514*	*7 389*	*6 326*
Variable-rate instruments			
Financial assets	2 642	2 081	2 561
Financial liabilities	0		0
Net value	*2 642*	*2 081*	*2 561*

In thousands of euros	2011	< 1 year	Existence or absence of hedges
Financial assets	21 326	21 326	No
Financial liabilities	(170)	(170)	No
Net position before management	**21 156**	**21 156**	
Coverage derivatives	0	0	
Net position after management	**21 156**	**21 156**	

In thousands of euros	2010	< 1 year	Existence or absence of hedges
Financial assets	9 673	9 673	No
Financial liabilities	(203)	(203)	No
Net position before management	**9 470**	**9 470**	
Coverage derivatives	0	0	
Net position after management	**9 470**	**9 470**	

In thousands of euros	2009	< 1 year	Existence or absence of hedges
Financial assets	9 181	9 181	No
Financial liabilities	(294)	(124)	No
Net position before management	**8 887**	**9 057**	
Coverage derivatives	0	0	
Net position after management	**8 887**	**9 057**	

Interest rate risk sensitivity analysis

SYSTRAN's financial debt amounts to EUR 170 thousand and is insignificant, as the Company has no net debt. In addition, most of this debt consists of fixed-rate leasing contracts. Given the Company's low level of indebtedness, it is not exposed to the risk of interest rate fluctuations on its existing debt. Furthermore, the Group does not carry out transactions involving interest rate instruments. In this context, analysis of sensitivity to interest rate risk mainly relates to the Group's cash investments. The stipulated rate change is deemed to be effective at the beginning of the fiscal year and remain constant throughout the fiscal year. On this basis, a 100 base-point variation in interest rates would result in the following increase (decrease):

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Impact on shareholders' equity	26	21	26
Impact on net income	26	21	26

1.9.15 Extraordinary events and litigation

With the exception of the litigation with the European Commission, the Company knows of no extraordinary facts or litigation to date that might have or have had in the recent past a significant impact on the business, results, financial situation or assets of SYSTRAN S.A. or its subsidiary companies.

1.9.16 Provisioning and impairment methods with respect to risks and litigation

SYSTRAN establishes provisions 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.

1.9.17 Insurance

Risks covered	Premiums (in thousands of euros)	Coverage
SYSTRAN S.A.	**35,3**	
- company vehicles	15,0	Fully comprehensive insurance
- management liability	3,1	EUR 2 million (at Group level)
- provident scheme / supplementary health insurance	Managerial staff: 1.73% on bracket A(retirement) and 4.813% on A (supplementary health) Non managerial staff: 0.78% on bracket A and 1.22% on bracket B	SYNTEC guarantees / 100% social welfare expenses supplement
- employee business travel	1,0	Coverage for medical expenses, hospitalisation and repatriation
- premises and business liability insurance	16,2	Physical injury, material and consequential damages (EUR 7.6M per claim) Office equipment, furniture and fittings (EUR 0.9M)
SYSTRAN Software Inc.	**26,1**	
- retirement / supplementary health insurance		100% of standard ceiling rate
- employee business travel		Coverage for medical expenses, hospitalisation and repatriation
- 401K pension plan		0.4 MUSD
- employer liability		1 MUSD
- premises and business liability insurance		Physical injury (1 MUSD), material damage (0.3 MUSD), overall damage (2 MUSD)
- professional civil liability insurance		2 MUSD
- company vehicles		Fully comprehensive insurance

To the best of the Company's knowledge, there are no significant uninsured risks.

1.9.18 Financial commitments

Contractual obligations *(amounts in thousands of euros)*	**Total 2009**	**Total 2010**	**Total 2011**	**Payments due per period**		
				< 1 year	From 1 to 5 years	More than 5 years
Long-term liabilities (*)	294	203	170	58	112	0
Direct leasing agreements	2 119	7 033	6 775	778	3 647	2 350
Binding purchase agreements	0	0	0	0	0	0
Other long-term obligations	0	0	0	0	0	0
Total	2 413	7 266	6 945	836	3 759	2 350

(*) including direct financing leases

Other commercial commitments	**Total 2009**	**Total 2010**	**Total 2011**	**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	248	248	248	248	0
Acquisition obligations	0	0	0	0	0
Other commercial commitments	0	0	0	0	0
Total	248	248	248	248	0

Details of the EUR 248 thousand of guarantees granted by SYSTRAN are provided in note 3.6.7.1 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.

1.10 SYSTRAN AND ITS SHAREHOLDERS

1.10.1 Capital stock

At the date of submission, the Company's capital stock totalled EUR 3,999, 843 , consisting of 7,999,686 shares, taking into account the capital reduction decided by the Board of Directors on 8 February 2012, following the cancellation of 242,736 shares with effect on 13 February 2012.

On 31 December 2011, the company's authorised capital amounted to EUR 4,121,211, made up of 8,242,422 shares, representing 10,743,678 net voting rights. The 8,242,422 shares consist of 3,500,865 bearer shares, 577,999 registered shares with voting rights, 2,933,653 registered shares with double voting rights, 797,508 shares stripped of voting rights and 432,397 treasury shares, amounting to a total of 8,242,422 shares.

These registered or bearer (anonymous) shares, as the holder chooses unless this is prevented by current legislation, are fully paid-in. They have a nominal value of EUR 0.50 each.

The following operations affected the capital in fiscal year 2011:

- The issuing of 79,373 new shares on 11 March 2011 as the result of one of the Company's directors exercising his subscription options, as noted at the Board of Directors meeting on 27 April 2011. The Board of Directors increased the Company's nominal capital stock by EUR 120,999.93, bringing it to EUR 13,335,244.93;
- The General Shareholders' Meeting on 24 June 2011 decided on a reduction in capital not motivated by losses for a total value of EUR 8,961,447.43, to reduce a total of EUR 13,335,244.93 to EUR 4,373,797.50, divided in 8,747,595 shares at a nominal per-share value of EUR 0.50.
- At its meeting on 2 November 2011, the Board of Directors, with the approval of the Combined General Shareholders' Meeting on 24 June 2011, resolved, pursuant to article L. 225-209 of the Commercial Code, to decrease the capital stock by EUR 252,586.5 through the cancellation of 505,173 shares, from EUR 4,373,797.5 to EUR 4,121,211, divided into 8,242,422 shares with a per-share value of EUR 0.50.

1.10.2 Changes in the capital and voting rights

	31 December 2009				31 December 2010				31 December 2011			
	No. of shares (1)	%	Voting rights (1)	%	No. of shares (1)	%	Voting rights (1)	%	No. of shares (1)	%	Voting rights (1)	%
Members of the Board of Directors and affiliated companies	2 062	22,8%	2 392	20,9%	2 020	23,3%	2 469	23,4%	2 026	24,6%	2 864	26,6%
Jean Gachot	727	8,1%	727	6,4%	72	0,8%	72	0,7%	0	0%	0	0%
SOPI SA	1 017	11,2%	2 035	17,9%	1 017	11,7%	2 035	19,3%	1 017	12,3%	2 035	19,0%
SOPREX AG	687	7,6%	1 375	12,1%	687	7,9%	1 375	13,0%	687	8,3%	1 375	12,8%
Alto Invest	632	6,9%	632	5,5%	641	7,4%	641	6,1%	602	7,3%	602	5,6%
Public	3 618	40,0%	4 238	37,2%	3 365	38,8%	3 965	37,6%	3 478	42,2%	3 867	36,0%
Treasury shares (2)	293	2,5%		0,0%	866	10,0%		0,0%	432	5,3%		0,0%
TOTAL	9 038	100,0%	11 399	100,0%	8 668	100,0%	10 556	100,0%	8 242	100,0 %	10 743	100,0%

(1) Number of shares and voting rights, in thousands

(2) During the fiscal year, the Company acquired 71,703 of its own shares on the market, under the stock acquisition plan authorised by the Extraordinary General Shareholders' Meetings of 24 June 2011. As of 31 December 2011, the Company held 432,397 SYSTRAN shares.

To the best of the Company's knowledge, no other shareholder holds over 5% of the capital as of 31 December 2011.

The Company has approximately 2,000 public shareholders.

1.10.3 SYSTRAN share price

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

The SYSTRAN share (code ISIN **FR0004109197**) is continuously listed on Eurolist Compartiment C of Euronext Paris. The share's market price since December 2010 has been as follows:

Date	Opening	High	Low	Latest quote	Average volume	Adjusted price
Mar. 12	1,60	1,75	1,59	1,75	1 700	1,75
Feb. 12	1,65	1,80	1,45	1,70	3 200	1,70
Jan-12	1,55	1,55	1,30	1,39	2 000	1,39
Dec. 11	1,27	1,59	1,27	1,41	700	1,41
Nov. 11	1,26	1,63	1,26	1,52	3 900	1,52
Oct-11	1,25	1,50	1,25	1,47	700	1,47
Sep. 11	1,60	1,60	1,42	1,45	400	1,45
Aug. 11	1,70	1,75	1,40	1,56	800	1,56
July-11	1,62	1,87	1,62	1,65	1 100	1,65
Jun-11	1,80	1,84	1,58	1,61	3 400	1,61
May-11	1,89	2,00	1,80	1,80	1 800	1,80
Apr-11	2,00	2,00	1,71	1,80	1 900	1,80
Mar. 11	2,00	2,18	1,80	1,82	1 600	1,82
Feb-11	2,19	2,25	2,13	2,15	2 400	2,15
Jan-11	2,02	2,23	1,96	2,14	4 100	2,14
Dec. 10	1,23	2,04	1,15	2,02	10 700	2,02

Source: Euronext

1.10.4 Communication with shareholders

SYSTRAN is concerned with providing all its shareholders with meticulous, regular, consistent and high-quality information that is in line with best practices for the markets and recommendations regarding the stock market authorities.

A section for "Investors" is available on the SYSTRAN website at the address http://www.systran.co.uk/systran/investors containing comprehensive, relevant regulated information.

The timetable for the publication of the financial statements for 2012 is as follows:

Revenue for the 1st quarter of 2012	4 May 2012
Revenue and income for the 1st half of 2012	27 July 2012
Revenue for the 3rd quarter of 2012	9 November 2012
Revenue and income for fiscal year 2012	11 February 2013
Revenue for the 1st quarter of 2013	3 May 2013

1.10.5 Dividends

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

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

1.10.6 General Shareholders' Meeting

The last General Shareholders' Meeting was held on 24 June 2011 after the shareholders received their first summons to attend. The draft resolution was published in the BALO Obligatory Legal Announcements Bulletin number 59 on 18 May 2011. The quorum was as follows:

	No. of shareholders	**No. of shares**	**No. of voting rights**	**% holding**
Present or represented	22	2 438 308	2 597 959	24,98 %
Proxy in the Chairman's favour	25	127 259	194 518	1,87 %
Postal votes	19	2 022 971	3 772 005	36,27 %
Total	66	4 588 538	6 564 482	63,12 %
Capital excluding treasury shares		**7 881 728**	**10 399 543**	
Quorum for ordinary resolutions		1 576 346		20 %
Quorum for extraordinary resolutions		1 970 432		25 %

Of the seventeen resolutions proposed to shareholders, the ninth resolution was rejected (renewal of a director's mandate) and the fourteenth resolution (delegation of powers to the Board of Directors to carry out operations to increase the capital reserved to pay employees participating in a company savings plan).

The conditions governing the holding of the SYSTRAN General Shareholders' Meeting are defined in articles 23, 24, and 25 of the Company's by-laws.

An Ordinary General Shareholders' Meeting brings together all of the shareholders at least once a year during the six months following the end of the fiscal year, at the request of the Board of Directors, to vote on an agenda set by it. It is called to make all decisions that do not change the by-laws, through a majority vote.

An Extraordinary General Shareholders' Meeting is convened whenever decisions that would modify the by-laws, and notably increase the capital, must be made. It rules by a majority of two-thirds of votes cast by attending or represented shareholders.

Holders of registered shares automatically receive, regardless of the number of shares they hold, complete invitation documentation (notably including the agenda and draft resolutions) and a voting form.

Holders of “bearer” shares are informed by announcements in the press.

The conditions of shareholder participation in the General Shareholders' Meeting are defined in articles 23 to 26 of the Company's by-laws.

If they do not attend the Meeting, shareholders can, by returning the form included with the summons to attend:

- either vote by mail;
- or be represented by a proxy in accordance with the applicable legal and regulatory conditions, under the terms and conditions specified in the by-laws;
- or vest proxy in the Chairman (or else specify no proxy).

1.10.7 Declaring the crossing of limits

In addition to the limits provided for under the law and in virtue of article 13 of the by-laws, any shareholder, operating alone or jointly, who comes to hold, directly or indirectly, a percentage of shares equal to or greater than 3% of the capital stock and/or voting rights is required to inform the Company within fifteen days of crossing this limit, by registered letter with a request for acknowledgment of receipt addressed to its registered office, and also including in this declaration the total number of shares or instruments granting access to the capital. The information mentioned above is also to be given in the same time when the equity stake or voting rights fall below the threshold mentioned above.

In the event of a violation of this reporting obligation, one or more shareholders holding a portion of the capital or voting rights equal to at least three percent (3%) may request that the shares exceeding the portion that should have been declared be deprived of voting rights for any Shareholders' Meeting that might be held within a two-year period following the date of regularisation of the notification. The request is countersigned in the minutes of the General Shareholders' Meeting. Under the same conditions, the voting rights for the shares that were not properly declared cannot be delegated by the defaulting shareholder.

The following limits were declared crossed in 2011:

Name and Grade	Date of crossing the limit	Capital limits crossed	Voting right limits crossed	Operation causing the limit to be crossed	Amount of the transactions (in euros)
Dimitris Sabatakakis	21 August 2011	15% up	None	Reduction in the total number of shares	None
ALTO INVEST	11 October 2011	None	5% down	Increase in the total number of voting rights	None
ALTO INVEST	8 December 2011	None	5% up	Reduction in the total number of voting rights	None

1.10.8 Shareholder agreements

There are no shareholder agreements.

1.10.9 Shareholder commitments

There are no restrictions agreed to by the corporate officers concerning the disposal within a certain period of time of their participation in the capital of the Company.

1.10.10 Potential capital

The Company has granted its employees stock options. If all the options were exercised, the result would be a maximum potential dilution of 4.6%, representing 384,450 shares.

The Extraordinary General Shareholders' Meeting on 25 June 2010 also authorised the Board of Directors to increase the company's capital with or without cancelling the preferential subscription right. The Board of Directors has not made use of this authorisation.

The Extraordinary General Meeting on 25 June 2010 authorised the Board of Directors to grant the employees options entitling them to subscribe to the Company's new shares. The Board of Directors has not made use of this authorisation.

The Extraordinary General Shareholders' Meeting on 24 June 2011 authorised the Board of Directors to allocate the employees free SYSTRAN S.A. shares.

The Extraordinary General Meeting on 25 June 2010 authorised the Board of Directors to grant the employees options entitling them to subscribe to the Company's new shares. The Board has exercised this authority (*See Chapter 1, paragraph 1.8.3, pages 24 and 25).*

Number of shares authorised:

The authorisations given by the Extraordinary General Meetings and not used as of 31 December 2011 are as follows:

- EGM on 25 June 2010: An option to increase the capital to a maximum amount of EUR 15 million, granted to the Board of Directors, and;
- EGM on 24 June 2011: An option to allocate a maximum number of stock options to personnel, representing 20% of shares issued, granted to the Board of Directors.

The corresponding number of authorised and non-issued shares is 12,055,320.

2 2011 ACTIVITY REPORT

2.1 INFORMATION ON THE GROUP'S ECONOMIC LIFE

2.1.1 Financial figures

Consolidated figures under IFRS *(in millions of euros)*	2011	2010	2009	2008
Revenue	**10,59**	**8,93**	**8,56**	**7,65**
Current operating income	**1,07**	**(0,40)**	**0,03**	**(0,07)**
Operating margin	*10,1%*	*Ns*	*Ns*	*Ns*
Net income - Group share	**0,70**	**0,08**	**0,30**	**(7,11)**
Net margin	*6,6%*	*Ns*	*3,5%*	*ns*

Consolidated revenue for 2011 amounted to EUR 10,587 thousand, an increase of 18.5% compared with 2010 for all activities.

The Software publishing business increased by 9% over fiscal year 2010, and represented 58% of total revenue.

Sales of ***Professional Services***, which structurally generate a smaller margin, increased by 34.6% compared with 2010, supported by the demand from US government agencies.

In the fiscal year, salaries and fringe benefits increased by 24.25%, reflecting in particular the strengthening of the Research and Development teams in France and the growth of ***Professional Services*** activity in the US. A significant portion of staff costs still relate to R&D, for which the company spends between 20 and 25% of its revenue.

The fiscal year's purchases and other external expenses fell by 6.7%, due to the fall in subcontracting expenditures associated with providing services to US public organisations.

On 31 December 2011, Research Tax Credit valued at EUR 1,011 thousand was included in "other operating income", contrary to preceding consolidated financial statements where Research Tax Credit was included in "Income taxes".

Inclusion of this revenue as current operating income on the "Other operating expenses and income" line is compliant with IAS 12 and IAS 20 standards. This posting method constitutes a change of presentation in comparison with previous consolidated financial statements insofar as the research tax credit revenue was written off against income tax. This approach was taken to improve the financial information.

The following table presents the effects of the change of presentation on the main aggregates in the previously published consolidated financial statements. Research tax credit of EUR 870 thousand was recorded at 31 December 2010 and EUR 776 thousand at 31 December 2009.

(in thousands of euros)	31/12/2011	31/12/2010 withdrawn	31/12/2010 published	31/12/2009 withdrawn	31/12/2009 published
Current operating income	1 069	474	(396)	804	28
Operating income	841	243	(627)	816	40
Pre-tax income	1 148	383	(487)	912	136
Income taxes	(450)	(301)	569	(608)	168
Net income	698	82	82	304	304

Taking these factors into account, current operating income amounted to EUR 1,069 thousand in 2011, against a loss of EUR 396 thousand in fiscal year 2010.

Operating income amounted to EUR 841 thousand, against a loss of EUR 627 thousand in 2010.

Other operating expenses and income consist solely of the fees for the defence of the Company's interests in the litigation with the European Commission. In 2010, SYSTRAN recorded revenue of EUR 12 million corresponding to the indemnification to be received from the EU Commission corresponding to the 16 December 2010 judgment of the European Court of Justice (ECJ) and, taking account of the appeal filed by the EU Commission on 25 February 2011, SYSTRAN included a provision for contingencies for the same amount.

The financial result is positive due to the positive effect of foreign exchange differences and financial revenue for the fiscal year.

The tax burden is mainly attributable to SYSTRAN Software Inc.

The fiscal year consolidated net income amounted to EUR 82 thousand compared to EUR 304 thousand in 2009.

Shareholders' equity totalled EUR 14.3 million compared with EUR 15.0 million as of 31 December 2009. The Group has practically no debt, and net cash as of 31 December 2009 rose to EUR 9.8 million as against EUR 11.2 million the previous year. The Group's financial debt amounts to EUR 0.2 million as of 31 December 2011.

2.1.2 Group business during the fiscal year

The Group's consolidated revenue totalled EUR 10.6 million, up 18.5% from fiscal 2010. It was divided between EUR 6.1 million for ***Software Publishing*** and EUR 4.4 million for ***Professional Services***.

Consolidated figures *(in thousands of euros)*	**2011**	*As % of total*	**2010**	*As % of total*	*Change 2011/2010*
Software Publishing	**6 138**	*58,0%*	**5 629**	*63,0%*	*+9,0%*
Professional Services	**4 449**	*42,0%*	**3 305**	*37,0%*	*+34,6%*
Consolidated revenue	**10 587**	*100,0%*	**8 934**	*100,0%*	*+18,5%*

Consolidated figures *(in thousands of euros)*	**2010**	*As % of total*	**2009**	*As % of total*	*Change 2010/2009*
Software Publishing	**5 629**	*63,0%*	**5 618**	*65,6%*	*+0,2%*
Professional Services	**3 305**	*37,0%*	**2 946**	*34,4%*	*+12,2%*
Consolidated revenue	**8 934**	*100,0%*	**8 564**	*100,0%*	*+4,3%*

During the fiscal year, the growth in revenue is explained by the strong growth in the level of activity in ***Professional Services***, related to the demand from US government agencies, and the growth in the ***Software Publishing*** business.

Software Publishing

Licence sales in fiscal 2011 amounted to EUR 6.1 million and represented 58% of total revenue. They are up 9% compared with 2010, due particularly to the growth in the sale of ***Desktop***and ***Server*** products to companies and government departments that now represents 91.3% of ***Software Publishing*** revenue. In 2011, SYSTRAN released the new version 7 of ***Desktop*** products through all of its distribution channels.

In thousands of euros	**2011**	*As % of Total*	**2010**	*As % of total*	***2011/2010 change***
Software Publishing					
Desktop Products	*1 429*	*13,5%*	*1 082*	*12,1%*	*+32,1%*
Server Solutions	*4 174*	*39,4%*	*4 027*	*45,1%*	*+3,7%*
e-Services	*479*	*4,5%*	*520*	*5,8%*	*-7,9%*
OEM	*56*	*0,6%*	*0*	*0,0%*	*NS*
Total Software Publishing	**6 138**	58,0%	**5 629**	63,0%	**+9,0%**
Consolidated revenue	**10 587**	*100%*	**8 934**	*100%*	***+18,5%***

In thousands of euros	**2010**	***As % of total***	**2009**	***As % of total***	***2010/2009 change***
Software Publishing					
Desktop Products	*1 082*	*12,1%*	*1 277*	*14,9%*	*- 15,4%*
Server Solutions	*4 027*	*45,1%*	*3 740*	*43,7%*	*+ 7,7%*
e-Services	*520*	*5,8%*	*592*	*6,9%*	*- 12,3%*
OEM	*0*	*0,0%*	*9*	*0,1%*	*- 100,0%*
Total Software Publishing	**5 629**	**63,0%**	**5 618**	**65,6%**	**+ 0,2%**
Consolidated revenue	**8 934**	***100%***	**8 564**	***100%***	***+ 4,3%***

Professional Services

The sale of ***Professional Services*** amounted to EUR 4.4 million and represented 42% of total revenue. They are up +34.6% compared to fiscal 2010, thanks to orders from the US government for our SYSTRAN Software Inc. subsidiary.

The increase in Professional Services business with companies (***Corporate***) is directly related to the growth of the sale of ***Server*** products to businesses.

Cofunded research and development activity also increased.

In thousands of euros	2011	As % of total	2010	As % of total	2011/2010 change
Professional Services					
Corporate	1 070	*10,1%*	793	*8,9%*	*+34,9%*
Administrations	3 099	*29,3%*	2 275	*25,5%*	*+36,2%*
Co-funded	280	*2,6%*	237	*2,7%*	*+18,1%*
Total Professional Services	**4 449**	**42,0%**	**3 305**	**37,0%**	**+34,6%**
Consolidated revenue	**10 587**	***100%***	**8 934**	***100%***	***+18,5%***

In thousands of euros	2010	As % of total	2009	As % of total	2010/2009 change
Professional Services					
Corporate	793	*8,9%*	584	*6,8%*	*+ 35,9%*
Administrations	2 275	*25,5%*	2 216	*25,9%*	*+ 2,7%*
Co-funded	237	*2,7%*	146	*1,7%*	*+ 62,6%*
Total Professional Services	**3 305**	**37,0%**	**2 946**	**34,4%**	**+ 12,2%**
Consolidated revenue	**8 934**	***100%***	**8 564**	***100%***	***+ 4,3%***

2.1.3 Revenue by geographical area

The revenue by geographical area of asset is broken down as follows:

By geographical area of asset location (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Europe	4 103	3 789	2 463
North America	6 484	5 145	6 101
Other geographical areas			
Total revenue	**10 587**	**8 934**	**8 564**

The revenue in the European zone has increased 8.28% compared with 2010 due to the increase in the sales of ***Server*** products to companies. The revenue in the North America zone has increased 26% compared with 2010 due to US government orders.

The current operating income by geographical area of asset is broken down as follows:

Current operating income (in thousands of euros)		Europe	North America	Unallocated/ eliminated	Consolidated
31/12/2011	(12 months)	(86)	1 155	0	1 069
31/12/2010	(12 months)	(1 118)	722	0	(396)
31/12/2009	(12 months)	(1 375)	1 403	0	28

The difference in operating margins between different geographical areas is structural. It is explained by the fact that the European zone bears the primary research and development expenses and that the bulk of sales are made in the North American zone.

In fiscal 2011, the current operating loss in the European zone is reduced, due to the increase in revenue.

The growth in current operating revenue in the North America zone in the fiscal year is explained by the growth in revenue in all segments of the market.

The improvement in current operating revenue in the Europe zone is explained by the growth in revenue and by the change in the accounting method used for research tax credit (see paragraph 3.6.3.2).

2.2 SYSTRAN S.A.'S ACTIVITY

SYSTRAN S.A.'s revenue in 2011 amounted to EUR 6.3 million, an increase of 16.2% compared with fiscal 2010. Excluding intra-group invoicing, revenues are higher by 8.3%. Sales of ***Licences*** are down by 1.0%. The sales of ***Professional Services*** are up 42.5% compared with fiscal 2010.

In fiscal year 2011, the EBITDA amounted to a loss of EUR 0.8 million, against a loss of EUR 0.6 million in 2010. This increase was due to increased personnel expenses, which increased from EUR 3.6 million in 2010 to EUR 4.4 million in 2011, and purchases and other external costs which rose to EUR 2.7 million in the year against EUR 2.4 million in 2010.

SYSTRAN S.A. invoiced its subsidiary SYSTRAN Software Inc. for a total of EUR 2.3 million for royalties on product sales and administrative costs in 2011, compared with EUR 1.7 million in 2010. SYSTRAN S.A. holds a trade account receivable of EUR 0.2 million against its SYSTRAN Software Inc.

SYSTRAN S.A. has received a dividend of USD 0.5 million from its subsidiary SYSTRAN USA.

2.3 ACTIVITY OF SUBSIDIARIES

We remind you that our Company controls the following companies within the meaning of Article L. 233-3 of the Commercial Code:

- SYSTRAN USA;
- SYSTRAN Software Inc.;
- SYSTRAN Luxembourg.

SYSTRAN Software Inc. earned revenue of USD 9.3 million in 2011, up 33% on 2010, and a net profit of USD 0.9 million compared with USD 0.5 million in 2010.

Over the year, the ***Software Publishing*** and ***Professional Services*** businesses grew by 26.3% and 38.7% respectively.

SYSTRAN Software Inc. invoiced SYSTRAN S.A. for development work amounting to a total of USD 0.3 million against USD 0.2 million in fiscal 2010.

SYSTRAN Luxembourg did not trade in 2010.

SYSTRAN USA is an intermediary holding that does not trade.

2.4 PROSPECTS

Software Publishing

In 2012, SYSTRAN will strengthen its sales teams to expand all of its businesses and will complement its products and services offer with new on-line services for companies.

As of 31 December 2011, unearned revenue on licence sales amounted to approximately EUR 0.9 million, compared with EUR 0.7 million on 31 December 2010.

Professional Services

As of 31 December 2011, orders for ***Professional Services*** purchased but not executed totalled EUR 2.0 million, compared with EUR 2.1 million on 31 December 2010. SYSTRAN however anticipates a fall from the exceptionally high 2011 levels in Professional Services business with the US government.

2.5 EVENTS OCCURRING BETWEEN THE END OF THE FISCAL YEAR AND THE DATE ON WHICH THIS REPORT WAS PRODUCED

In the dispute with the Commission, SYSTRAN was informed on 17 February 2012 that the CFI had decided to hold a hearing which took place on 19 April 2012.

During the hearing, the Advocate-general indicated that he would deliver his conclusions on 6 September 2012.

Besides this event, there have been no significant events occurring between the end of the fiscal year and the date on which this report was produced.

3 CONSOLIDATED FINANCIAL STATEMENTS

3.1 CONSOLIDATED INCOME STATEMENT FOR FISCAL YEAR 2011

(in thousands of euros)	*Notes*	**Fiscal year 2011** (12 months)	**Fiscal year 2010** (12 months)	**Fiscal year 2009** (12 months)
Revenue	*3.6.4.1*	**10 587**	**8 934**	**8 564**
Purchases and other external expenses	*3.6.4.2*	(2 974)	(3 189)	(3 019)
Salaries and fringe benefits	*3.6.4.3*	(6 860)	(5 521)	(5 020)
Taxes and duties		(224)	(207)	(228)
Net impairment and amortisation		(346)	(311)	(299)
Other operating expenses and income	*3.6.4.4*	886	(102)	30
Current operating income		**1 069**	**(396)**	**28**
Other operating income	*3.6.4.5*	0	12 332	70
Other operating expenses	*3.6.4.5*	(228)	(12 563)	(58)
Operating income		**841**	**(627)**	**40**
Net cost of indebtedness		346	130	192
Other financial income	*3.6.4.6*	7	86	34
Other financial expenses	*3.6.4.6*	(46)	(76)	(130)
Financial income		**308**	**140**	**96**
Pre-tax income		**1 148**	**(487)**	**136**
Income taxes	*3.6.4.7*	(450)	569	168
Net income		**698**	**82**	**304**
Of which:				
Group share				
Minority interests				
Income per share	*3.6.7.3*	0.09	0.01	0,03
Fully diluted income per share	*3.6.7.3*	0.09	0.01	0,03

3.2 CONSOLIDATED INCOME FOR FISCAL YEAR 2011

(in thousands of euros)	**Fiscal year 2011** (12 months)	**Fiscal year 2010** (12 months)	**Fiscal year 2009** (12 months)
Net income	**698**	**82**	**304**
Financial instruments			
Actuarial gains and losses			
Income taxes			
Neutralisation of share payments reported as revenue			
Conversion adjustments	184	176	(117)
Income and expenses recorded directly in equity	**184**	**176**	**(117)**
Consolidated income for the period	**882**	**258**	**187**
Of which:			
Group share	882	258	187
Minority interest share	0	0	0

3.3 STATE OF THE FINANCIAL SITUATION ON 31 DECEMBER 2011

ASSETS

(in thousands of euros)	*Notes*	**31/12/2011**	**31/12/2010**	**31/12/2009**
Goodwill				
Intangible fixed assets	*3.6.5.1*	5 106	5 140	5 145
Tangible fixed assets	*3.6.5.2*	871	683	669
Financial fixed assets	*3.6.5.3*	206	268	119
Total noncurrent assets		**6 183**	**6 091**	**5 933**
Inventory		40	60	36
Trade and other accounts receivable	*3.6.5.4*	2 174	1 658	1 168
Tax payable debit	*3.6.5.4 & 3.6.5.5*	1 158	904	1 041
Other receivables and accruals	*3.6.5.4*	618	12 756	554
Cash	*3.6.5.6*	22 320	9 984	11 510
Total current assets		**26 310**	**25 362**	**14 309**
Total assets		**32 493**	**31 453**	**20 242**

LIABILITIES

(in thousands of euros)	*Notes*	**31/12/2011**	**31/12/2010**	**31/12/2009**
Capital	*3.6.5.7*	4 121	13 214	13 778
Premium accounts		12 407	5 395	5 396
Consolidated reserves		(1 563)	(3 700)	(3 621)
Income for the fiscal year		698	82	304
Conversion adjustments		(477)	(661)	(837)
Shareholders' equity (Group share)		**15 186**	**14 330**	**15 020**
Provisions	*3.6.5.8*	27	24	18
Interest-bearing borrowing	*3.6.5.9*	112	111	170
Deferred tax credit	*3.6.5.10*	1 662	1 662	1 662
Total noncurrent liabilities		**1 801**	**1 797**	**1 850**
Provisions	*3.6.5.8*	12 007	12 007	277
Borrowing – items < one year	*3.6.5.9*	58	92	124
Trade accounts payable and related accounts	*3.6.5.11*	508	936	785
Tax payable credit		0	0	0
Other payables and accruals	*3.6.5.11*	2 933	2 291	2 186
Total current liabilities		**15 506**	**15 326**	**3 372**
Total shareholder equity and liabilities		**32 493**	**31 453**	**20 242**

3.4 CONSOLIDATED CASH FLOW STATEMENT FOR FISCAL YEAR 2011

	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Net income	**698**	**82**	**304**
Impairment and provisions net of subsidies	346	12 403	307
Provision reversal	0	(266)	(30)
Variation of deferred taxes	0	0	0
Stock options	16	101	105
Income re-evaluations	0	0	(2)
Net income from fixed asset transfers	3	1	10
Transfer capital gains and losses	*3*	*1*	*10*
Taxes on transfer capital gains and losses	0	0	0
Share in the income of companies consolidated by the equity method	0	0	0
Sundry	0	0	0
Gross margin from self-financing	**1 063**	**12 322**	**694**
Inventory variations	20	(24)	11
Change in accounts receivable	(688)	(590)	1 201
Change in other receivables	11 769	(12 052)	1 260
Change in accounts payable	(308)	205	58
Change in other payables	801	44	(246)
Change in working capital requirement linked to the activity	**11 594**	**(12 417)**	**2 284**
NET OPERATING CASH FLOW	**12 657**	**(95)**	**2 978**
Acquisitions of tangible and intangible fixed assets	(495)	(391)	(411)
Transfers of tangible and intangible fixed assets	0	1	43
Increase in permanent financial investments	(8)	(152)	(30)
Reductions in permanent financial investments	70	7	23
Change in investments	0	0	0
Change in payables and receivables on fixed assets	0	0	0
Effect of changes in consolidation scope	0	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES	**(433)**	**(535)**	**(375)**
Dividends paid to parent company shareholders	0	0	0
Dividends paid to minorities of integrated companies	0	0	0
Increase in capital or contributions	121	0	0
Increase in other equity	0	0	0
Decrease in other equity (capital reduction)	(107)	(1 072)	(508)
Increase in financial liabilities	62	37	197
Decrease in financial liabilities	(97)	(130)	(126)
CASH FLOW FROM FINANCING ACTIVITIES	**(19)**	**(1 165)**	**(437)**
CHANGE IN NET CASH POSITION	**12 205**	**(1 795)**	**2 166**
Opening cash position	*9 984*	*11 510*	*9 534*
Closing cash position	***22 320***	***9 984***	***11 510***
Effect of exchange rate changes	*131*	*269*	*(192)*
Effect of cash re-evaluations	*0*	*0*	*2*

3.5 CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	Capital	Premiums and consol. reserves	Group income for fiscal year	Conversion adjustments	Total Group shareholders' equity
Situation as of 31 December 2011	**4 121**	**10 844**	**698**	**(477)**	**15 186**
Change in conversion adjustments and sundry		(56)			(56)
Change in treasury shares		463			463
Increase in capital	121				121
Capital reduction	(9 214)	8 644			(570)
Stock options		16			16
Consolidated income for fiscal year 2011			698	184	882
Allocation of 2010 income		82	(82)		-
Situation as of 31 December 2010	**13 214**	**1 695**	**82**	**(661)**	**14 330**
Change in conversion adjustments and sundry		23			23
Change in treasury shares		(710)			(710)
Capital reduction	(564)	201			(363)
Stock options		102			102
Consolidated income for fiscal year 2010			82	176	258
Allocation of 2009 income		304	(304)		-
Situation as of 31 December 2009	**13 778**	**1 775**	**(304)**	**(837)**	**15 020**
Change in conversion adjustments and sundry		(45)		-	(45)
Change in treasury shares	(769)	263			(506)
Capital reduction					-
Stock options		105			105
Consolidated income for fiscal year 2009			304	(117)	187
Allocation of 2008 income		(7 107)	7 107		-
Situation as of 31 December 2008	**14 547**	**8 559**	**(7 107)**	**(720)**	**15 279**

3.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2011

3.6.1 General presentation

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

On the strength of 40 years' experience in machine translation technologies developed for organisations including the US Department of Defense and the European Commission, the Company also counts some of the largest multinational corporations among its customers.

The SYSTRAN Group generates more than half of its revenue from outside of Europe, particularly in North America.

The parent company, SYSTRAN SA, is a French corporation [société anonyme] whose registered office is located at 5 rue Feydeau, Paris/2nd arrondissement. The Company is listed in Compartiment C of Euronext Paris (ISIN code: FR0004109197, Reuters: SYTN.LN; Bloomberg: SYST NM).

3.6.2 Important events during the year

Changes in related business

Consolidated revenue for 2011 amounted to EUR 10,587 thousand, an increase of 18.5% over 2010.

Current operating income amounted to EUR 1,069 thousand, against a loss of EUR 396 thousand in 2010.

The fiscal year consolidated net income amounted to EUR 698 thousand compared with EUR 82 thousand in 2010.

Dispute with the European Commission

The European Commission has partially implemented the terms of the CFI's judgment of 16 December 2010 by paying SYSTRAN the sum of EUR 5,685,240 on 9 February 2011, then EUR 6,315,760 on 14 March 2011.

However, despite repeated requests from SYSTRAN, it is yet to pay the balance of the sentence imposed upon it, namely, costs.

On 4 March 2011, the European Commission appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. On 13 May 2011, SYSTRANS filed its memorandum in response. In 9 September 2011, the Commission produced its response. On 28 October 2011, SYSTRANS filed its rejoinder. On November 8, 2011, the clerk of the Court informed the parties that the written procedure was closed, failing a subsequent decision by the Court. The Court may decide not to open the oral phase of the procedure if neither of the parties presents a request stating the reasons for wanting to be heard. SYSTRAN has not requested a hearing and is awaiting the decision of the Court on the procedure.

3.6.3 Accounting policies

3.6.3.1 Principles for establishing the consolidated financial statements

SYSTRAN SA is a company domiciled in France. The consolidated financial statements for the period of 12 months ending 31 December 2011 include the Company and its subsidiaries (together referred to as “the Group”).

The Group's consolidated financial statements for the year ended 31 December 2011 are available on request at the registered office of the Company - 5 rue Feydeau 75002 Paris, France.

These annual consolidated financial statements have been prepared and published in accordance with IFRS (International Financial Reporting Standards), as adopted in the European Union. The Group has published its accounts in accordance with these standards since fiscal year 2005.

The IFRS rules adopted by the European Union differs in some ways from the IFRS standards published by the IASB. Nevertheless, the Group has checked that the financial information for the periods shown would not have been significantly different if it had applied the IFRS standards published by the IASB.

The new interpretations of and amendments to the applicable standards from 1 January 2011 are as follows:

- Revised IAS 24 – Related party disclosures

Amendments to the existing standards following new laws or resulting from the IFRS annual improvement procedure of May 2010, especially:

- Revised IAS1 – Presentation of financial statements - Required information on the variation of other items on the balance sheet.
- IAS 34 – Interim financial reporting – Required information on significant events and transactions
- IAS 32 - Financial instruments - Classification of subscription rights issued in cash
- IFRS1 – Limited exemption from presenting comparative IFRS7 information for first-time adoption
- IFRIC 14 – Limit on a defined benefit asset and minimum funding requirements
- IFRIC 19 – Extinguishing financial liabilities with own equity instruments
- IAS 21 – Effects of changes in foreign exchange rates
- IAS 28 and 31 – Investments in associates and joint ventures
- IAS 32, 39 and IFRS 7 - Financial instruments – Presentation / reporting and assessment required information– especially amendment following revision of IFRS3
- IFRS 1 – First-time adoption of IFRS
- IFRS 3 – Business combinations
- IFRS 8 – Operating segments
- IFRIC 13 – Customer loyalty programmes

These new documents do not apply to SYSTRAN or have had no impact on the consolidated financial statements for the year ended 31 December 2011.

There are no standards or interpretations adopted by the European Union but not yet in force for this reporting period.

Standards and interpretations adopted by IASB or IFRIC, and not adopted in the European Union as at 31 December 2011, but still applicable in advance as they interpret laws already adopted by the European Union, have not given rise to any advance application.

Amongst the draft standards and interpretations not yet applicable in law or in advance, currently only the revision of standards IAS 17 – Leases ("lease project") and IAS 18 – Income might have an impact on the SYSTRAN financial statements.

The financial statements were drawn up according to the principle of historic costs, with the exception of financial assets held for transactional purposes, which were assessed at their fair market value at closing.

The consolidated financial statements are shown in euros, which is the functional currency of the Company. All financial data shown in thousands of Euros are rounded up or down to the nearest thousand Euros.

The consolidated financial statements were closed at the Board Meeting on 08 February 2012. They will be submitted for approval at the General Shareholders' Meeting on 22 June 2012.

3.6.3.2 Estimate of the Research Tax Credit in the financial statements and change of presentation

On 31 December 2011, Research Tax Credit valued at EUR 1,011 thousand was included in "other operating income", contrary to preceding consolidated financial statements where Research Tax Credit was included in "Income taxes".

Inclusion of this revenue as current operating income on the "Other operating expenses and income" line is compliant with IAS 12 and IAS 20 standards. This posting method, used for the first time to draw up the half-year consolidated accounts on 30 June 2011, constitutes a change of presentation in comparison with previous annual consolidated financial statements insofar as the research tax credit revenue was written off against income tax. This approach was taken to improve the financial information.

The following table presents the effects of the change of presentation on the main aggregates in the previously published annual consolidated financial statements. Research tax credit of EUR 870 thousand was recorded at 31 December 2010 and EUR 776 thousand at 31 December 2009.

(in thousands of euros)	31/12/2011	31/12/2010 withdrawn	31/12/2010 published	31/12/2009 withdrawn	31/12/2009 published
Current operating income	1 069	474	(396)	804	28
Operating income	841	243	(627)	816	40
Pre-tax income	1 148	383	(487)	912	136
Income taxes	(450)	(301)	569	(608)	168
Net income	698	82	82	304	304

3.6.3.3 Critical accounting estimates and judgments

Estimates and judgments are continually updated, are based on historical information and other factors, including expectations about future events deemed reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results subsequently shown. The estimates and assumptions that could have an impact on the accounting value of assets and liabilities during the next period are discussed below.

Estimated impairment of intangible assets:

The Group assesses it intangible assets with an annual impairment test in accordance with the accounting method in Note 5.1 - Intangible assets.

3.6.3.4 *Consolidation scope*

The consolidated financial statements include the financial statements of SYSTRAN S.A. and of its subsidiaries.

Name	Registered office	Consolidation method	% control	% stake
SYSTRAN S.A. SIREN: 334 343 993	5, rue Feydeau - 75002 Paris - France	FC	Parent company	Parent company
SYSTRAN USA*	4445 Eastgate Mall, Suite 310 San Diego, CA 92121 USA	FC	100 %	100 %
SYSTRAN Software Inc. (SSI)	4445 Eastgate Mall, Suite 310 San Diego, CA 92121 USA	FC	100 %	100 %
SYSTRAN Luxembourg	7, rue Pierre d'Aspelt L-1142 Luxembourg	FC	100 %	100 %

(*) Holding company controlling 100% of SSI; FC: Fully consolidated

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

3.6.3.5 *Exchange rate used*

The only currency used other than the euro is the US dollar (USD).

USD rate expressed in EUR	31/12/2011	31/12/2010	31/12/2009
Opening rate of the fiscal year	0,7484	0,6942	0,7185
Average rate on income statement	0,7192	0,7551	0,7204
Closing rate	0,7729	0,7484	0,6942

3.6.3.6 *Consolidation methods*

All the companies are consolidated using the full consolidation method based on the financial statements as of 31 December 2011 and restated, if necessary, in line with the Group's accounting policies.

Conversion of foreign subsidiaries accounts

The balance-sheet items are converted to euros at the exchange rate in force at the close of the fiscal year. The income statement items are converted based on the average exchange rate for the fiscal year. The conversion adjustments resulting from fluctuations in the exchange rate on the balance sheet and the income statement are posted under “Conversion adjustments” in stockholders' equity.

Exchange rate variances corresponding to cash items that, in substance, form an integral part of SYSTRAN'S net investment in its foreign subsidiaries, are also posted under “Conversion adjustments”.

Goodwill

Since 1 January 2010, mergers and acquisitions are posted using the acquisition method, in accordance with the principles stated by IFRS 3, revised in 2008 – *Business combinations*. Each of the acquired business's identifiable assets and liabilities is posted with its exact value.

The difference between the acquisition cost and the exact value of assets and liabilities on the acquisition date is posted in the consolidated balance sheet assets under the heading “Goodwill”. This amount is not amortised but undergoes an annual impairment test.

3.6.3.7 Posting and presentation methods

Revenue

Revenue is recognised as follows:

- Licence revenue is posted at the time of the physical or electronic delivery of the documents, or based on statements sent by the distributors. For temporary licences, revenue is posted prorata temporis over the licence period granted;
- Services relating to maintenance activities are recognised on a straight line basis over the contractually stipulated term;
- Linguistic and computer services are posted according to the completion method;
- Subsidies received under development contracts are recognised as revenue in advance.

Percentage-of-completion method income on service contracts

Income from computer and linguistic service contracts is calculated according to the completion method, in accordance with IAS 18.

If a contract-end shortfall is projected, a reasonable provision for the loss upon completion is established, according to the most probable estimate of the forecast results, including, if necessary, rights to complementary income or claims.

Foreign currency transactions

Foreign currency transactions performed by the consolidated companies are converted into their functional currency using the exchange rates applying on the date of the transactions.

Receivables and payables expressed in foreign currencies are converted at the exchange rates applying for these currencies on the closing date. Latent currency exchange gains and losses resulting from this conversion are recorded as income, under the “Other financial expenses and income” item.

Operating income and current operating income

In the IFRS the operating income and current operating income are defined in accordance with the Recommendation of the National Accountancy Council R.2004-03, published on 2 July 2009.

Other operating expenses and revenue shown in the current operating income represent the – limited – operating income and expense items considered as unusual, infrequent or one-time in the Company's operation, as these items are defined by CNC Recommendation R2009-03.

Income per share

The basic income per share is calculated on the basis of the average weighted number of shares in circulation during the fiscal year, after deduction of treasury shares registered as a reduction in stockholders' equity.

The net income per share after dilution is calculated by adjusting the Group's share of net income and the number of shares in circulation by the dilutive effect of exercising option plans open on the closing date. The options-related dilution is determined using the stock acquisition method, in this case the theoretical number of shares redeemed at market price (average price over the year) on the basis of the funds collected when the dilutive options are exercised. For this purpose:

- the dilutive options must be “in the money,” with regard to the average stock exchange price of the SYSTRAN S.A share for the closed fiscal year;
- the adjustment in the number of shares (“dilutive effect”) is equal to the difference between the potential number of shares that can be subscribed by exercising the dilutive options, and the number of shares that can be acquired on the market using the income from this subscription, on the basis of the average stock exchange price for the fiscal year;
- for the above calculations, the paid-in cash exercise price for the subscription options is increased by the value per share of the services remaining to be provided by the employee or manager beneficiaries.

Research and development costs

Co-financed research and development costs are posted under operating expenses according to work progress, and the financed portion is recognised as revenue.

Self-financed research and development costs are not posted as fixed assets because the costs of development, when they are identified, do not fulfil all of the criteria stated by IAS 38 (notably, the ability to bring the project to completion, the existence of commercial opportunities and future economic benefits).

In particular, it is difficult to assess accurately and reliably for each project feasibility, ability to complete the project and then use its result, the economic benefits that will result.

Concessions, patents and licences

Concessions, patents and licences mainly include software licences acquired by the Group. This software is amortised on a straight-line basis over appropriate periods of usefulness for each acquisition; these normally are between 3 and 5 years.

Goodwill

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

It represents customers whose value was assessed on the basis of the forecast profitability of the contracts, and it is impaired over 8 years.

Other intangible fixed assets

Other intangible fixed assets are mainly derived from the partial contribution of assets in 1989 by Gachot S.A., SYSTRAN S.A.'s parent company at the time. They are entered in the balance sheet at contribution value. Moreover, when the shares of SYSTRAN Luxembourg's minority shareholders were acquired in 2000, the Group posted as “other intangible fixed assets” a portion of the paid price, i.e. EUR 1.6 million, allocated to the subsidiary's linguistic assets.

The other intangible fixed assets are linguistic assets, i.e. the linguistic programs, language-pair dictionaries and utilities comprising the databases integrated into the marketed software, as well as the corresponding know-how.

These fixed assets have not been impaired as it was judged that, due to their nature, they were legally protected for an indefinite period. They may be subject to impairment if their going concern value decreases.

Tangible fixed assets

The tangible fixed assets are assessed at their acquisition cost, less impairment and losses in value.

Principal amortisation periods:

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

Leasing contracts

Direct financing leases are restated in the consolidated financial statements in order to put them into a situation where the company would have acquired the assets concerned directly and financed them by loan. Impairment is calculated using the same method as that used for similar tangible assets owned by the Company.

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

Impairment of assets

In conformity with IAS 36 – *Impairment of assets*, the Group assesses the recoverability of its long-term assets using the following process:

- amortisable tangible and intangible assets undergo a impairment test if an impairment index exists for these fixed assets;
- non amortisable intangible assets and goodwill undergo an impairment test whenever an impairment index is identified and at least once a year.

The impairment test consists of comparing the net book value with the higher of the following two values: the selling price net of ex-plant costs, or the going concern value. The going concern value is determined by discounting the future cash flows that will be generated by continuous use of the assets tested during the period of usefulness, and their possible transfer upon termination of this period. Discounting is performed at a rate corresponding to the average weighted cost of the capital owned by the unit generating the cash flow.

Depending on the circumstances, the tests are performed either individually on the assets, or at the level of cash flow generating units to which these assets are attached. How the goodwill is attached to the cash flow generating units depends on how the Group's Management monitors the performance of activities and assesses acquisition synergies.

Any impairment of a cash flow generating unit's assets is assigned as a priority to the relevant goodwill. This decrease in the goodwill value is irreversible.

Inventory

Inventory primarily consists of packaging and user manuals for the marketed software.

The gross value includes the purchase price and related costs (freight and sundry direct costs). It is calculated using the First In First Out (FIFO) method. The gross value is depreciated when the net realisable value is lower than the book value.

Deferred taxes

The Group records deferred taxes for all timing differences between the tax and book values of the assets and liabilities in the consolidated balance sheet, with the exception of the items specified in IAS 12. Deferred tax debits on timing differences or on tax losses carried forward and available tax credits are only posted when they will probably be used.

Financial assets held for transactional purposes

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

These financial assets appear in the balance sheet under the heading "Cash flow and cash flow equivalents".

Cash

Cash is shown in the cash flow table. It consists of the bank account balances, petty cash amounts, fixed term deposits for less than three months and financial assets held for transactional purposes where the risk of change in value is negligible, apart from a possible foreign currency exchange impact.

Stock options or share subscription options

The Group posts the benefit granted to beneficiaries of stock options in the framework 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 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., a period of three years in general. The total amount of the expense to be recorded is assessed by reference to the fair value of the options granted. This value is determined on the grant date using the Black & Scholes model and is adjusted in accordance with the restrictions applied to transferability of the options.

Retirement obligations

The amounts of the Group's obligations concerning pensions, supplementary retirement payments and retirement allowances are covered by provisions estimated on the basis of actuarial evaluations. These obligations are calculated using the projected credit unit method, as defined in standard IAS 19.

Provisions (excluding pensions)

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

The provisions are accounted for insofar as it is reasonably possible to obtain a reliable assessment of their amount. If this loss or liability will probably not occur and cannot be reasonably assessed but may possibly occur, the Group records a possible liability in the notes.

Non-current liabilities

Conditional advances are advances granted by the Government to facilitate development of a project. Their repayment is subject to a number of contractually defined elements (success, break-even point, etc.). Depending on what was defined contractually, such advances may be:

- repaid, if the project is successful;

- abandoned, if the project fails.

Sectorial information

Sectorial information is organised on the basis of the geographical areas monitored by the Group's management in order to analyse and monitor operational performance. These geographical areas are Europe, North America and the rest of the world. On this basis, the notes provide figures for revenue, current operating income, assets, liabilities, investments, amortisations and any long-term asset impairment as well as the main items of expenditure without cash compensation, for each geographical area.

3.6.4 Notes to the consolidated income statement

3.6.4.1 *Breakdown of revenue*

By geographical area of asset location (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Europe	4 103	3 789	2 463
North America	6 484	5 145	6 101
Other geographical areas			
Total revenue	**10 587**	**8 934**	**8 564**

By geographical area of customer location (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Europe	4 468	3 613	2 274
North America	6 037	5 159	6 138
Other geographical areas	82	162	152
Total revenue	**10 587**	**8 934**	**8 564**

By type of revenue (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Licences	6 138	5 629	5 618
Services	4 449	3 305	2 946
Total revenue	**10 587**	**8 934**	**8 564**

3.6.4.2 *Purchases and other external expenses*

Purchases and other external expenses (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Sub-contracting	95	287	312
Leases of land & buildings	976	629	691
Fees	681	980	833
Marketing, advertising	157	137	331
Other purchases	1 065	1 156	852
Total	**2 974**	**3 189**	**3 019**

Expenses concerning direct rental contracts recorded in the fiscal year (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Minimum payments recorded	976	714	691
Conditional rentals recorded	0	0	0
Sub-rental income recorded	0	0	0

Obligations concerning non-cancellable direct rental contracts (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
- Under 1 year	778	790	432
- From 1 to 5 years	3 647	2 948	1 143
- More than 5 years	2 350	3 295	544
Minimum payments	**6 775**	**7 033**	**2 119**
Total future minimum sub-rentals income receivable upon closure (non-cancellable contracts)	**0**	**0**	**0**

The lease entered into on 15 October 2010 by SYSTRAN S.A. at Rue Feydeau is a 3/6/9 commercial lease, with no specified term. The rents are linked to the construction cost index.

SYSTRAN Software Inc. has remained at the same premises since 1 November 2009. A new lease was executed for a period of 7 years and 5 months.

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

There is no contract providing for conditional rentals.

3.6.4.3 <u>Salaries and fringe benefits</u>

Salaries and fringe benefits (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Salaries and benefits	4 987	4 063	3 627
Employment contract termination allowance	80	22	0
Pensions	0	0	0
Stock options (see 5.6)	16	102	105
Welfare contributions	1 777	1 334	1 288
Total	**6 860**	**5 521**	**5 020**

The Group's average headcount has changed as follows:

Profile	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Executive management	4	3	3
Computer engineers	40	30	31
Computational linguists	15	15	16
Sales and marketing	14	11	11
Administrative staff	7	7	6
Total headcount	**80**	**66**	**67**

The remuneration paid collectively to the Group's Executive Committee is as follows:

Remuneration paid to the Executive Committee (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Short-term benefits	747	438	431
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Stock options (see 5.7)	7	63	63
Employment contract termination allowance	0	0	0
Total	**754**	**501**	**494**

In 2011, remuneration was paid to four Directors, against three in 2010.

3.6.4.4 Other operating expenses and income

Other operating expenses and income (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Research tax credit	1 011	0	0
Net extraordinary provisions on current assets	(89)	(82)	182
Other	(36)	(20)	(152)
Total	**886**	**(102)**	**30**

Other operating expenses and revenue correspond to the research tax credits for the fiscal year.

Previously, the Company posted research tax credit for the year as an "income taxes" item, as indicated in note 1.6.3.2. The value of research tax credit for preceding tax years are included in note 1.6.4.6 below.

3.6.4.5 Other operating expenses and income

Other operating expenses and income (in thousands of euros)	Fiscal year 2011 revenue	Fiscal year 2011 expense	Fiscal year 2011 net
Dispute with the European Commission	0	(225)	(225)
Other	0	(3)	(3)
Total	**0**	**(228)**	**(228)**

Expenses related to the litigation with the European Commission consist solely of the fees for the defence of the Company's interests.

Other operating expenses and income (in thousands of euros)	Fiscal year 2010 revenue	Fiscal year 2010 expense	Fiscal year 2010 net
Dispute with the European Commission	12 001	(12 114)	(113)
Move of registered office		(375)	(375)
Other	331	(74)	257
Total	**12 332**	**(12 563)**	**(231)**

SYSTRAN has recorded revenue of EUR 12 million corresponding to the indemnification to be received from the EU Commission corresponding to the 16 December 2010 judgment of the European Court of Justice (ECJ). This amount was received on 9 February and 14 March 2011, in sums of EUR 5.6 million and EUR 6.3 million respectively. Given the appeal filed by the EU Commission on 25 February 2011, SYSTRAN included a provision for contingencies for the same amount.

In addition, the move of the registered office of SYSTRAN SA in Paris had led to non-recurring expenses of EUR 0.4 million for the fiscal year.

Finally, “other operating expenses and income” also included a provision for the litigation in an amount of EUR 0.3 million.

Other operating expenses and income (in thousands of euros)	**Fiscal year 2009 expense**	**Fiscal year 2009 revenue**	**Fiscal year 2009 net**
Income from fixed asset transfers	(53)	42	(11)
Non-recurring provision movements	(5)	28	23
Other non-recurring expenses and revenue			
Total	**(58)**	**70**	**12**

3.6.4.6 Other financial expenses and income

Other financial expenses and income (in thousands of euros)	**Fiscal year 2011 expense**	**Fiscal year 2011 revenue**	**Fiscal year 2011 Net**
Exchange difference on financial items	(46)	7	(39)
Other			
Total	**(46)**	**7**	**(39)**

Other financial expenses and income (in thousands of euros)	**Fiscal year 2010 expense**	**Fiscal year 2010 revenue**	**Fiscal year 2010 Net**
Exchange difference on financial items	(76)	86	10
Other			
Total	**(76)**	**86**	**10**

Other financial expenses and income (in thousands of euros)	**Fiscal year 2009 expense**	**Fiscal year 2009 revenue**	**Fiscal year 2009 Net**
Exchange difference on financial items	(130)	34	(96)
Other			
Total	**(130)**	**34**	**(96)**

3.6.4.7 Income taxes

The income tax burden breaks down as follows:

Group tax income (expense) (in thousands of euros)	**Fiscal year 2011**	**Fiscal year 2010**	**Fiscal year 2009**
Current tax expense (income)	(450)	569	168
Adjustment of current taxes from previous fiscal years	0	0	0
Deferred taxes on temporary differences	0	0	0
Total	**(450)**	**569**	**168**

The line "Current tax expense (income)" in 2010 and 2009 contained the income from the Research Tax Credit, henceforth carried to the Current operating income as described in note 1.6.3.2.

For fiscal year 2010, the Company posted a research tax credit of EUR 870 thousand. At the close of fiscal year 2009, it posted a research tax credit amounting to EUR 776 thousand.

Tax deferral for the loss carryforwards of SYSTRAN SA has not been enabled.

As a reminder, in 2008, the provision for impairment of intangible assets reversed the provision for the deferred tax liability amounting to EUR 3.9 million for the year.

The differences between the actual corporate income tax posted and the theoretical tax obtained by applying the French tax rate are as follows:

Tax revenue (expense) in the income statement (in thousands of euros)	**Fiscal year 2011**	**Fiscal year 2010**	**Fiscal year 2009**
Pre-tax income	1 149	(487)	136
Theoretical tax at the parent company's rate	(383)	162	(45)
Tax rate	*33,33 %*	*33,33 %*	*33,33 %*
Effect on the theoretical tax:			
- valuation of timing differences	(313)	(331)	(235)
- impairment of tax debits from previous fiscal years	0	0	0
- research tax credit for the fiscal year	337*	875	776
- carry-back	0	0	0
- permanent differences	(18)	(47)	(49)
- effect of intercompany flows	8	(6)	(16)
- tax adjustment from previous fiscal years	0	4	(4)
- reversal of tax credits on intangible assets	0	0	0
- other (including tax rate variances)	(81)	(88)	(259)
Total	**(450)**	**569**	**168**
Tax at the standard rate	(450)	569	168
Tax at the reduced rate	0	0	0
Tax revenue (expense) in the income statement	**(450)**	**569**	**168**

* *This amount corresponds to the theoretical tax resulting from the inclusion of the research tax credit in "other operating expenses and revenue". Previously, the entire value of the research tax credit was included under this hesading.*

3.6.4.8 Research & development expenses

Self-financed research expenditure rose to EUR 2.3 million in 2011, as against EUR 1.9 million in 2010 and EUR 1.7 million in 2009. It consists primarily of staff expenses.

No development project fulfilled all the criteria specified by IAS 38 on opening and closing dates of the fiscal years 2009 and 2010, and 2011, so no development projects are capitalised in the balance sheet.

3.6.5 Notes to the consolidated balance sheet

3.6.5.1 Intangible fixed assets

Intangible fixed assets (in thousands of euros)	01/01/2011	Increase	Reduction	Conversion adjustments	31/12/2011
Concessions, patents and licences					
- Gross value (1)	10 678	15	(1)	91	10 783
- Amortisation	(10 524)	(49)	1	(91)	(10 663)
- ongoing	0				0
- Net value	**154**	**(34)**	**0**	**0**	**120**
Goodwill					
- Customers	45 994				45 994
- Amortisation	(45 994)				(45 994)
- Net value	**0**	**0**	**0**	**0**	**0**
Other intangible fixed assets					
- Dictionaries and know-how (2)	16 569				16 569
- Depreciation	(11 583)				(11 583)
- Net value	**4 986**	**0**	**0**	**0**	**4 986**
Total	**5 140**	**(34)**	**0**	**0**	**5 106**

Intangible fixed assets (in thousands of euros)	01/01/2010	Increase	Reduction	Conversion adjustments	31/12/2010
Concessions, patents and licences					
- Gross value (1)	10 436	43	(1)	200	10 678
- Amortisation	(10 277)	(49)	0	(198)	(10 524)
- ongoing	0				0
- Net value	**159**	**(6)**	**(1)**	**2**	**154**
Goodwill					
- Customers	45 994				45 994
- Amortisation	(45 994)				(45 994)
- Net value	**0**	**0**	**0**	**0**	**0**
Other intangible fixed assets					
- Dictionaries and know-how (2)	16 569				16 569
- Depreciation	(11 583)				(11 583)
- Net value	**4 986**	**0**	**0**	**0**	**4 986**
Total	**5 145**	**(6)**	**(1)**	**2**	**5 140**

Intangible fixed assets (in thousands of euros)	01/01/2009	Increase	Reduction	Conversion adjustments	31/12/2009
Concessions, patents and licences					
- Gross value (1)	10 457	69		(90)	10 436
- Amortisation	(10 330)	(37)		90	(10 277)
- ongoing	24	23	(47)		0
- Net value	**151**	**55**	**(47)**	**0**	**159**
Goodwill					
- Customers	45 994				45 994
- Amortisation	(45 994)				(45 994)
- Net value	**0**	**0**	**0**	**0**	**0**
Other intangible fixed assets					
- Dictionaries and know-how (2)	16 569				16 569
- Depreciation	(11 583)				(11 583)
- Net value	**4 986**	**0**	**0**	**0**	**4 986**
Total	**5 137**	**55**	**(47)**	**0**	**5 145**

(1) The concessions, patents and licences item primarily consists of software licences for language pairs acquired by the Group. Their gross value as of 31 December 2009, 2010 and 2011 is composed of the following items:

- 7.6 million euros of software acquired by Gachot S.A. and contributed to SYSTRAN S.A. in July 1989, fully depreciated today;
- EUR 2.8 million in software capitalised by SYSTRAN Software Inc., revalued during the repurchase of the company by Gachot S.A. in 1985 and completely depreciated;
- EUR 0.1 million in software acquired and not yet fully amortised.

(2) The gross value of the other intangible fixed assets as of 31 December 2009, 2010, and 2011 amounted to EUR 16.6 million, corresponding to the following:

- - 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 EUR 15 million;
- the acquisition of the SYSTRAN Luxembourg shares held by minority shareholders for EUR 1.6 million.

The method used to assess the going concern value of these intangible assets consists of preparing restated net cash flow projections based on the following principal assumptions:

- Medium-term plans are prepared by Management on a 5-year horizon.
- The projected flows resulting from these plans are restated at a rate representative of the Group's weighted average cost of capital (“WACC”) of the group of cash management units concerned.
- The terminal value is determined by capitalising ad infinitum the last flow in 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.

At the end of 2011, assumptions relating to cash flow forecasts were reviewed. The main assumptions adopted are as follows:

- Growth in EBITDA in the adopted forecast horizon is tending towards a normative rate of between 12 and 18% of revenue.
- The adopted discount rate is set at 13.0% after tax, to account for the Group's intrinsic risk premium.
- The long-term projected growth rate is 1.5% based on a conservative estimate of growth expected in the relevant geographical areas (Europe and USA) and inflation.

The use of this method led to the calculation of a utility value of these intangible assets that exceeds their book value. Consequently, no additional amortisation was recorded on 31 December 2011. A variation of plus or minus 2% to the discount rate and/or a variation of plus or minus 0.5% in the long term growth rate would not have resulted in the recognition of a provision for the impairment of intangible assets.

At the end of 2008, because of the considerable harm it suffered as a result of the European Commission violating its intellectual property rights and revealing its technological know-how, the difficulties encountered in 2008 and the highly uncertain economic climate at the time, SYSTRAN revised the assumptions used to assess the value of its intangible assets in the amount of EUR 11.6 million. Their net book value as of 31 December 2008 was EUR 4.9 million.

3.6.5.2 Tangible fixed assets

Tangible fixed assets (in thousands of euros)	**01/01/2011**	**Increase**	**Reduction**	**Conversion adjustments**	**31/12/2011**
Fixtures and fittings					
- Gross value	0	237	0	0	237
- Amortisation	0	(25)	0	0	(25)
- Ongoing	32	0	(32)	0	0
- Net value	**32**	**212**	**(32)**	**0**	**212**
Facilities, hardware and tools					
- Gross value	826	72	0	32	930
- Amortisation	(728)	(58)	0	(28)	(814)
- Net value	**98**	**14**	0	**4**	**116**
Other fixed assets					
- Gross value	1 404	275	(144)	4	1 539
- Amortisation	(851)	(210)	67	(2)	(996)
- Net value	**553**	**65**	**(77)**	**2**	**543**
Total	**683**	**291**	**(109)**	**6**	**871**

Tangible fixed assets (in thousands of euros)	**01/01/2010**	**Increase**	**Reduction**	**Conversion adjustments**	**31/12/2010**
Fixtures and fittings					
- Gross value	242	0	(242)	0	0
- Amortisation	(134)	(108)	242	0	0
- Ongoing	0	32	0	0	32
- Net value	**108**	**-76**	0	0	**32**
Facilities, hardware and tools					
- Gross value	736	33	0	57	826
- Amortisation	(613)	(67)	0	(48)	(728)
- Net value	**123**	**(34)**	0	**9**	**98**
Other fixed assets					
- Gross value	1 173	281	(58)	8	1 404
- Amortisation	(735)	(173)	58	(1)	(851)
- Net value	**438**	**108**	**0**	**7**	**553**
Total	**669**	**(2)**	**0**	**16**	**683**

Tangible fixed assets (in thousands of euros)	**01/01/2009**	**Increase**	**Reduction**	**Conversion adjustments**	**31/12/2009**
Fixtures and fittings					
- Gross value	242	0	0	0	242
- Amortisation	(110)	(24)	0	0	(134)
- Net value	**132**	**(24)**	**0**	**0**	**108**
Facilities, hardware and tools					
- Gross value	747	15	0	(26)	736
- Amortisation	(562)	(74)	0	23	(613)
- Net value	**185**	**(59)**	**0**	**(3)**	**123**
Other fixed assets					
- Gross value	897	350	(70)	(4)	1 173
- Amortisation	(593)	(159)	17		(735)
- Net value	**304**	**191**	**(53)**	**(4)**	**438**
Total	**621**	**108**	**(53)**	**(7)**	**669**

3.6.5.3 Financial fixed assets

Financial fixed assets (in thousands of euros)	01/01/2011	Increase	Reduction	Conversion adjustments	31/12/2011
Deposits and guarantees					
- Gross value	272	8	(76)	2	206
- Amortisation					
- Net value					
Total					

Financial fixed assets (in thousands of euros)	01/01/2010	Increase	Reduction	Conversion adjustments	31/12/2010
Deposits and guarantees					
- Gross value	123	152	(7)	4	272
- Amortisation	-4	0	0	0	(4)
- Net value	**119**	**152**	**(7)**	**4**	**268**
Total	**119**	**152**	**(7)**	**4**	**268**

Financial fixed assets (in thousands of euros)	01/01/2009	Increase	Reduction	Conversion adjustments	31/12/2009
Deposits and guarantees					
- Gross value	117	30	(23)	(1)	123
- Amortisation	(4)				(4)
- Net value	**113**	**30**	**(23)**	**(1)**	**119**
Total	**113**	**30**	**(23)**	**(1)**	**119**

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

3.6.5.4 Trade and other accounts receivable

Trade and other accounts receivable (in thousands of euros)	31/12/2011	Of which less than one year	31/12/2010	31/12/2009
Trade accounts receivable	2 416	2 416	1 810	1 239
Provisions for depreciation of trade accounts receivable	(242)	(242)	(152)	(71)
Tax receivables (research tax credit)	1 158	1 158	870	776
Other receivables from the Government	98	98	34	462
Sundry debtors	91	91	12 329	124
Prepaid expenses	429	429	427	233
Total	**3 950**	**3 950**	**15 318**	**2 763**

3.6.5.5 Tax payable debit

The tax payable debits amounted EUR 1,158 thousand and mainly consist of the research tax credit for fiscal year 2011, as well as a surplus of tax instalments paid by the subsidiary, SYSTRAN Inc.

At the close of fiscal year 2011, the Company posted a research tax credit of EUR 1,011 thousand. At the end of 2010, the Company recorded a research tax credit of EUR 870 thousand. In 2009, the Company recorded a research tax credit of EUR 776 thousand.

3.6.5.6 Cash flow and cash flow equivalents

Cash flow and cash flow equivalents (in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Financial assets for transactions	20 813	7 970	9 182
Cash	1 507	2 014	2 328
Total	**22 320**	**9 984**	**11 510**

The transaction assets consist of deposit certificates, treasury bills or monetary or account UCITS blocked for at least 3 months and are assessed at their market value at the end of each fiscal year. These instruments are perfectly liquid and do not represent any particular risk for the capital apart from a possible variation in the investment's foreign currency exchange rate. The variations in fair market value during the period are posted as a compensation of the period's income under the “cash income” item.

3.6.5.7 Capital and reserves

The capital of the SYSTRAN S.A. company amounts to EUR 4,121,211. The number of ordinary shares issued is 8,242,422. The capital is fully paid in. 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.

The “premium” accounts consist of the share premium paid by shareholders who have subscribed to SYSTRAN S.A.'s capital and the allocation of the reduction in capital not motivated by losses decided during the course of the fiscal year. These amounts are fully distributable.

The reserve accounts are derived from the earnings built up by the Group and are fully distributable, with the exception of SYSTRAN S.A.'s legal reserve which amounts to EUR 464 thousand.

Neither SYSTRAN S.A. nor its subsidiaries are subject, by virtue of external rules, to special external requirements regarding capital.

Transactions during the fiscal year

The following operations took place during fiscal year 2011:

As the result of one of the Company's directors exercising his subscription options, the capital increased by EUR 120,999.93, bringing it to EUR 13,335,244.93 as noted at the Board of Directors meeting on 27 April 2011, which led to the creation of 79,373 new shares.

The General Shareholders' Meeting on 24 June 2011 decided on a reduction in capital not motivated by losses for a total value of EUR 8,961,447.43, to reduce a total of EUR 13,335,244.93 to EUR 4,373,797.50, divided in 8,747,595 shares at a nominal per-share value of EUR 0.50. The increase in the “Premium accounts” results basically from this operation to reduce the capital.

On 2 November 2011, the Board of Directors noted a capital reduction of EUR 252,586.5, bringing it to EUR 4,121,211, resulting in the cancellation of 505,173 treasury shares.

Capital management

In its eleventh resolution, the Extraordinary General Shareholders' Meeting on 24 June 2011 authorised the Board of Directors to trade in the shares of SYSTRAN SA. The Board of Directors made use of this authorisation to buy back 71,703 shares on 4 November 2011.

In its twelfth resolution, the Extraordinary General Shareholders' Meeting on 24 June 2011 authorised the Board of Directors to reduce the Company's capital stock. The Board of Directors made use of this authorisation on 2 November 2011.

In its thirteenth resolution, the Extraordinary General Shareholders' Meeting on 24 June 2011 authorised the Board of Directors to allocate the employees free SYSTRAN S.A. shares. The Board of Directors has not made use of this authorisation.

The Extraordinary General Shareholders' Meeting on 25 June 2010 also authorised the Board of Directors to increase the company's capital with or without cancelling the preferential subscription right. The Board of Directors has not made use of this authorisation.

The Extraordinary General Meeting on 25 June 2010 authorised the Board of Directors to grant the employees options entitling them to subscribe to the Company's new shares. The Board of Directors has not made use of this authorisation.

Number of shares in circulation (excluding treasury shares):

Capital and reserves (number of shares)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Opening number of shares for the fiscal year	7 802 355	8 744 555	9 301 060
Treasury shares	(71 703)	(942 200)	(556 505)
Increase in capital			
Stock option plan			
- stock options exercised	79 373		
Closing number of shares for the fiscal year	**7 810 025**	**7 802 355**	**8 744 555**

The Group held 432,397 shares on 31 December 2011 as compared with 865,867 shares on 31 December 2010 and 293,253 shares on 31 December 2009.

During the course of fiscal 2011, the company bought 71,703 of its own shares totalling EUR 107 thousand. These shares were acquired as part of the stock acquisition plan authorised at the Extraordinary Shareholders Meeting of 24 June 2011.

The Board of Directors on 2 November 2011 decided to cancel 505,173 treasury shares. The cancelled treasury shares represent 210,867 shares acquired in February 2010 at a per share price of EUR 1.17 and 294,306 shares acquired in March 2010 at a per share price of EUR 1.10.

As of 31 December 2011, the Company held 432,397 treasury shares totalling EUR 519 thousand in order to cancel them. The value of these shares was charged to the consolidated reserve account

In 2010, the Company conducted a cancellation of treasury shares as a result of the Board's decisions on 10 February 2010 and 29 July 2010. The cancelled treasury shares represent, in part, 293,253 shares held on 31 December 2009 and acquired at an average per share price of EUR 0.93 and, in part, 76,333 shares acquired in February 2010 at a per share price of EUR 1.17.

Number of shares authorised:

The authorisations given by the Extraordinary General Meetings and not used as of 31 December 2011 are as follows:

- EGM on 25 June 2010: An option to increase the capital to a maximum amount of EUR 15 million, granted to the Board of Directors, and;

- EGM on 24 June 2011: An option to allocate a maximum number of stock options to personnel, representing 20% of shares issued, granted to the Board of Directors.

The corresponding number of authorised and non-issued shares is 12,055,320.

Stock options:

Status of the stock options granted to the Group's employees									Total
Date of the General Shareholders' Meeting	09.11.01		25.06.04		22.06.07		25.06.10		
Date of the Board of Directors meeting	13.03.03	23.12.03	14.02.06	09.02.07	08.02.08	10.02.09	09.03.11	27.07.11	
Total number of shares that can be subscribed or purchased	-	-	10 000	10 000	310 000	20 000	4 450	30 000	384 450
of which shares that can be subscribed or bought by the members of the Executive Committee:	-	-	-	-	300 000	-	-	-	300 000
Starting point for exercise of the options	13.03.07	23.12.07	14.02.10	09.02.11	08.02.12	10.08.13	01.04.15	07.12.15	
Expiry date	12.03.11	22.12.11	13.02.14	8.02.15	7.02.16	09.08.17	31.03.19	06.12.19	
Strike price (in euros)	1,52	4,61	3,93	3,92	1,57	0,81	1,97	1,50	
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 its subsidiaries.								
Closing number of exercisable shares for the fiscal year	-	-	10 000	10 000	-	-	-	-	20 000
of which options are in the money	-	-	-	-	-	-	-	-	0
Movements during the period									
Granted options	-	-	-	-	-	-	4 450	30 000	34 450
Expired options	20 267	100 000	-	-	-	-	-	-	120 267
Cancelled options	-	-	-	-	-	-	-	-	0
Exercised options	79 373	-	-	-	-	-	-	-	79 373

3.6.5.8 Provisions

Provisions (in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Non-current provisions	27	24	18
Current provisions	12 007	12 007	277
Total	**12 034**	**12 031**	**295**

The details of the current provisions are as follows:

Current provisions (in thousands of euros)	31/12/2010	Allocations	Use	Reversals (*)	Conversion adjustments	31/12/2011
Provisions for contingencies	12 001					12 001
Provision for litigation	6					6
Provisions for obligations to customers						
Sundry						
Total	**12 007**	**0**	**0**	**0**	**0**	**12 007**

(*) Reversals of provisions no longer applicable

The provisions for contingencies relate to the provision for the indemnity of EUR 12 million received from the EU Commission in 2011, taking into account the appeal filed in 2011 by the EU Commission against the 16 December 2010 judgment of the CFI.

Non-current provisions consist of the provision for retirement obligations. The Group's retirement obligations were entirely provisioned for at the closure of the fiscal year, in conformity with IAS 19. Given the average age and seniority of the workforce, the amount of the obligations as of 31 December 2011 is insignificant. The provision totals EUR 27 thousand.

The pension obligations concern only the retirement allowance that will be payable to the Group's French employees when they retire, in application of the SYNTEC collective agreement. The main assumptions adopted on 31 December 2011 are as follows:

- Capitalisation rate: 6 % ;
- Annual wage increase rate: 3 % ;
- Annual attendance rate: 94 % ;
- mortality table: TV 88-90.

3.6.5.9 Financial liabilities

Financial liabilities (in thousands of euros)	Gross amount 31/12/2009	Gross amount 31/12/2010	Gross amount 31/12/2011	Less than one year	1 to 5 years
Loans and financial liabilities	114	45	6	2	4
Financing leases	180	158	164	56	108
Total	***294***	***203***	***170***	**58**	**112**

The financing lease liabilities correspond mainly to vehicles and leased computer equipment. Since the relevant amounts are not significant, the reconciliation of the total minimum amount of future rentals and their restated value as posted in the balance sheets is not provided.

The borrowing contracts do not contain any special payment default clause.

None of the liabilities has a due date greater than 5 years.

3.6.5.10 Deferred tax credit

Deferred tax credit (in thousands of euros)	**Intangible**	**Tax Losses**	**Other**	**Total**
2009 opening	**1 662**	**0**	**0**	**1 662**
Posted in income statement				
Posted in shareholders' equity				
Exchange rate fluctuations				
On 31/12/2009	**1 662**	**0**	**0**	**1 662**
Posted in income statement				
Posted in shareholders' equity				
Exchange rate fluctuations				
On 31/12/2010	**1 662**	**0**	**0**	**1 662**
Posted in income statement				
Posted in shareholders' equity				
Exchange rate fluctuations				
On 31/12/2011	**1 662**	**0**	**0**	**1 662**

The deferred tax liability for other intangible fixed assets had reversed the provision for their partial impairment, amounting to EUR 3.9 million for fiscal year 2008.

3.6.5.11 Operating liabilities

Operating liabilities (in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Supplier debts	508	936	785
Other tax and welfare debts	1 246	938	779
Other liabilities	116	238	92
Deferred revenue	1 571	1 115	1 315
Total (*)	**3 441**	**3 227**	**2 971**

(*) Current liabilities excluding provisions and financial liabilities of less than one year.

The due date for all of the operating debts described above is less than one year at each of the year-end dates shown.

3.6.6 Financial risk management

3.6.6.1 Credit risk

The credit risk is the risk that the Group will incur a financial loss if a customer or a counterpart in a financial instrument fails in its contractual obligations. This risk is mainly derived from trade accounts receivable.

SYSTRAN'S principal customers are major corporate customers (administrations and large corporations) for which there are very few bad debts to date. For all other customers, SYSTRAN applies a policy of payment with the order to avoid this type of risk.

The financial assets are stated in notes 5.4 and 5.6 but exclude tax and welfare receivables.

Maximum exposure to credit risk corresponds to the book value of the financial assets described in the notes specified above.

The maximum exposure to credit risk concerning trade accounts receivable at year-end, analysed by geographical area, is as follows:

Trade accounts receivable (in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Europe	1 217	580	681
North America	1 014	1 050	433
Total	**2 231**	**1 630**	**1 114**

The ages of trade accounts receivable at year-end break down as follows:

Age of trade accounts receivable (in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Not yet due	1 426	972	583
Due	805	658	531
Outstanding for less than 3 months	*541*	*461*	*381*
Outstanding for between 3 months and 1 year	*180*	*16*	*42*
Outstanding for more than 1 year	*85*	*18*	*108*
Total	**2 231**	**1 630**	**1 114**

During the fiscal year, impairment of trade accounts receivable has changed as follows:

Closing accumulated impairment (in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Opening accumulated impairment	170	71	253
Booked loss in value	158	82	(1)
Release of bad debts or reversals of provisions	(86)	(1)	(181)
Conversion adjustments (currency)	1		
Total	**243**	**152**	**71**

3.6.6.2 Liquidity risk

The liquidity risk is the risk that the Group will have difficulty in honouring its debts when they become due. The Group's approach to managing this risk is to ensure that, whenever possible, it still has sufficient liquidity to honour its liabilities when they become due.

Details of shares issued or loans raised	Fixed rate or variable rate	Total amount (in thousands of euros)	Terms	Existence or lack of coverage
Loans and financial liabilities	0 %	6	From 1 to 5 years	No
Financing leases	Fixed rate	164	From 1 to 5 years	No
Total		**170**		

The financial liabilities are stated in notes 5.9 and 5.11 but exclude deferred tax payables. The residual contractual due dates of the financial liabilities are analysed in the notes specified above.

3.6.6.3 Foreign currency exchange risk

The Group's exposure to foreign currency exchange risk relates mainly to US Dollars (USD). SYSTRAN S.A.'s foreign subsidiary companies invoice their services in local currency and incur costs that are also stated in local currency. In addition, SYSTRAN S.A. holds US dollars and so is exposed to foreign currency exchange risk related to that currency. The parent company also bears the risk on foreign currency exchange related to intercompany transactions. In reality, this risk concerns only Euro-zone companies. The Group does not carry out transactions involving exchange derivatives. The Group's exposure to foreign currency exchange risk is analysed as follows, based on the notional amounts at the year-end of the fiscal years concerned:

Net position after management (net assets) (in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Financial assets of Euro-zone companies, in USD (cash and receivables)	499	1 694	149
Financial liabilities of Euro-zone companies, in USD	0	(4)	(7)
Net position before management (in USD)	499	1 690	142
Coverage derivatives			
Total	**499**	**1 690**	**142**

Analysis of the net earnings's sensitivity to USD foreign exchange risk measures the effect of a variation in that currency on cash held in USD in the Euro-zone companies.

A 10% decrease (increase) in the Euro against the US Dollar on 31 December would result in the following increase (decrease) in net income. For the purposes of this analysis, all other variables, and notably interest rates, are assumed to remain constant.

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Impact on net income	33	113	9

In addition, sales in the North American region are recorded in U.S. dollars and represent a significant share of consolidated revenues. Revenue and net income are thus exposed to risk tied to the fluctuation of the Euro/USD exchange rate.

A 10% decrease (increase) in the euro against the US dollar for the year would result in the following increase (decrease) in revenue and net income in the amounts indicated below. For the purposes of this analysis, all other variables, and notably interest rates, are assumed to remain constant.

(in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Impact on revenue	648	514	610
Impact on current operating income	116	72	140
Impact on net income	67	39	77

3.6.6.4 Interest rate risk

At the end of the fiscal year, the main interest rate details of related instruments are as follows:

(in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Fixed-rate instruments			
Financial assets	18 684	7 592	6 620
Financial liabilities	(170)	(203)	(294)
Net value	*18 514*	*7 389*	*6 326*
Variable-rate instruments			
Financial assets	2 642	2 081	2 561
Financial liabilities	0		0
Net value	*2 642*	*2 081*	*2 561*

In thousands of euros	**2011**	**< 1 year**	**Existence or absence of hedges**
Financial assets	21 326	21 326	No
Financial liabilities	(170)	(170)	No
Net position before management	**21 156**	**21 156**	
Coverage derivatives	0	0	
Net position after management	**21 156**	**21 156**	

In thousands of euros	**2010**	**< 1 year**	**Existence or absence of hedges**
Financial assets	9 673	9 673	No
Financial liabilities	(203)	(203)	No
Net position before management	**9 470**	**9 470**	
Coverage derivatives	0	0	
Net position after management	**9 470**	**9 470**	

In thousands of euros	2009	< 1 year	Existence or absence of hedges
Financial assets	9 181	9 181	No
Financial liabilities	(294)	(124)	No
Net position before management	**8 887**	**9 057**	
Coverage derivatives	0	0	
Net position after management	**8 887**	**9 057**	

Interest rate risk sensitivity analysis

SYSTRAN's financial debt, which basically consists of fixed-rate lease finance contracts, amounts to EUR 170 thousand and is insignificant, as the Company has no net debt. In addition, most of this debt consists of fixed-rate leasing contracts. Given the Company's low level of indebtedness, it is not exposed to the risk of interest rate fluctuations on its existing debt. Furthermore, the Group does not carry out transactions involving interest rate instruments. In this context, analysis of sensitivity to interest rate risk mainly relates to the Group's cash investments. The stipulated rate change is deemed to be effective at the beginning of the fiscal year and remain constant throughout the fiscal year. On this basis, a 100 base-point variation in interest rates would result in the following increase (decrease):

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Impact on shareholders' equity	26	21	26
Impact on net income	26	21	26

3.6.6.5 Fair value

The Group has no financial assets or liabilities whose fair value is different from the book value, for each of the fiscal years shown.

3.6.7 Sundry information

3.6.7.1 Off balance sheet obligations

On 31 December 2011, the obligations “received” and not taken by the Group were as follows:

Date	Expiry	Creditor	Subject	Amount
20.01.98		Banque Générale du Luxembourg	Overdraft facility	EUR 248 thousand

3.6.7.2 Sectorial information

Current operating income (in thousands of euros)		Europe	North America	Unallocated/ eliminated	Consolidated
31/12/2011	(12 months)	(86)	1 155	0	1 069
31/12/2010	(12 months)	(1 118)	722	0	(396)
31/12/2009	(12 months)	(1 375)	1 403	0	28

Sectoral investments (in thousands of euros)		Europe	North America	Unallocated/ eliminated	Consolidated
31/12/2011	(12 months)	357	138	0	495
31/12/2010	(12 months)	357	34	0	391
31/12/2009	(12 months)	250	161	0	411

Sectoral assets (in thousands of euros)		Europe	North America	Unallocated/ eliminated	Consolidated
31/12/2011	(12 months)	24 077	4 094	4 322	32 493
31/12/2010	(12 months)	23 529	3 546	4 378	31 453
31/12/2009	(12 months)	12 018	4 535	3 689	20 242

Sectoral liabilities (in thousands of euros)		Europe	North America	Unallocated/ eliminated	Consolidated
31/12/2011	(12 months)	15 164	1 145	998	17 307
31/12/2010	(12 months)	15 333	587	1 203	17 123
31/12/2009	(12 months)	2 849	2 006	367	5 222

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

3.6.7.3 Net earnings per share

Net income per share is calculated on the basis of the weighted average number of shares outstanding in the current fiscal year, as determined below. This is also shown after the impact of the exercise of all the stock options defined in the note.

Income per share – IFRS standards	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Basic income per share			
Number of shares used for calculation	7 845 088	8 054 870	8 940 664
Net income per share (in euros)	0,09	0,01	0,03
Fully diluted income per share			
Number of shares used for calculation	7 845 088	8 243 943	8 940 664
Net profit per share (in euros)	0,09	0,01	0,03

The fully diluted income per share is determined as follows:

Calculation of the fully diluted income per share	**Fiscal year 2011**	**Fiscal year 2010**	**Fiscal year 2009**
Number of ordinary shares	7 845 088	8 054 870	8 940 664
Number of options issued	484 450	550 000	616 175
Number of options not in the money	484 450	(450 000)	(616 175)
Number of options in the money	0	100 000	0
Number of shares to acquire with income from dilutive options	0	(89 073)	0
Number of diluted shares	**7 845 088**	**8 243 943**	**8 940 664**
average SYSTRAN share price	*1,84*	*1,36*	*1,01*
Net consolidated income (in thousands of euros)	698	82	304
Fully diluted income per share (in euros)	**0,09**	**0,01**	**0,04**

3.6.7.4 Statutory Auditors' Fees

In thousands of euros	KPMG					GRANT THORNTON				
	2011	2010	2009	% N	% N-1	2011	2010	2009	% N	% N-1
Audit : Statutory auditing (certification & examination of individual and consolidated financial statements)	27	26	26			27	27	26		
Auditing of the US subsidiary SSI by Grant Thornton						16	14	14		
Subtotal	27	26	26	%	100 %	43	41	40	%	100 %
Other services: Legal, taxation and corporate										
Information technology										
IFRS										
Internal audit								2		
Other: to be specified if > 10% of audit fees	0					3				
Subtotal	0	-	-	-	-	3	0	2	- %	- %
TOTAL	27	**26**	**26**	*%*	*100 %*	46	**41**	**42**	*%*	*100 %*

3.7 SUMMARY OF SYSTRAN FINANCIAL STATEMENTS DRAWN UP IN 2010 AND 2009

The Group's consolidated financial statements published on 31 December 2010 and 31 December 2009 were prepared in accordance with IFRS (International Financial Reporting Standards), as adopted in the European Union. The Group applied IFRS 1, “First Time Adoption of International Financial Reporting Standards,” in order to prepare its financial statements.

The fiscal years 2010 and 2009 are presented respectively in the reference documents D. 11-390 and D.09-0268 submitted to the French Securities Regulator on 28 April 2011 and 15 April 2010, respectively.

3.8 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2011

Mesdames, Messieurs les Actionnaires,

In accordance with the mission assigned to us by your General Shareholders' Meeting, we present our report on the fiscal year ending 31 December 2011, on:

- the audit of the SYSTRAN company's consolidated financial statements, as attached to this report;
- justification of our assessment;
- the specific checks required by law.

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

Opinion of the consolidated financial statements

We have performed our audit in accordance with professional standards applicable in France; these standards require the taking of measures to allow us reasonable assurance that the financial statements contain no significant anomalies. An audit consists of checking, through sampling or other selection methods, evidence supporting the amounts and information contained in the consolidated financial statements.. It also consists of assessing the accounting policies used, the significant estimates used and the overall financial statement position. We consider that we have gathered sufficient appropriate information to form our opinion.

We certify that the consolidated financial statements give a true and fair view of the financial position, 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 questioning the opinion expressed above, we draw your attention to the following:

- notes 2 - “Important events during the year”, 4.5 - “Other operating expenses and income”, 5.4 – “Trade and other accounts receivable”, and 5.8 “Provisions” in the appendix to the consolidated financial statements concerning the situation regarding the litigation with the European Commission.
- notes 3.2 - “Research tax credit in the financial statements and change of presentation” and 4.4 “Other operating expenses and income” in the appendix to the consolidated financial statements which describe the change of presentation of the research tax credit.

II. Justification of the assessment

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

As mentioned in the first part of the present report, notes 2 - “Important events during the year”, 4.5 - “Other operating expenses and income”, 5.4 – “Trade and other accounts receivable”, and 5.8 “Provisions” in the appendix to the consolidated financial statements describe the situation regarding the litigation with the European Commission including the relevant accounting rules and methods. As part of our assessment of the accounting rules and principles used by your group, we verified the appropriateness of accounting policies referred to above and the information provided in the notes to consolidated financial statements and we have assured ourselves of their correct application.

As mentioned in the first part of this report, notes 3.2 - “Research tax credit in the financial statements and change of presentation” and 4.4 “Other operating expenses and income” in the appendix to the consolidated financial statements describe the change of presentation of the research tax credit. As part of our assessment of the accounting rules and principles used by your group, we verified the appropriateness of accounting policies referred to above and the information provided in the notes to consolidated financial statements and we have assured ourselves of their correct application.

The company has applied an impairment test to the value of the intangible fixed assets as described in note 3.6 “Posting and presentation methods – Impairment of assets” and note 5.1 “Intangible fixed assets” in the appendix of the consolidated financial statements. We have examined this impairment test's details, the cash flow projections and the assumptions used. We have also verified that the above mentioned notes in the appendix contain appropriate information. These estimates are based on assumptions that, because of their nature, are uncertain, and their results may sometimes be significantly different from the forecast data used.

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.

III. Special checks

We have also performed checks on the information provided in the report of the Board of Directors, in accordance with the professional standards applicable in France.

We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Paris La Défense Paris, February 27, 2012

The statutory auditors

KPMG AUDIT
Department of KPMG S.A.

Grant Thornton
French Member of Grant Thornton International

Stéphanie ORTEGA
Associée

Vincent Frambourt
Associé

3.9 STATUTORY AUDITORS' REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDING 31 DECEMBER 2010 AND 31 DECEMBER 2009

The Statutory Auditors' reports on the consolidated financial statements for the years ending 31 December 2010 and 31 December 2009 are presented respectively in the reference documents D. 11-390 and D. 10-0268 submitted to the French Securities Regulator on 28 April 2011 and 15 April 2010.

4 INFORMATION ON THE CORPORATE FINANCIAL STATEMENTS

4.1 CONSOLIDATED INCOME STATEMENT FOR FISCAL YEAR 2011

(in thousands of euros)	*Notes*	Fiscal year 2011 (12 months)	Fiscal year 2010 (12 months)	Fiscal year 2009 (12 months)
Revenue	*4.3.3.1*	6 360	5 473	4 652
Other income		138	46	56
Operating income		**6 498**	**5 519**	**4 708**
Purchases and other external expenses	*4.3.3.2*	(2 730)	(2 417)	(2 575)
Taxes, duties and similar payments		(222)	(205)	(222)
Salaries and fringe benefits	*4.3.3.3*	(4 422)	(3 642)	(3 251)
EBITDA		**(876)**	**(745)**	**(1 340)**
Net amortisation and operating provisions		(209)	(273)	70
Operating income		**(1 085)**	**(1 018)**	**(1 270)**
Net financial provisions				90
Other financial expenses and revenue		952	504	1 058
Financial income	*4.3.3.4*	**952**	**504**	**1 148**
Current income		**(133)**	**(514)**	**(122)**
Net extraordinary provisions		(4)	(11 833)	23
Other extraordinary expenses and income		(229)	11 648	(1)
Extraordinary income and expenditure	*4.3.3.5*	**(233)**	**(185)**	**22**
Income tax	*4.3.3.6*	1 011	875	774
Net income		**645**	**176**	**674**

4.2 CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2011

ASSETS

(in thousands of euros)	*Notes*	**31/12/2011**	**31/12/2010**	**31/12/2009**
Intangible fixed assets	*4.3.4.1*	5 104	5 137	5 133
Tangible fixed assets	*4.3.4.2*	567	389	298
Financial fixed assets	*4.3.4.3*	3 925	4 447	3 586
Total fixed assets		**9 596**	**9 973**	**9 017**
Inventory		41	60	36
Trade and other accounts receivable	*4.3.4.4*	2 862	14 043	2 803
Cash and investment securities		19 734	7 973	8 078
Total current assets		**22 637**	**22 076**	**10 917**
Prepaid expenses	*4.3.4.5*	303	337	187
Conversion adjustment for assets		0	0	0
Total assets		**32 536**	**32 386**	**20 121**

LIABILITIES

(in thousands of euros)	*Notes*	**31/12/2011**	**31/12/2010**	**31/12/2009**
Capital		4 121	13 214	13 778
Premium accounts		12 407	5 395	5 395
Statutory reserve		465	465	465
Carried forward		0	(1 808)	(2 684)
Income for the fiscal year		645	176	674
Shareholders' equity	*4.6*	**17 638**	**17 442**	**17 628**
Provisions for contingencies and expenses	*4.7*	12 114	12 106	359
Financial liabilities (excluding bank overdrafts)	*4.8*	8	180	97
Suppliers and other operating debts	*4.9*	1 880	2 023	1 637
Deferred revenue	*4.10*	887	632	393
Conversion adjustment for liabilities		9	3	7
Total external liabilities		**14 898**	**14 944**	**2 493**
Total liabilities		**32 536**	**32 386**	**20 121**

4.3 NOTES TO THE CORPORATE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2011

4.3.1 Important events during the fiscal year

Changes in related business

Revenue in fiscal year 2011 amounted to EUR 6,360 thousand compared with EUR 5,473 thousand in 2010, an increase of 16%.

During the fiscal year, the Company has made an operating loss of EUR 1,085 thousand as compared with a loss of of EUR 1,018 thousand in 2010. The financial result amounts to EUR 952 thousand as compared with 504 thousand in 2010, due to exchange rate differences and the financial revenue generated during the year.

In 2011, the Company reported a research tax credit amounting to EUR 1,011 thousand.

The fiscal year net income rose to EUR 645 thousand compared with EUR 176 thousand in 2010.

Dispute with the European Commission

The European Commission has partially implemented the terms of the CFI's judgment of 16 December 2010 by paying SYSTRAN the sum of EUR 5,685,240 on 9 February 2011, then EUR 6,315,760 on 14 March 2011.

However, despite repeated requests from SYSTRAN, it is yet to pay the balance of the sentence imposed upon it, namely, costs.

On 4 March 2011, the European Commission appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. On 13 May 2011, SYSTRANS filed its memorandum in response. In 9 September 2011, the Commission produced its response. On 28 October 2011, SYSTRANS filed its rejoinder. On November 8, 2011, the clerk of the Court informed the parties that the written procedure was closed, failing a subsequent decision by the Court. The Court may decide not to open the oral phase of the procedure if neither of the parties presents a request stating the reasons for wanting to be heard. SYSTRAN has not requested a hearing and is awaiting the decision of the Court on the procedure.

Dividends received

SYSTRAN S.A. has received a dividend of USD 800 thousand from its subsidiary SYSTRAN USA.

4.3.2 Accounting policies

The corporate financial statements have been prepared in keeping with the accounting principles of conservatism, historical cost, going-concern assumption, the accruals concept and consistency according to the Commercial Code assessment methods and in compliance with the provisions of the French General Accounting Chart of Accounts adopted by the French Accounting Regulation Committee on 29 April 1999 (as applicable to this reporting period).

The basis for the evaluation of the items posted in the accounts is the historic costs method.

Revenue

Revenue is recognised as follows:

- Licence revenue is posted at the time of the physical or electronic delivery of the documents, or based on statements sent by the distributors. For temporary licences, revenue is posted prorata temporis over the licence period granted;
- Services relating to maintenance activities are recognised on a straight line basis over the contractually stipulated term;
- Linguistic and computer services are posted according to the completion method;
- Subsidies received under development contracts are recognised as revenue in advance.

Income recognition

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

If a loss is projected, a provision for the loss upon completion is established on a reasonable basis, according to the most probable estimate of the forecast results, including, if necessary, rights to complementary income or claims.

Foreign currency transactions

Foreign currency transactions are converted into their functional currency using the exchange rates applying on the date of the transactions.

Extraordinary income and expenditure

Extraordinary income and expenditure conforms to the definition of the French General Accounting Chart of Accounts. It includes items for which recognition is not contingent upon the Company's current operations.

Research and development costs

Co-financed research and development costs are posted under operating expenses according to work progress, and the financed portion is recognised as revenue.

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

Concessions, patents and licences

Concessions, patents and licences include primarily 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 for internal or commercial use, is posted under operating expenses.

Goodwill

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

It represents customers whose value was assessed on the basis of the forecast profitability of the contracts, and it is impaired over 8 years.

Other intangible fixed assets

Other intangible fixed assets are mainly derived from the partial contribution of assets in 1989 by Gachot S.A., SYSTRAN S.A.'s parent company at the time. They are entered in the balance sheet at contribution value.

The other intangible fixed assets are linguistic assets, i.e. the linguistic programs, language-pair dictionaries and utilities comprising the databases integrated into the marketed software, as well as the corresponding know-how.

These fixed assets have not been impaired as it was judged that, due to their nature, they were legally protected for an indefinite period. They may be subject to impairment if their going concern value decreases.

Equity securities

Investment securities are shown in the balance sheet at acquisition cost. In the event of a permanent decline in their going concern value, depreciation is applied.

The going concern value is calculated according to the financial criteria most appropriate to each company's individual situation. The criteria generally selected are the proportion of restated shareholders' equity and prospects for profitability and development.

Trade accounts receivable

Trade accounts receivable are shown in the balance sheet at historic cost. Impairment is constituted on the basis of an evaluation of the risk of not recovering the receivables. These impairments are based on an individual or statistics-based appreciation of this risk.

Investment securities

The investment securities are posted at their acquisition cost. They are, when necessary, subject to impairment in the case of unrealised losses.

Conditional advances

Conditional advances are advances granted by the Government to facilitate development of a project. Their repayment is subject to a number of contractually defined elements (success, break-even point, etc.). Depending on their results, the advances may be:

- repaid, if the project is successful;
- abandoned, if the project fails.

Provisions for contingencies and expenses

According to CRC-2000-06, effective as of 1 January 2002, provisions for contingencies and expenses are made when a contingency is certain or probable and can be estimated with sufficient reliability.

Retirement obligations

At the time of their retirement, certain Company employees must receive a retirement allowance. The corresponding obligations are valued according to the projected credit unit method and are calculated based on the career-end salary. These obligations, subject to provisions against operating expenses, are posted under “Provisions for contingencies and expenses”.

4.3.3 Notes to the income statement

4.3.3.1 Breakdown of revenue

Revenue (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Licences	4 085	3 789	2 979
Services	2 275	1 684	1 673
Total	**6 360**	**5 473**	**4 652**

4.3.3.2 Purchases and other external expenses

Purchases and other external expenses (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Purchases & changes in inventory	250	133	139
Sub-contracting	335	501	364
Leases of land & buildings	780	449	433
Leases of equipment	232	180	225
Fees	491	676	693
Copyrights	(1)	7	23
Marketing, advertising	101	71	217
Business travel	150	115	111
Telecommunications	83	95	92
Recruitment expenses	90	86	74
Insurance	37	35	31
Attendance fees	36	18	18
Bank fees	29	30	31
Release of bad debts	82	0	105
Sundry	35	21	19
Total	**2 730**	**2 417**	**2 575**

4.3.3.3 Salaries and fringe benefits

Salaries and fringe benefits (in thousands of euros)	Fiscal year 2011	Fiscal year 2010	Fiscal year 2009
Salaries and benefits	2 991	2 470	2 251
Welfare contributions	1 431	1 172	1 000
Total	**4 422**	**3 642**	**3 251**

In 2011, the Company's average workforce was 44 people, as compared to 41 in 2010 and 40 in 2009. The remuneration the Company allocated to its Directors totalled EUR 537 thousand in 2011 for three directors, against EUR 306 thousand for two directors in 2010.

4.3.3.4 Financial income

Financial income (in thousands of euros)	**Fiscal year 2011**	**Fiscal year 2010**	**Fiscal year 2009**
Provision for foreign exchange risks		0	2
Foreign currency exchange losses	(84)	(82)	
Financial fixed asset depreciation		0	88
Net financial provisions	***(84)***	***(82)***	***90***
Dividends received	605	378	939
Capital gains and losses on sale of VMP		9	0
Remuneration of bank accounts and shares	350	32	33
Exchange rate gains and losses	81	167	86
Other financial expenses and revenue	***1 036***	***586***	***1 058***
Total	**952**	**504**	**1 148**

The financial income mainly consists of the following:

- A dividend received from the company's subsidiary SYSTRAN USA, amounting to USD 0.8 million in 2011 as compared with USD 0.5 million in 2010 and USD 1.4 million in 2009;
- in 2010 and 2009, the financial statements also included a net foreign exchange profit of EUR 85 thousand and EUR 85 thousand respectively, as compared with a net loss of EUR 3 thousand in 2011;
- Financial investment revenue of EUR 350 thousand in 2011 as compared with EUR 32 thousand in 2010 and EUR 33 thousand in 2009.

In 2010 and 2009, financial income consisted of the net revenue for treasury share depreciation (reversals of provisions) amounting to EUR 88 thousand in 2009.

4.3.3.5 Extraordinary income and expenditure

The extraordinary income and expenditure for fiscal 2011 consists essentially of legal fees, to a value of EUR 225 thousand, relating to the defence of the company's interests in the framework of the appeal filed by the EU Commission against the 16 December 2010 judgment of the CFI.

Extraordinary income and expenditure for fiscal 2010 consists primarily of compensation received from the European Commission for an amount of EUR 12 million was fully provisioned in view of the appeal brought by the European Commission against the judgment of the CFI of 16 December 2010. It also consists of a reversal of provisions for contingencies, amounting to EUR 266 thousand, and exceptional costs relating to the move of SYSTRAN SA in the amount of EUR 375 thousand.

In 2009, the extraordinary income mainly consisted of net reversals of provisions for litigation amounting to EUR 23 thousand.

4.3.3.6 *Tax expense*

In 2011, 2010 and 2009, due to its tax loss, the Company did not record any closing tax burden for the fiscal year. Moreover, for fiscal 2011, 2010 and 2009, the Company recorded a research tax credit of EUR 1,011 thousand, EUR 870 thousand and EUR 776 thousand respectively. The research tax credits reported for fiscal 2010 and 2009 were received in 2011 and 2010 respectively.

4.3.3.7 *Research & development expenditure*

Research and development expenses amounted to EUR 2,201 thousand as compared with EUR 1,790 thousand in 2010 and EUR 1,708 thousand in 2009. They were entirely posted as expenses in that fiscal year.

4.3.4 Notes to the balance sheet

4.3.4.1 Intangible fixed assets

Intangible fixed assets (in thousands of euros)	01/01/2011	Increase	Reduction	31/12/2011
Concessions, patents and licences				
Gross values (1)	7 920	13	(1)	7 932
Construction work in progress	0			
Amortisation	(7 769)	(46)	1	(7 814)
Net values	**151**	**(33)**	**0**	**118**
Goodwill				
Customers	45 994			45 994
Amortisation	(45 994)			(45 994)
Net values	**0**	**0**	**0**	**0**
Other intangible fixed assets				
Dictionaries and know-how (2)	14 986			14 986
Provisions for impairment	(10 000)			(10 000)
Net values	**4 986**	**0**	**0**	**4 986**
Total	**5 137**	**(33)**	**0**	**5 104**

Intangible fixed assets (in thousands of euros)	01/01/2010	Increase	Reduction	31/12/2010
Concessions, patents and licences				
Gross values (1)	7 809	42	(1)	7 920
Construction work in progress				0
Amortisation	(7 732)	(38)	1	(7 769)
Net values	**147**	**4**	**0**	**151**
Goodwill				
Customers	45 994			45 994
Amortisation	(45 994)			(45 994)
Net values	**0**	**0**	**0**	**0**
Other intangible fixed assets				
Dictionaries and know-how (2)	14 986			14 986
Provisions for impairment	(10 000)			(10 000)
Net values	**4 986**	**0**	**0**	**4 986**
Total	**5 133**	**4**	**0**	**5 137**

Intangible fixed assets (in thousands of euros)	01/01/2009	Increase	Reduction	31/12/2009
Concessions, patents and licences				
Gross values (1)	7 809	70		7 879
Construction work in progress	25	22	(47)	0
Amortisation	(7 714)	(18)		(7 732)
Net values	**120**	**74**	**(47)**	**147**
Goodwill				
Customers	45 994			45 994
Amortisation	(45 994)			(45 994)
Net values	**0**	**0**	**0**	**0**
Other intangible fixed assets				
Dictionaries and know-how (2)	14 986			14 986
Provisions for impairment	(10 000)			(10 000)
Net values	**4 986**	**0**	**0**	**4 986**
Total	**5 106**	**74**	**(47)**	**5 133**

(1) 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 fully depreciated.

(2) (3) The gross value of other intangible fixed assets as of 31 December 2011, 2010 and 2009 totalled EUR 15 million, corresponding to the valuation of the language-pair dictionaries, utilities and corresponding know-how contributed in 1989 to SYSTRAN S.A. by Gachot S.A., its parent company at the time.

These intangible fixed assets are recorded only in the parent company's financial statements although all its subsidiaries benefit from them, and as a result their value is assessed on the basis of consolidated future flows involving the US subsidiary SYSTRAN Software Inc., in particular.

The method used to assess the going concern value of these intangible assets consists of preparing restated net cash flow projections based on the following principal assumptions:

- Medium-term plans are prepared by Management on a 5-year horizon.
- Restating of the projected flows resulting from these plans at a rate representative of the Group's weighted average cost of capital ("WACC").
- The terminal value is determined by capitalising ad infinitum the last flow in 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.

At the end of 2011, assumptions relating to cash flow forecasts were reviewed. The main assumptions adopted are as follows:

- Growth in EBITDA in the adopted forecast horizon is tending towards a normative rate of between 12 and 18% of revenue.
- The adopted discount rate is set at 13.0% after tax, to account for the Group's intrinsic risk premium.
- The long-term projected growth rate is 1.5% based on a conservative estimate of growth expected in the relevant geographical areas (Europe and USA) and inflation.

The use of this method led to the calculation of a utility value of these intangible assets that exceeds their book value. Consequently, no additional impairment was accounted for on December 31, 2011.

At the end of 2008, because of the considerable harm it suffered as a result of the European Commission violating its intellectual property rights and revealing its technological know-how, the difficulties encountered in 2008 and the highly uncertain economic climate at the time, SYSTRAN revised the assumptions used to assess the value of its intangible assets in the amount of EUR 10.0 million. Their net book value as of 31 December 2008 was EUR 4.9 million.

4.3.4.2 Tangible fixed assets

Tangible fixed assets (in thousands of euros)	01/01/2011	Increase	Reduction	31/12/2011
Fittings and other fixed assets				
Gross values	0	237	0	237
Construction work in progress				
Amortisation	0	(25)	0	(25)
Net values	**0**	**212**	**0**	**212**
Computer equipment and office furniture				
Gross values	624	212	(144)	692
Construction work in progress	33		(33)	0
Amortisation	(268)	(136)	67	(337)
Net values	**389**	**76**	**(110)**	**355**
Total	**389**	**288**	**(110)**	**567**

Tangible fixed assets (in thousands of euros)	01/01/2010	Increase	Reduction	31/12/2010
Fittings and other fixed assets				
Gross values	242		(242)	0
Construction work in progress				
Amortisation	(133)	(109)	242	0
Net values	**109**	**(109)**	**0**	**0**
Computer equipment and office furniture				
Gross values	420	262	(58)	624
Construction work in progress		33		33
Amortisation	(231)	(95)	58	(268)
Net values	**189**	**200**	**0**	**389**
Total	**298**	**91**	**0**	**389**

Tangible fixed assets (in thousands of euros)	01/01/2009	Increase	Reduction	31/12/2009
Fittings and other fixed assets				
Gross values	242			242
Construction work in progress				
Amortisation	(109)	(24)		(133)
Net values	**133**	**(24)**	**0**	**109**
Computer equipment and office furniture				
Gross values	278	147	(5)	420
Amortisation	(176)	(60)	5	(231)
Net values	**102**	**87**	**0**	**189**
Total	**235**	**63**	**0**	**298**

4.3.4.3 Financial assets

Financial fixed assets (in thousands of euros)	Gross 31/12/2011	Provisions	Net 31/12/2011	Net 31/12/2010
Equity securities				
SYSTRAN USA (100 %)	5 153	(1 935)	3 218	3 218
SYSTRAN Luxembourg (100 %)	1 950	(1 950)	0	0
Subtotal	**7 103**	**(3 885)**	**3 218**	**3 218**
Related accounts receivable				
SYSTRAN USA				
SYSTRAN Software				
SYSTRAN Luxembourg	18	0	18	13
Subtotal	**18**	**0**	**18**	**13**
Other				
Treasury shares	519	0	519	982
Loans	170		170	234
Subtotal	**689**	**0**	**689**	**1216**
Total	**7 810**	**(3 885)**	**3 925**	**4 447**

Financial fixed assets (in thousands of euros)	Gross 31/12/2010	Provisions	Net 31/12/2010	Net 31/12/2009
Equity securities				
SYSTRAN USA (100 %)	5 153	(1 935)	3 218	3 218
SYSTRAN Luxembourg (100 %)	1 950	(1 950)	0	0
Subtotal	**7 103**	**(3 885)**	**3 218**	**3 218**
Related accounts receivable				
SYSTRAN USA				
SYSTRAN Software				
SYSTRAN Luxembourg	13	0	13	6
Subtotal	**13**	**0**	**13**	**6**
Other				
Treasury shares	982	0	982	273
Loans	234		234	89
Subtotal	**1 216**	**0**	**1 216**	**362**
Total	**8 332**	**(3 885)**	**4 447**	**3 586**

Financial fixed assets (in thousands of euros)	Gross 31/12/2009	Provisions	Net 31/12/2009	Net 31/12/2008
Equity securities				
SYSTRAN USA (100 %)	5 153	(1 935)	3 218	3 218
SYSTRAN Luxembourg (100 %)	1 950	(1 950)	0	0
Subtotal	**7 103**	**(3 885)**	**3 218**	**3 218**
Related accounts receivable				
SYSTRAN USA				
SYSTRAN Software				
SYSTRAN Luxembourg	6		6	0
Subtotal	**6**	**0**	**6**	**0**
Other				
Treasury shares	273		273	184
Loans	89		89	92
Subtotal	**362**	**0**	**362**	**276**
Total	**7 471**	**(3 885)**	**3 586**	**3 494**

The gross values of the American companies' investments (the holding company SYSTRAN USA and its subsidiary company, SYSTRAN Software Inc.) derive from the contribution of Gachot S.A. to SYSTRAN S.A. in 1989.

SYSTRAN Luxembourg was “put to sleep” in 2003. Consequently, the shares are fully impaired on the basis of the subsidiary's net situation. The provision balance to cover the subsidiary's negative net situation amounts to EUR 80 thousand and is recognised as provision for contingencies and expenses.

During the course of fiscal 2011, the company bought 71,703 of its own shares, totalling EUR 107 thousand. These shares were acquired as part of the stock acquisition plan authorised at the Extraordinary Shareholders Meeting of 24 June 2011.

The Board of Directors on 2 November 2011 decided to cancel 506,173 shares held. As of 31 December 2011, the Company held 432,397 treasury shares totalling EUR 519 thousand.

During the course of fiscal 2010, the company bought 942,200 of its own shares totalling EUR 1,072 thousand. These shares were acquired as part of the stock acquisition plan authorised at the Extraordinary Shareholders' Meetings of 25 June 2010 and 26 June 2009.

The Board of Directors on 10 February 2010 decided to cancel 293,253 shares held. The Board of Directors on 29 July 2010 decided to cancel 76,333 shares held. As of 31 December 2010, the Company held 865,867 treasury shares totalling EUR 982 thousand.

During the course of fiscal 2009, the company bought 556,505 of its own shares totalling EUR 508 thousand. These shares were acquired as part of the stock acquisition plan authorised at the Extraordinary Shareholders Meeting of 20 June 2008. On 29 July 2009, the Board of Directors decided to cancel 504,869 shares held. As of 31 December 2009, the Company held 293,253 treasury shares totalling EUR 273 thousand.

4.3.4.4 <u>Trade and other accounts receivable</u>

Trade and other accounts receivable (in thousands of euros)	**31/12/2011**	**31/12/2010**	**31/12/2009**
Trade accounts receivable *	1 898	1 002	1 867
Provisions for depreciation of trade accounts receivable	(225)	(152)	(70)
Other accounts receivable	1 189	13 193	1 006
Total	**2 862**	**14 043**	**2 803**

** Including invoices not yet issued at 31 December 2011 amounting to EUR 854 thousand incl. VAT (EUR 848 thousand excl. VAT).*

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

Other receivables as at 31 December 2011 consist mainly of the research tax credit of EUR 1,011 thousand.

The other accounts receivable as of 31 December 2010 are composed primarily of the research tax credit for fiscal 2010 and the indemnity to be received from the European Commission in an amount of EUR 12 million.

4.3.4.5 Prepaid expenses

Prepaid expenses amounted to EUR 303 thousand as of 31 December 2011.

4.3.4.6 Shareholders' equity

The capital of the SYSTRAN S.A. company amounts to EUR 4,121,211. The number of ordinary shares issued is 8,242,422. The capital is fully paid in. 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.

The following operations took place during fiscal year 2011:

On 27 April 2011, the Board of Directors noted an increase in the Company's capital stock of EUR 120,999.93, bringing it to EUR 13,335,244.93 after the issuing of 79,373 new shares as the result of one of the Company's directors exercising his subscription options.

The General Shareholders' Meeting on 24 June 2011 decided on a reduction in capital not motivated by losses for a total value of EUR 8,961,447.43, to reduce a total of EUR 13,335,244.93 to EUR 4,373,797.50, divided in 8,747,595 shares at a nominal per-share value of EUR 0.50.

On 2 November 2011, the Board of Directors noted a capital reduction of EUR 252,586.5, bringing it to EUR 4,121,211, resulting in the cancellation of 505,173 treasury shares.

(in thousands of euros)	Capital	Premium accounts	reserves	Carried forward	Income for the fiscal year	Total shareholders' equity
On 31/12/2008	**14 547**	**5 395**	**465**	**5 475**	**(8 420)**	**17 462**
Allocation of 2008 income				(8 420)	8 420	0
Increase in capital						
Capital reduction	(769)			261		(508)
Income for fiscal year 2009					674	674
On 31/12/2009	**13 778**	**5 395**	**465**	**(2 684)**	**674**	**17 628**
Allocation of 2009 income				674	(674)	0
Increase in capital						0
Capital reduction	(564)			202		(362)
Income for fiscal year 2010					176	176
On 31/12/2010	**13 214**	**5 395**	**465**	**(1 808)**	**176**	**17 442**
Allocation of 2010 income				176	(176)	0
Increase in capital	121					6 835
Capital reduction	(9 214)	7 012		1 632		(7 285)
Income for fiscal year 2011					645	645
On 31/12/2011	**4 121**	**12 407**	**465**	**0**	**645**	**17 637**

4.3.4.7 Provisions for contingencies and expenses

Provisions for contingencies and expenses (in thousands of euros)	31/12/2010	Increase	Reduction	31/12/2011
Provision for litigation	6			6
Provisions for product returns	0			
Provisions for contingencies	12 001			12 001
SYSTRAN Luxembourg provision	76	4		80
Provision for foreign exchange losses	0			
Provision for retirement obligations	23	4		27
Total	**12 106**	**8**	**0**	**12 114**

Provisions for contingencies and expenses (in thousands of euros)	31/12/2009	Increase	Reduction	31/12/2010
Provision for litigation	272		(266)	6
Provisions for product returns	0			
Provisions for contingencies	0	12 001		12 001
SYSTRAN Luxembourg provision	69	7		76
Provision for foreign exchange losses	0			
Provision for retirement obligations	18	5		23
Total	**359**	**12 013**	**(266)**	**12 106**

4.3.4.8 Financial liabilities (excluding bank overdrafts)

Financial liabilities (excl. CBC) (in thousands of euros)	Gross 31/12/2011	Gross 31/12/2010	Gross 31/12/2009
Loans and financial liabilities	8	180	97
Total	**8**	**180**	**97**

4.3.4.9 Suppliers and other operating debts

Suppliers and other operating debts (in thousands of euros)	Gross 31/12/2009	Gross 31/12/2010	Gross 31/12/2011	Less than 1 year
Supplier debts *	880	1 045	702	702
Tax and welfare debts	672	747	1 002	1 002
Other liabilities **	85	231	176	134
Total	**1 637**	**2 023**	**1 880**	**1 838**

** Including expenses outstanding on 31 December 2011, amounting to EUR 185 thousand, incl. VAT.*

*** Including rental exemptions outstanding on 31 December 2011, amounting to EUR 92 thousand.*

4.3.4.10 Deferred revenue

Deferred revenue results from applying accounting rules on revenue as described in paragraph 2. On 31 December 2011, their breakdown was as follows (in thousands of euros):

Deferred revenue (in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Licences	484	387	237
Professional Services	403	245	156
Total	**887**	**632**	**393**

4.3.5 Sundry information

Retirement obligations

Given the low average age of the Company's personnel, retirement obligations total 27 Euros. They are fully provided for.

Financial leasing commitments

Financial leasing commitments (in thousands of euros)	31/12/2011
Historical cost	**676**
Amortisation	
Total for previous fiscal years	(485)
Current fiscal year	(58)
Total	(543)
Net value	**133**
Paid leases	
Total for previous fiscal years	432
Current fiscal year	65
Total	**497**
Leases to be paid	
Maximum of one year	55
One year to five years	87
Over five years	
Total	**142**

4.3.5.1 Underlying tax

The carried-forward tax loss amounted to EUR 3,072 thousand as of 31 December 2011 and corresponds to the carried-forward tax loss for the last two fiscal years.

4.3.5.2 Financial instruments

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

4.3.5.3 Stock option plan

Status of the stock options granted to the Group's employees									Total
Date of the General Shareholders' Meeting	09.11.01		25.06.04		22.06.07		25.06.10		
Date of the Board of Directors meeting	13.03.03	23.12.03	14.02.06	09.02.07	08.02.08	10.02.09	09.03.11	27.07.11	
Total number of shares that can be subscribed or purchased	-	-	10 000	10 000	310 000	20 000	4 450	30 000	384 450
of which shares that can be subscribed or bought by the members of the Executive Committee:	-	-	-	-	300 000	-	-	-	300 000
Starting point for exercise of the options	13.03.07	23.12.07	14.02.10	09.02.11	08.02.12	10.08.13	01.04.15	07.12.15	
Expiry date	12.03.11	22.12.11	13.02.14	8.02.15	7.02.16	09.08.17	31.03.19	06.12.19	
Strike price (in euros)	1,52	4,61	3,93	3,92	1,57	0,81	1,97	1,50	
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 its subsidiaries.								
Closing number of exercisable shares for the fiscal year	-	-	10 000	10 000	-	-	-	-	20 000
of which options are in the money	-	-	-	-	-	-	-	-	0
Movements during the period									
Granted options	-	-	-	-	-	-	4 450	30 000	34 450
Expired options	20 267	100 000	-	-	-	-	-	-	120 267
Cancelled options	-	-	-	-	-	-	-	-	0
Exercised options	79 373	-	-	-	-	-	-	-	79 373

4.3.5.4 Items concerning related parties

Related companies are those likely to be fully consolidated into the same scope of consolidation. Consequently, all SYSTRAN S.A. subsidiaries are related companies.

(in thousands of euros)	31/12/2011	31/12/2010	31/12/2009
Shareholdings			
Gross value	7 103	7 103	7 103
Provisions	(3 885)	(3 885)	(3 885)
Net value	**3 218**	**3 218**	**3 218**
Related accounts receivable			
Gross value	18	13	6
Provisions			
Net value	**18**	**13**	**6**
Trade accounts receivable and related accounts	455	261	1 088
Trade accounts payable and related accounts	289	197	201
Loans and financial liabilities	0	134	0
Financial income	605	377	939
Income from related business			
Licences (income)	1 136	801	1 113
Services (income)	1 121	882	1 076
Services (expenses)	238	142	52

4.3.5.5 Table of subsidiaries and interests

Detailed information on each subsidiary company and investment (in thousands of euros)	Capital (*)	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 given	Net revenue for the fiscal year ending 31/12/2011	Results of the fiscal year ending 31/12/20011 (**)	Dividends paid	Comments
1. Subsidiary companies (shareholding > 50%)											
SYSTRAN USA	2 008	(713)	100 %	5 153	3 218	-	-	-	575	605	Holding company controlling 100% of SYSTRAN Software Inc.
SYSTRAN Luxembourg S.A.	124	(200)	100 %	1 950	0	-	248	-	(4)	-	
2. Other investments (shareholding between 10% and 50%)											
None	-	-	-	-	-	-	-	-	-	-	

(*) Figures stated in euros for SYSTRAN USA. 1USD= 0.7729 Euro. Exchange rate as of 31 December 2011
(**) Figures stated in euros for SYSTRAN USA. 1USD= 0.7192 Euro. Average rate for fiscal year 2011
(***) Other shareholders' equity expressed outside of the results of this fiscal year

4.3.5.6 Statutory Auditors' Fees

In thousands of euros	*KPMG*					*GRANT THORNTON*				
	2011	2010	2009	*% N*	*% N-1*	**2011**	2010	2009	*% N*	*% N-1*
Audit : Statutory auditing (certification & examination of individual and consolidated financial statements)	**27**	26	26			**27**	27	26		
Auditing of the US subsidiary SSI by Grant Thornton						**16**	14	14		
Subtotal	**27**	26	26	*%*	*100 %*	**43**	41	40	*%*	*100 %*
Other services: Legal, taxation and corporate										
Information technology										
IFRS										
Internal audit								2		
Other: to be specified if > 10% of audit fees	**0**					**3**				
Subtotal	**0**	-	-	-	-	**3**	0	2	- %	- %
TOTAL	**27**	**26**	**26**	***%***	***100 %***	**46**	**41**	**42**	***%***	***100 %***

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

Type of income item	2011	2010	2009	2008	2007
Capital at year-end					
a) Capital stock	4 121 211	13 214 245	13 777 659	14 547 305	15 232 389
b) Number of shares					
- common	8 242 422	8 668 222	9 037 808	9 542 677	9 992 075
- preferred					
c) Maximum number of shares to be issued					
- by conversion of bonds					
- by subscription right					
Transactions and Income					
a) Revenue net of taxes	6 359 793	5 472 634	4 651 764	4 713 350	4 977 358
b) Income before taxes, profit-sharing, amortisation and provisions	(153 249)	(594 764)	14 551	927 804	(509 484)
c) Income taxes	1 011 154	875 348	774 257	1 276 891	422 644
d) Employee profit-sharing					
e) Amortisation and provisions	(213 018)	(104 383)	(114 807)	(10 624 736)	(156 562)
f) Net income	644 887	176 201	674 001	(8 420 041)	(243 403)
g) Distributed income					
Income per share					
a) Income after taxes and profit-sharing, and before amortisation and provisions	0,10	0,03	0,09	0,23	(0,05)
b) Income after taxes, profit-sharing, amortisation and provisions	0,08	0,02	0,07	(0,88)	(0,02)
c) Allotted dividend					
Employees					
a) Average number of employees	44	40	37	35	35
b) Total salaries	2 991 257	2 469 777	2 201 996	1 920 361	1 959 000
c) Amounts paid as welfare benefits (Social Security, etc.)	1 430 955	1 172 747	1 049 097	913 287	910 000

4.5 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2011

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 December 2011, on:

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

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

I. Opinion of the annual financial statements

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 checking, by sampling or other selection methods, the evidence supporting the amounts and information contained in the annual financial statements. It also consists of assessing the accounting policies used, the significant estimates used and the overall financial statement position. We consider that we have gathered sufficient appropriate information to form 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 questioning the opinion expressed above, we draw your attention to the following: notes 1 - “Important events during the year”, 3.5 - “Other operating expenses and income”, 4.4 – “Trade and other accounts receivable”, and 4.7 “Provisions” in the appendix to the consolidated financial statements concerning the situation regarding the litigation with the European Commission.

II. Justification of the assessment

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

As mentioned in the first part of the present report, the notes 1 - “Important events during the fiscal year”, 3.5 - “Extraordinary income and expenditures”, 4.4 – “Trade and other accounts receivable”, and 4.7 “Provisions for contingencies and expenses” in the appendix to the consolidated financial statements describe the situation regarding the litigation with the European Commission including the relevant accounting rules and methods. As part of our assessment of the accounting rules and principles used by your company, we verified the appropriateness of accounting policies referred to above and the information provided in the notes to the annual accounts and we have assured ourselves of their correct application.

The company has applied an impairment test to the value of the intangible fixed assets as described in the note 2 “Posting and presentation methods – Other intangible fixed assets” and note 4.1 “Intangible fixed assets” in the appendix of the annual financial statements. We have examined the details of the impairment test as well as the cash flow projections and the assumptions used, based on the information currently available. We have also verified that the above mentioned notes in the appendix contain appropriate information. These estimates are based on assumptions that, because of their nature, are uncertain, and their results may sometimes be significantly different from the forecast data used.

In addition, note 2 “Accounting Policies – Investments” in the appendix outlines the rules and methods for determining the fair market value of the equity securities. As part of our assessment of the accounting rules and principles used by your company, we verified the appropriateness of accounting policies specified to above and the information provided in the note 2 “Posting and presentation methods – Equity securities” and note 4.3 “Financial fixed assets” of the appendix and we have assured ourselves of their correct application.

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.

III. Specific checks and information

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

We have no comment to make as to the fair presentation of the information given in the Board of Directors management report and in the documents sent to shareholders on the financial situation and annual financial statements.

Regarding the information provided pursuant to Article L. 225-102-1 of the Commercial Code regarding wages and benefits paid to corporate officers as well as commitments made in their favour, we have verified their consistency with the accounts or with the data used in the preparation of those accounts and, where appropriate, with items collected by your company from the companies managing your company or controlled by it. Based on this work, we confirm the accuracy and truthfulness of the information.

Paris La Défense Paris, February 27, 2012

The statutory auditors

KPMG AUDIT
Department of KPMG S.A.

Grant Thornton
French Member of Grant Thornton International

Stéphanie Ortega
Associée

Vincent Frambourt
Associé

4.6 FINANCIAL STATEMENTS AND STATUTORY AUDITORS' REPORT FOR THE YEARS ENDING 31 DECEMBER 2010 AND 31 DECEMBER 2009

The corporate financial statements, general Statutory Auditors' reports on the corporate financial statements and the special Statutory Auditors' reports on the regulated agreements and commitments for the years ending 31 December 2010 and 31 December 2009, are presented respectively in the reference documents D. 11-390 and D. 10-0268 submitted to the financial markets authorities on 28 April 2011 and 15 April 2010.

4.7 HISTORY OF THE CAPITAL

At the date of submission, the Company's capital stock totalled EUR 3,999, 843 , consisting of 7,999,686 shares, taking into account the capital reduction decided by the Board of Directors on 8 February 2012, following the cancellation of 242,736 shares with effect on 13 February 2012.

On 31 December 2011, the company's authorised capital amounted to EUR 4,121,211, made up of 8,242,422 shares, representing 10,743,678 net voting rights. The 8,242,422 shares consist of 3,500,865 bearer shares, 577,999 registered shares with voting rights, 2,933,653 registered shares with double voting rights, 797,508 shares stripped of voting rights and 432,397 treasury shares, amounting to a total of 8,242,422 shares.

These registered or bearer (anonymous) shares, as the holder chooses unless this is prevented by current legislation, are fully paid-in. They have a nominal value of EUR 0.50 each.

The following operations affected the capital in fiscal year 2011:

- The issuing of 79,373 new shares on 11 March 2011 as the result of one of the Company's directors exercising his subscription options, as noted at the Board of Directors meeting on 27 April 2011. The Board of Directors increased the Company's nominal capital stock by EUR 120,999.93, bringing it to EUR 13,335,244.93;
- The General Shareholders' Meeting on 24 June 2011 decided on a reduction in capital not motivated by losses for a total value of EUR 8,961,447.43, to reduce a total of EUR 13,335,244.93 to EUR 4,373,797.50, divided in 8,747,595 shares at a nominal per-share value of EUR 0.50.
- At its meeting on 2 November 2011, the Board of Directors, with the approval of the Combined General Shareholders' Meeting on 24 June 2011, resolved, pursuant to article L. 225-209 of the Commercial Code, to decrease the capital stock by EUR 252,586.5 through the cancellation of 505,173 shares, from EUR 4,373,797.5 to EUR 4,121,211, divided into 8,242,422 shares with a per-share value of EUR 0.50.

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 (CGM 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 due and payable	FRF 46,933,350	0	8 061 333	9 000 000	FRF 50	FRF 450,000,000
Mar-00 (CGM 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 (CGM 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 (CGM of 3.05.00)	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
2007	Capital increase by exercising of options	EUR 30,400		9 972 075	9 992 075		EUR 15,232,389
2008	Capital decrease through cancellation of options	EUR (685,084)		9 992 075	9 542 677		EUR 14,547,305
2009	Capital decrease through cancellation of options	EUR (769,646)		9 542 677	9 037 808		EUR 13,777,659
2010	Capital decrease through cancellation of options	EUR (563,414)		9 037 808	8 668 222		EUR 13,214,245
April-11	Capital increase by exercising options	EUR 121,000		8 668 222	8 747 595		EUR 13,335,244.93
Jun-11	Capital decrease not motivated by losses	EUR 8,961,447.43		8 747 595	8 747 595		EUR 4,373,797.50
Nov. 11	Capital decrease through cancellation of options	EUR 252,586.5		8 747 595	8 242 422		EUR 4,121,211
Feb-12	Capital decrease through cancellation of options	EUR 121,368		8 242 422	7 999 686		EUR 3,999,843

4.8 STOCK OPTIONS

4.8.1 Plan of 29 July 2010 authorised by the General Shareholders' Meeting of 25 June 2010

The Combined General Meeting of 25 June 2010 (eighth resolution) authorised the Board of Directors to grant on one or more occassions options allowing the subscription of new Company shares.

The recipients may be salaried employees and Directors of the Company or its subsidiaries under the terms laid down in article L 225-180 of the Commercial Code.

This authorisation to grant options cancelled all previous delegations of the same type, and in particular the one granted in the eighth resolution of the Combined General Shareholders' Meeting of 22 June 2007.

This authorisation may be used by the Board of Directors within a period of 38 months from the date of the meeting.

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 as of the date of the General Shareholders' Meeting.

The Board of Directors will define the stock option plan, which also includes the terms under which the stock options are granted. These terms may or may not include clauses banning immediate resale of all or some of the shares, and the Board of Directors may allocate stock options in one or more stages and specify the list of recipients for each allocation.

The price at which the recipients can subscribe to 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 must 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 clipping date of a coupon entitling the recipient to a dividend or capital increase.

The Meeting resolved that recipients would permanently receive their options only in equal thirds on the date of the first, second and third anniversaries of their granting by the Board of Directors and provided that, for each allocation, the recipient was still a Director or employee of the Company or one of its subsidiaries on each of those dates, subject to an express waiver granted by the Board of Directors in accordance with the applicable legislation. As an exception, in accordance with the Social Security Code, in the event of the retirement, death or permanent disability (second or third category) 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 or her.

Moreover, the Meeting gives 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 shareholding period imposed on recipients as from exercise of the stock options, as applicable.

The capital stock increase resulting from the exercising of stock options is definitively realised solely as a result of recipients declaring that they wish to exercise the stock option, enclosing the subscription form and payment in cash or by compensation of the corresponding sum with credits.

The Board of Directors Meeting on 29 July 2010 defined the stock option plan, which also specified the terms under which the options would be granted.

4.8.2 Report of the plan

The balance sheet of allocation is contained in Chapter 1, paragraph 1.8.3, pages 26.

4.8.3 Information on the options granted to the Company's directors

Information on stock options granted to corporate officers is listed in detail in Chapter 5, paragraph 5.1.6, on pages 137-138.

4.8.4 Other information concerning the ten employees who were granted or exercised options the most during the fiscal year

	Number of options assigned/ number of shares subscribed or purchased	Weighted average price (in euros)	Allotment date
Options granted in 2011	4 450 30 000	1,97 1,50	01/04/2011 07/12/2011
Options exercised in 2011	None	-	-

4.9 ACQUISITIONS BY THE COMPANY OF ITS OWN SHARES

4.9.1 Plan authorised by the General Shareholders' Meeting of 24 June 2011

Legal scope

The Combined General Meeting of 24 June 2011 (eleventh resolution) authorised the Board of Directors, pursuant to articles L. 225-209 of the Commercial Code, the Rule No. 2273/2003 of the European Commission and the General Regulations of the French Securities Regulator, to purchase shares of the Company at one or more times as it may determine, up to a 10% limit of the total number of shares comprising the share capital, adjusted where appropriate to reflect any increase in possible operations and a reduction of capital may occur during the duration of the programme, in order to do the following by order of priority:

- Proceed to cancel acquired shares;
- Hold purchased shares and eventually exchange or sell them later as a result of external growth, merger, division or contribution, provided that the shares acquired in this way do not exceed 5% of the company's capital stock;
- Ensure that share purchase option plans and other forms of share allocation to employees and/or Directors of the Company and the Group's subsidiaries are covered, in accordance with the terms and conditions stipulated by the law, notably concerning the company's profit-sharing, company savings plans or the free allocation of shares;
- Ensure the coverage of securities entitling their holders to the allocation of Company shares under current regulations;
- Manage the secondary market dealing or liquidity of SYSTRAN shares by means of an investment service provider, through a liquidity agreement that complies with the ethic charter recognised by the French Securities Regulator.

The Board of Directors is authorised to acquire, sell, transfer or exchange these shares 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 set the maximum sale price at five (5) euros. The maximum number of shares the Company may acquire under this resolution must not exceed 10% of the capital, this limit calculated at the time of redemption, and the overall maximum amount allocated to the share repurchase programme may not exceed EUR 4,334,111 (based on 8,668,222 shares comprising the share capital as of 11 March 2011). The meeting has given all powers to the Board of Directors in capital transactions of the Company to adjust the aforementioned purchase price to reflect the impact on the share value.

This authorisation for the acquisition and sale of shares cancels all previous delegations of the same type, and in particular the one granted in the eighth resolution of the General and Extraordinary Shareholders' Meeting on 25 June 2010. This authorisation is granted for a period of 18 months from 24 June 2011.

The Combined General Shareholders' Meeting on 24 June 2011 (twelfth resolution) authorised the Board of Directors to dispose of up to 10% of the Company's capital per 24-month period, in one or more disposals, by cancelling the shares acquired in application of the same General Meeting's sixth resolution.

4.9.2 Transactions during the fiscal year

Share repurchases by SYSTRAN for the fiscal year ending 31 December 2011

The Board of Directors has used these authorisations to allow the Company to carry out the following transactions during fiscal year 2011 under the terms of article L. 225–209 of the Commercial Code:

- purchase of 71,703 shares totalling EUR 106,837.47, representing an average purchase price of EUR 1.49 per share, in order to cancel them.

Table summarising transactions performed by the Company of its own shares from 1 January 2011 to 31 December 2011

	Accumulated gross flows		**Open positions as of 31 December 2011**			
	Purchases	Sales	Purchased stock options	Hedging	Sold stock options	Forward sale
No. of shares	71 703	None	None	None	None	None
Average maximum maturity		None	None	None	None	None
Average price of transaction (in euros)	1,49	None	None	None	None	None
Average exercise price (in euros)		None	None	None	None	None
Amounts in euros	106 837,47	None	None	None	None	None

4.9.3 Assessment of previous plans

Upon completion of its first stock acquisition plan authorised by the General Shareholders' Meeting on 3 May 2000, the Company held 62,555 of its own shares.

The Company did not acquire any shares as part of the stock acquisition plan authorised by the General Shareholders' Meetings of 9 November 2001, 27 June 2003 and 25 June 2004.

The Company did not acquire any shares and disposed of 62,555 shares under the stock acquisition plan authorised by the General Shareholders' Meeting on 24 June 2005.

The Company acquired 556,505 shares and did not dispose of any shares under the stock acquisition plan authorised by the General Shareholders' Meeting on 26 June 2009.

The current plan approved by the General Shareholders' Meeting on 24 June 2011 and the previous plans, approved by the General Shareholders' Meetings on 3 May 2000, 9 November 2001, 27 June 2003, 25 June 2004, 24 June 2005, 23 June 2006 and 22 June 2007, 20 June 2008, 26 June 2009 and 25 June 2010 have enabled the Company to complete the transactions described hereafter.

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	**On 12.31.00**	**25 621** (0.26% of capital)	**3,94**	-	-
Price stabilisation	01.01.01 to 30.09.01	36 934	3,45	-	-
Balance	**On 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	**On 31.12.06**	**208 212** (2.09% of capital)	**3,65**	-	-
Price stabilisation	01.01.07 to 31.12.07	241 186	3,30		
Balance	**On 31.12.07**	**449 398** (4.50% of capital)	**3,46**	-	-
Cancellation	01.01.08 to 31.12.08	241 617	1,13		
Balance	**On 31.12.08**	**241 617** *(1)* (2.53% of capital)	**1,13**	-	-
Cancellation	01.01.09 to 31.12.09	556 505			
Balance	**On 31.12.09**	**293 253** *(2)* (2% of capital)			
Cancellation	01.01.10 to 31.12.10	942 200			
Balance	**On 31.12.10**	**865 867** *(3)* (9.99% of capital)	**1,14**		
Cancellation	01.01.11 to 31.12.11	71 703	1,49		
Balance	**On 31.12.11**	**432 397** *(4)* (5.25% of capital)	**1,49**		

(1) The Company cancelled 449,398 shares during fiscal 2008
(2) The Company cancelled 504,869 shares during fiscal 2009
(3) The Company cancelled 369,369 shares during fiscal 2010
(4) The Company cancelled 505,173 shares during fiscal 2011

Since 1 January 2012, the Company has not acquired any of its own shares.

4.9.4 Cancellation of shares

Pursuant to the authority given by the Combined General Meeting of 25 June 2010 (seven resolution) and 24 June 2011 (twelfth resolution), the Board of Directors of SYSTRAN effected two cancellations of shares in fiscal 2011.

- The Board of Directors' Meeting on 27 April 2011 decided on a reduction in capital not motivated by losses for a total value of EUR 8,961,447.43, to reduce a total of EUR 13,335,244.93 to EUR 4,373,797.50, divided in 8,747,595 shares at a nominal per-share value of EUR 0.50. This decision was approved by the General Meeting of 24 June 2011 (fifteenth resolution).

  This capital reduction, not wholly motivated by losses, was carried out by allocating the amount of the capital reduction as follows:

- to the “Carried forward” account, a value of EUR 1,631,882.22 in order to clear the latter and reduce it to zero,
- the balance to the “Premiums” account, a value of EUR 7,329,565.21, which will result in this account being increased to EUR 12,724,851.34 Euros, also including the payment of a global premium of EUR 0.07 resulting from the increase in capital resulting from the exercising of stock options on 11 March 2011.

These allocations have not had the effect of reducing the total of the Company's shareholders' equity. This reduction in capital is not accompanied therefore no allocation of sums or securities to shareholders.

- At its meeting on 2 November 2011, the Board of Directors, with the approval of the Combined General Shareholders' Meeting on 24 June 2011, resolved, pursuant to article L. 225-209 of the Commercial Code, to decrease the capital stock by EUR 252,586.5 through the cancellation of 505,173 shares, from EUR 4,373,797.5 to EUR 4,121,211, divided into 8,242,422 shares with a per-share value of EUR 0.50.

  The Board decided that the difference between the purchase price of the repurchased shares (EUR 570,450.99) and the nominal value of the shares (EUR 252,586.5), namely, the sum of EUR 317,864.49, would be charged to the account “Premium accounts” which will be reduced from EUR 12,724,851.34 to EUR 12,406,986.85.

The cancelled treasury shares represent, in part, 210,867 shares held on 31 December 2010 and acquired at an average per share price of EUR 1.17 and, in part, 294,306 shares also held on 31 December 2010 and acquired at a per share price of EUR 1.10.

At its meeting on 8 February 2012, the Board of Directors, with the approval of the Combined General Shareholders meeting on 24 June 2011, resolved, pursuant to article L. 225-209 of the Commercial Code, to cancel 242,736 shares with effect from 13 February 2012 and decrease the capital stock by EUR 121,368, bringing it from EUR 4,121,211 to EUR 3,999,843.

4.9.5 New plan subject to approval at the General Shareholders' Meeting on 22 June 2012

The Company seeks to implement a plan to acquire its own stock; this is subject to approval at the General Shareholders' Meeting of 22 June 2012.

The full text to be included in the description of the share repurchase programme established under the provisions of Article 241-2 of the General Regulation of French Securities Regulator and the European Regulation No. 2273/2003 of 22 December 2003, is transcribed below:

The aims of this plan will be to do the following, in decreasing order of priority:

- Cancel purchased shares, if wished;
- Hold purchased shares and eventually exchange or sell them later as a result of external growth, merger, division or contribution, provided that the shares acquired in this way do not exceed 5% of the Company’s capital stock.
- Ensure that share purchase option plans and other forms of share allocation to employees and/or Directors of the Company and the Group’s subsidiaries are covered, in accordance with the terms and conditions stipulated by the law, notably concerning the company's profit-sharing, company savings plans or the free allocation of shares;
- Ensure the coverage of securities entitling their holders to the allocation of Company shares under current regulations;

- Manage the secondary market dealing or liquidity of SYSTRAN shares by means of an investment service provider, through a liquidity agreement that complies with the ethic charter recognised by the French Securities Regulator;

The new plan will supersede the plan implemented by the General Shareholders' Meeting on 24 June 2011.

All shares held by the Company at 29 February 2012, or 189,661 shares, are allocated to their cancellation.

The programme would be implemented for a period of eighteen months from the approval of the eighth resolution of the General Ordinary and Extraordinary Shareholders' Meeting of June 22, 2012, until December 21, 2013.

Under the new programme, the maximum share capital whose redemption is authorised by the General Shareholders' Meeting on 22 June 2012 is 10% of the total number of shares of the Company's capital stock calculated at the time of redemption (based on 7,999,686 shares comprising the share capital as of 29 February 2011).

The Company reserves the right to use the entire program, making sure not to hold, directly or indirectly, more than 10% of its capital.

The maximum amount of funds that may be used to purchase the Company's shares shall not exceed EUR 3,999,843;

The relevant securities are shares issued by SYSTRAN listed on Eurolist Compartiment C of Euronext Paris under ISIN code FR0004109197.

The maximum purchase price per share is EUR 5, after rounding off, excluding acquisition fees.

4.10 CURRENTLY VALID DELEGATIONS GRANTED THE BOARD OF DIRECTORS BY THE GENERAL SHAREHOLDERS' MEETING, RELATING TO CAPITAL INCREASES

4.10.1 Increase in unreserved capital with pre-emptive subscription rights

The General Shareholders' Meeting on 25 June 2010 resolved, in its ninth resolution, to renew the authorisation given to the Board of Directors to, in accordance with Articles L. 225-129, increase the capital stock by the issuance of shares (excluding preferred 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, at a maximum par value not to exceed a ceiling of EUR 15,000,000 (fifteen million euros), with or without an issuance premium, to be subscribed and fully paid-in at the time of the subscription, with such new shares to be subject to all the Company's statutory provisions and to be assimilated into the old shares, and to enjoy the same rights as on the first day of the fiscal year in which they were created and issued. The present authorisation is subject to a ceiling of EUR 300,000,000 (three hundred million euros), including the issuance premium.

As appropriate, their ceilings shall be increased by the par value of any additional shares that may be issued in the event of new financial transactions to preserve the rights of holders of securities having access to capital. The General Shareholders' Meeting has, furthermore, resolved:

- That this delegation applies by law to the earnings of holders of securities giving future access to Company shares, as an express waiver by the shareholders of their preferential right of subscription to the shares to which these securities entitle them. That in the event of an issuance whereby shareholders retain a preferential right of subscription to subscribe for shares in the exact proportion to the shares held by them, the Board of Directors may grant the shareholders a reduced preferential right.
- That if all shares or securities issued as defined above are not fully subscribed, the Board of Directors may use one or more of the following options, in the order it chooses:

a) Limit the share issue to the amount of the subscriptions, provided that it totals at least three-quarters of the approved issue;
b) Decide that any balance of the issue that has not been subscribed will be allocated completely or partially at the request of the Board of Directors.

As a result of the authorisation granted above, the General Shareholders' Meeting has granted the Board of Directors, which may subdelegate its authority to its Chairman, all the powers necessary for the purpose of undertaking, in accordance with the conditions provided for by the laws and regulations, one or more increases in the Company's capital stock or other securities issues, within a period of twenty-six (26) months, on one or more occasion, and making full or partial use of the aforementioned authorisation, and to set the terms, verify their completion and amend the by-laws accordingly.

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

The General Shareholders' Meeting has 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 along with the value of the corresponding premiums and to deduct from this amount the required sums allocated to bring the statutory reserve up to one-tenth of the capital stock after each increase.

More generally, the General Shareholders' Meeting has resolved that the Board of Directors and by delegation, its Chairman, shall have full power to approve all agreements 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 exercise the corresponding rights to record the capital increase made through the use of this authorisation, and amend the by-laws accordingly.

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

This authorisation to increase the capital has cancelled all previous delegations of the same type, and in particular, the one granted in the eighth resolution of the Combined General Shareholders' Meeting on 20 June 2008.

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

4.10.2 Increase in unreserved capital and cancellation of pre-emptive subscription rights

The General Shareholders' Meeting of 25 June 2010 resolved, in its ninth resolution, to authorise the Board of Directors to, in accordance with the Commerce Code, including Articles L. 225-129 and L. 225-135, increase the capital stock by the issuance of shares (excluding preferred 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, at a maximum par value not to exceed a ceiling of EUR 15,000,000 (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. The present authorisation is subject to a ceiling of EUR 300,000,000 (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 tenth resolution of the Meeting on 25 June 2010. 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 by law 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 in the above delegation, shall be fixed in accordance with the legal and regulatory provisions in force when the shares are issued.

The General Shareholders' Meeting has further resolved that if all shares or securities issued as defined above are not subscribed, the Board of Directors may use one or more of the following options, in the order it chooses:

c) Limit the share issue to the amount of the subscriptions, provided that it totals at least three-quarters of the approved issue;
d) Decide that any balance of the issue that has not been subscribed will be allocated completely or partially at the request of the Board of Directors.

As a result of the authorisation granted above, the General Shareholders' Meeting has granted the Board of Directors, which may subdelegate its authority to its Chairman, all the powers necessary for the purpose of undertaking, in accordance with the conditions provided for by the laws and regulations, one or more increases in the Company’s capital stock or other securities issues, within a period of twenty-six (26) months, in one or more stages, and making full or partial use of the aforementioned authorisation, and to set the terms, verify their completion and amend the by-laws accordingly.

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

The General Shareholders' Meeting has 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 along with the value of the corresponding premiums and to deduct from this amount the required sums allocated to bring the statutory reserve up to one-tenth of the capital stock after each increase.

More generally, the General Shareholders' Meeting has resolved that the Board of Directors and by delegation, its Chairman, shall have full power to approve all agreements 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 exercise the corresponding rights to record the capital increase made through the use of this authorisation, and amend the by-laws accordingly.

The General Shareholders' Meeting has noted that the Board of Directors will give an account of the use of this authorisation at 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 Combined General Shareholders' Meeting of 20 June 2008.

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

4.10.3 Summary table of delegations

Delegations concerning the capital increases referred to in Articles L. 225-129-1 and L. 225-129-2 of the Commercial Code						
Delegating assembly	**Type of delegation**	**Increase ceiling**	**Period of delegation**	**Utilisation revenue**	**Subdelegation**	**Utilisation ceiling**
Combined General Shareholders' Meeting on 25 June 2010 (9th resolution)	Delegation of authorisation to the Board allowing it to increase the Company's capital by issuing shares (excluding preferential shares) and/or any securities giving access to the capital stock	EUR 15,000,000 (nominal value) limited to EUR 300,000,000 (including issue premium)	26 months until 24 August 2012	None	To the Chairman & CEO	None
Combined General Shareholders' Meeting on 25 June 2010 (10th & 11th resolutions)	Delegation of authorisation to the Board allowing it to increase the Company's capital by issuing shares (excluding preferential shares) and/or any securities giving access to the capital stock (and cancellation of pre-emptive subscription rights): - Through public offers (10th resolution) - Through private placement (11th resolution)	EUR 15,000,000 (nominal value) limited to EUR 300,000,000 (including issue premium)[1]	26 months until 24 August 2012	None	To the Chairman & CEO	None

[1] Provided that these amounts are deducted from the amounts of shares already issued under the 9th resolution of the General Shareholders' Meeting of 25 June 2010

Delegations concerning the capital increases other than as referred to in Articles L. 225-129-1 and L. 225-129-2 of the Commercial Code						
Delegating assembly	**Type of delegation**	**Increase ceiling**	**Period of delegation**	**Utilisation revenue**	**Subdelegation**	**Utilisation ceiling**
Combined General Shareholders' Meeting on 24 June 2011 (11th resolution) (Reference art. L. 225-211, par. 2 of the Commercial Code)	Authorisation of share repurchases pursuant to article L. 225-209 of the Commercial Code	Maximum amount of funds: EUR 4,334,111 euros and within the limit of 10% of the total capital stock	18 months until 23 December 2012			
Combined General Shareholders' Meeting on 24 June 2011 (12th resolution)	Authorisation to reduce the capital stock pursuant to article L. 225-209 of the Commercial Code	Within the limit of 10% of the total capital stock	18 months until 23 December 2012			
Combined General Shareholders' Meeting on 25 June 2010 (8th resolution) *(Reference art. L. 225-184 of the Commercial Code)*	Authorisation to issue options to subscribe for shares reserved for employees and/or directors. (Article L. 225-177 of the Commercial Code)	Number of shares resulting from complete exercise of the stock options cannot exceed 20% of the capital stock	38 months until 24 August 2013			
Combined General Shareholders' Meeting on 24 June 2011 (13th resolution) *(Reference art. L. 225-197-4 of the Commercial Code)*	Authorisation to provide free shares for the benefit of employees and/or directors	Within the limit of 10% of the total capital stock	38 months until 23 August 2014			

4.11 OTHER LEGAL INFORMATION

4.11.1 Taking of holdings in French or foreign companies

The Company has not taken any holding in French companies during the fiscal year 2011.

4.11.2 Agreements covered by article L. 225-38 of the Commercial Code

During the fiscal year ending 31 December 2011, no agreement resulting in the application of article L. 225-38 of the Commercial Code has been signed, as previous agreements have either continued or been renewed.

4.11.3 Agreements covered by article L. 225-39 of the Commercial Code

The list of agreements relating to operations on current account under standard terms is available to the shareholders and has been given to the Auditors.

4.11.4 Dispute with the European Commission

The European Commission has partially implemented the terms of the CFI's judgment of 16 December 2010 by paying SYSTRAN the sum of EUR 5,685,240 on 9 February 2011, then EUR 6,315,760 on 14 March 2011.

However, despite repeated requests from SYSTRAN, it is yet to pay the balance of the sentence imposed upon it, namely, costs.

On 4 March 2011, the European Commission appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. On 13 May 2011, SYSTRANS filed its memorandum in response. In 9 September 2011, the Commission produced its response. On 28 October 2011, SYSTRANS filed its rejoinder. On November 8, 2011, the clerk of the Court informed the parties that the written procedure was closed, failing a subsequent decision by the Court. The Court decided to open the oral procedure. The court heard the arguments on 19 April 2012. During the hearing, the Advocate-general indicated that he would deliver his conclusions on 6 September 2012.

4.11.5 Other items likely to have a bearing on takeover bids

There are no other items likely to have a bearing on a takeover bid under the terms of article L. 225-100-3 of the Commercial Code.

5 CORPORATE GOVERNANCE

Declaration regarding corporate governance

As regards corporate governance, on 9 March 2011, the Board of Directors decided to adhere to the MiddleNext Corporate Governance Code for SMEs.

The Company adheres to a majority of the recommendations of the code and, in compliance with the principle of “comply or explain” set out in Article L.225-37 al.7 of the Commercial Code, all necessary explanations are given for the Company's non-compliance with certain recommendations are contained in the present report (which is reproduced in full at Chapter 5, “Declaration regarding corporate governance”).

As regards internal control (II), on 22 July 2010, the French Securities Regulator (AMF) revised the reference framework for internal controls, entitled “The features of risk management and internal control: Implementation guide for medium and small companies”. The Guide does not specify regulations applicable to medium and small securities; it constitutes an AMF recommendation and must be adapted to each company. We have therefore decided to loosely base this report on it. An evaluation to improve the internal control process is under review, particularly through self-assessment questionnaires attached to the guide.

5.1 BOARD OF DIRECTORS

5.1.1 Operation of the Board of Directors

On 31 December 2011, the Board of Directors had five Directors including one independent Director, Mr. Charles Eric Boscals de Réals.

The detailed operation of the Board of Directors (held meetings, information regarding officers, internal rules, specialized committees, and evaluations of the work of the Council) is described in the special report by the Chairman on the preparation and organisation of work of the Board and the internal control procedures adopted by Company (Article L. 225-37 of the Commercial Code), reproduced here in full.

5.1.2 Shareholding of the Board members as of 31 December 2011

Director	No. of shares	%	Voting rights (1)	%
Charles Boscals de Réals	1 613	0,02%	1 613	0,02%
Denis Gachot	500	0,01%	500	0,005%
Guillaume Naigeon	338 346	4,10%	347 308	3,23%
Dimitris Sabatakakis	1 327 140	16,10%	1 856 772	17,28 %
Jean Senellart	1 000	0,01%	1 000	0,01%
Valfinance SA	356 816	4,33%	656 816	6,11%
Members of the Board of Directors and related companies	**2 025 415**	**24,57%**	**2 864 009**	**26,66%**
SOPI SA	1 017 429	12,34%	2 034 858	18,94%
SOPREX AG	687 386	8,34 %	1 374 772	12,80%
Alto Invest	601 795	7,30%	601 805	5,60%
Public	**3 478 000**	**42,20%**	**3 868 234**	**36,00%**
Treasury shares	432 397	5,25%		
TOTAL	**8 242 422**	**100%**	**10 743 678**	**100%**

(1) 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.

5.1.3 Composition of the Board of Directors

Name	Mandate	Appointed	Duration
Dimitris Sabatakakis	Chairman and CEO *	AGM of 26/06/09	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2014
Denis Gachot	Director	AGO of 22/6/07	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2012
Guillaume Naigeon	Director	AGO of 24/06/11	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2016
Jean Senellart	Director	AGO of 24/06/11	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2016
Charles Boscals De Réals	Director	AGO of 24/06/11	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2016

(*) reappointed by the Board of Directors on 29 June 2009

Chairman of the Board of Directors: Mr. Dimitris Sabatakis
Other function performed within the Company: CEO
Other functions performed within the Group: Denis Gachot, non-executive SYSTRAN USA and SYSTRAN Software Inc. and Director of SYSTRAN Luxembourg S.A.
Other mandates held outside the Group during the last five years and continuing: President & CEO of the Board of Directors of Valfinance SA
Other mandates held outside the Group during the last five years and having expired: Director of Scheffer SA, Chairman of the Board of Directors of Techniques Nucléaires.

Director: Mr. Denis Gachot
Other function performed within the Company: none
Other functions performed within the Group: CEO of SYSTRAN Software Inc.
Other mandates held outside the Group during the last five years and continuing: Chief Executive Officer of INPROD Corp. (USA)
Other mandates held outside the Group during the last five years and having expired: none

Director: Mr. Guillaume Naigeon
Other functions performed within the Company or Group: Deputy CEO of SYSTRAN S.A.
Other mandates held outside the Group during the last five years and continuing: Director of Colbert Participations Industrielles Immobilières et Financières
Other mandates held outside the Group during the last five years and having expired: none

Director: Jean Senellart
Other function performed within the Company: R&D Director at SYSTRAN S.A.
Other functions performed within the Group: nil.
Other mandates held outside the Group during the last five years and continuing: none
Other mandates held outside the Group during the last five years and having expired: none

Director: Charles Boscals de Réals
Other function performed within the Company: none
Other functions performed within the Group: none Other mandates held outside the Group during the last five years and continuing: Manager SARL Yaka Productions and SARL Kazoo.
Other mandates held outside the Group during the last five years and having expired: none

There are no restrictions agreed to by the corporate officers concerning the disposal within a certain period of time of their participation in the capital of the Company.

Mandates expiring at the General Shareholders Meeting on 22 June 2012

All of the director mandates are currently valid, no reappointment needs to be included in the agenda for the General Shareholders' Meeting that will rule on the financial statements for the fiscal year ending 31 December 2011.

5.1.4 Conformity with European Regulation RE 809/2004

The Company knows of 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 the following members of the Board of Directors: Mr. Dimitris Sabatakakis and Mr. Denis Gachot.

As far as the Company is aware, over at least 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 involved in a receivership or liquidation;
- 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.

Apart from the regulated agreements, no arrangement or agreement under which a member of the Board of Directors is selected has been signed with the main shareholders, customers, suppliers or other parties.

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

5.1.5 Remuneration and benefits

All directors receive attendance fees, the total amount of which was EUR 36,000 for the fiscal year 2011 for the entire Board of Directors. Directors who are not officers of the Company do not receive any other remuneration, and do not benefit from the stock options plans.

The following Directors received remuneration in 2011:

- Dimitris Sabatakakis, Chairman and CEO of SYSTRAN S.A. and Chairman of the Board of Directors of SYSTRAN Software Inc.
- Denis Gachot, Chairman of SYSTRAN Software Inc. and Director of SYSTRAN S.A.;
- Guillaume Naigeon, the Deputy CEO and a Director of SYSTRAN S.A.
- Jean Senellart, the R&D Director and Director of SYSTRAN S.A.

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 special supplementary pension scheme has been set up for the Directors or Executive Management.

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

During fiscal 2011, Guillaume Naigeon exercised 79,373 options.

Summary table of remuneration paid to each Director (in Euros)			
	Fiscal year 2011	**Fiscal year 2010**	**Fiscal year 2009**
Dimitris Sabatakakis,			
Chairman and CEO of SYSTRAN S.A.			
Remuneration due for the fiscal year	**243 000**	179 500	181 000
Valuation of options assigned during the fiscal year	None	None	None
Valuation of performance shares assigned during the fiscal year	None	None	None
Total	**243 000**	**EUR 179,500**	**EUR 181,000**
Denis Gachot,			
Chairman and CEO of SYSTRAN Software Inc.			
Remuneration due for the fiscal year	**182 410**	136 646	132 072
Valuation of options assigned during the fiscal year	None	None	None
Valuation of performance shares assigned during the fiscal year	None	None	None
Total	**182 410**	**EUR 136,646**	**EUR 132,072**
Guillaume Naigeon,			
Deputy CEO of SYSTRAN S.A.			
Remuneration due for the fiscal year	**188 944**	135 298	136 375
Valuation of options assigned during the fiscal year	None	None	None
Valuation of performance shares assigned during the fiscal year	None	None	None
Total	**188 944**	**EUR 135,298**	**EUR 136,375**
Jean Senellart			
R&D Director at SYSTRAN S.A.			
Remuneration due for the fiscal year	160 909	-	-
Valuation of options assigned during the fiscal year	None	-	-
Valuation of performance shares assigned during the fiscal year	None	-	-
Total	**160 909**		

The only benefits in kind for fiscal year 2011 are a company car for each member of the Executive Management. They also do not receive any indemnity for the termination of their employment contract.

Summary table of remuneration paid to each Director [1]						
	Fiscal year 2011		Fiscal year 2010		Fiscal year 2009	
	Amounts in euros	Amounts in euros	Amounts in euros	Amounts in euros	Amounts in euros	Amounts in euros
Dimitris Sabatakakis, *Chairman and CEO of SYSTRAN S.A.*						
Fixed remuneration	210 000	210 000	175 000	175 000	175 000	175 000
Variable remuneration	25 000	None	None	None	None	None
Exceptional remuneration		None	None	None	None	None
Attendance fees	8 000	4 500	4 500	4 500	6 000	6 000
Benefits in kind			None	None	None	None
Total	**243 000**	**214 500**	**179 500**	**179 500**	**181 000**	**181 000**
Denis Gachot, *CEO of SYSTRAN Software Inc.*						
Fixed remuneration	151 035	151 035	132 146	132 146	126 072	126 072
Variable remuneration	23 375	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	8 000	4 500	4 500	4 500	6 000	6 000
Benefits in kind			None	None	None	None
Total	**182 410 [2]**	**155 535 [3]**	**136 646 [4]**	**136 646 [4]**	**132 072 [5]**	**132 072 [5]**
Guillaume Naigeon, *Deputy CEO of SYSTRAN S.A.*						
Fixed remuneration	151 211	151 211	126 250	126 250	125 769	125 769
Variable remuneration	25 000	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	8 000	4 500	4 500	4 500	6 000	6 000
Benefits in kind	4 733	4 733	4 548	4 548	4 606	4 606
Total	**188 944**	**160 444**	**135 298**	**135 298**	**136 375**	**136 375**
Jean Senellart *R&D Director at SYSTRAN S.A.*						
Fixed remuneration	125 817	125 817	-	-	-	-
Variable remuneration	26 250	20 000	-	-	-	-
Exceptional remuneration			-	-	-	-
Attendance fees	4 000	0	-	-	-	-
Benefits in kind	4 842	4 842	-	-	-	-
Total	**160 909**	**150 659**	**-**	**-**	-	-

[1] the remuneration shown is gross in euros and prior to tax and welfare payments
[2] i.e., USD 242,500 excluding attendance fees
[3] i.e., USD 210,000 excluding attendance fees
[4] i.e., USD 175,000 excluding attendance fees
[5] i.e., USD 175,000 excluding attendance fees

Attendance fees and other remuneration received by the non-executive Directors (amounts paid in euros)			
	2011	**2010**	**2009**
Jean Ginisty	**4 000**	**4 500**	
Attendance fees	4 000	4 500	None
Other remuneration	None	None	None
Charles Boscals de Réals	**4 000**		
Attendance fees	4000		-
Other remuneration	None		-
Total	**8 000**	**4 500**	**None**

5.1.6 Information on the stock options

Stock options or share subscription options exercised during fiscal 2011 by each Director			
Name	**Plan no. and date**	**No. of stock options exercised during the fiscal year**	**Exercise price**
Dimitris Sabatakakis	None	None	None
Denis Gachot	None	None	None
Guillaume Naigeon	Plan dated 13 March 2003	79 373	1,52444
Jean Senellart	None	None	None
Total	**None**	**None**	**None**

Stock options or share subscription options exercised during fiscal 2010 by each Director			
Name	**Plan no. and date**	**No. of stock options exercised during the fiscal year**	**Exercise price**
Dimitris Sabatakakis	None	None	None
Denis Gachot	None	None	None
Guillaume Naigeon	None	None	None
Total	**None**	**None**	**None**

Stock options assigned during fiscal 2011 to each Director by the Company						
	Plan no. and date	Type of options (purchase or subscription)	Valuation of stock options according to the method chosen for the consolidated financial statements	No. of stock options assigned during the fiscal year	Exercise price	Exercise period
Dimitris Sabatakakis	No option was granted in 2011					
Denis Gachot						
Guillaume Naigeon						
Jean Senellart						
Total						

No options was awarded to the directors during fiscal years 2010 and 2011.

Details of conditions for performance and exercise of the options granted in 2008 (MiddleNext recommendations). The options assigned above will be definitively vested to the recipients only by equal thirds at the time of the first, second and third anniversary of their granting by the Board of Directors and on the condition that, for each section, the recipient is still an employee of the Company or of its subsidiary companies on those dates, except when the law allows otherwise. In addition, a 4-year locking period starting from the date on which the Board of Directors assigns the stock options has been set, during which the beneficiaries cannot exercise their options, except when the law allows otherwise.

Status of the stock options granted to the Group's employees										Total
Date of the General Shareholders' Meeting	09.11.01		25.06.04		22.06.07		25.06.10			
Date of the Board of Directors meeting	13.03.03	23.12.03	14.02.06	09.02.07	08.02.08	10.02.09	09.03.11	27.07.11	08.02.12	
Total number of shares that can be subscribed or purchased	-	-	10 000	10 000	310 000	20 000	4 450	30 000	10 000	394 450
of which shares that can be subscribed or bought by the members of the Executive Committee:	-	-	-	-	300 000	-	-	-	-	300 000
Dimitris Sabatakakis										0
Denis Gachot					100 000					100 000
Guillaume Naigeon					100 000					100 000
Jean Senellart					100 000					100 000
Starting point for exercise of the options	13.03.07	23.12.07	14.02.10	09.02.11	08.02.12	10.08.13	01.04.15	07.12.15	01.04.16	
Expiry date	12.03.11	22.12.11	13.02.14	8.02.15	07.02.16	09.08.17	31.03.19	06.12.19	31.03.20	
Strike price (in euros)	1,52	4,61	3,93	3,92	1,57	0,81	1,97	1,50	1,67	
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 its subsidiaries.									
Closing number of exercisable shares for the fiscal year	-	-	10 000	10 000	-	-	-	-	-	20 000
of which options are in the money	-	-	-	-	-	-	-	-	-	0
Movements during the period										
Granted options	-	-	-	-	-	-	4 450	30 000	10 000	44 450
Expired options	20 627	100 000	-	-	-	-	-	-	-	120 627
Cancelled options	-	-	-	-	-	-	-	-	-	0
Exercised options	79 373	-	-	-	-	-	-	-	-	79 373

5.1.7 Information about bonus shares

No new bonus shares were granted to the directors, executive or not, during the fiscal year or in the earlier fiscal years. As a result, no bonus shares became available during the past fiscal year.

5.1.8 Additional information concerning the Directors or Executive Management

	Employment Contract	Supplemental Retirement Plan	Indemnity or benefits payable or likely to be paid due to termination or change of duties	Indemnities relating to a non-compete clause
Dimitris Sabatakakis, ***Chairman and CEO of SYSTRAN S.A.***	No	No	No	No
Denis Gachot, ***CEO of SYSTRAN Software Inc.***	No	No	No	No
Guillaume Naigeon, ***Deputy CEO of SYSTRAN S.A.***	Yes (1)	No	No	No
Jean Senellart R&D Director at SYSTRAN S.A.	Yes (2)	No	No	No

(1) Mr. Guillaume Naigeon had the advantage of an employment contract prior to his appointment to the Board of Directors. This contract as Deputy CEO has been maintained since it is not affected by the rule prohibiting a corporate mandate with an employment contract that is recommended by the MiddleNext Code (which applies only to the Chairman, CEO and Managing Director in SAs with a Board of Directors).

(2) Jean Senellart had the advantage of an employment contract prior to his appointment to the Board of Directors. This contract as R&D Director has been maintained since it is not affected by the rule prohibiting a corporate mandate with an employment contract that is recommended by the MiddleNext Code (which applies only to Chairman, CEO and Managing Director in SAs with a Board of Directors).

5.1.9 Summary statement of the declared transactions for SYSTRAN securities

None

5.2 Executive Management

In accordance with the terms of article 18 of the by-laws, the Board of Directors decided at its meeting on 29 June 2009 not to dissociate the functions of the Chairman of the Board of Directors and the CEO, which are performed by Mr. Dimitris Sabatakakis.

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 members of the Executive Management also have extensive experience in the Group (14, 9 and 24 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 the Executive Management other than those provided for by legislation or regulations.

The Group does not necessarily have the resources 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.

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

5.3 Chairman's report on internal control procedures for the fiscal year ending 31 December 2011

The report of the Chairman required by article L. 225-37 of the Commercial Code is reproduced below in its entirety:

Dear Shareholders,

I have the honour of presenting you with my report on how the work of the Board of Directors is prepared and organised and the internal control procedures set up within the company pursuant to article L. 225-37 paragraph 6 of the Commercial Code.

In accordance with the provisions of article 621-18-3 of the French monetary and financial code, this report must be published in accordance with the general regulations of the French Securities Regulator.

In accordance with the provisions of article L. 225-235 of the Commercial Code, the Company's Statutory Auditors will present their comments on the internal control procedures for the compiling and processing of accounting and financial information, in a report attached to this report.

This report was submitted at the Board of Directors meeting on 8 February 2012 and was approved unanimously.

Introduction

As regards corporate governance, on 9 March 2011, the Board of Directors decided to adhere to the MiddleNext Corporate Governance Code for SMEs.

The Company adheres to a majority of the recommendations of the code and, in compliance with the principle of "*comply or explain*" set out in Article L.225-37 al.7 of the Commercial Code, all necessary explanations are given for the Company's non-compliance with certain recommendations are contained in the present report *(which is reproduced in full at Chapter 5, "Declaration regarding corporate governance").*

As regards internal control (II), on 22 July 2010, the French Securities Regulator (AMF) revised the reference framework for internal controls, entitled "The features of risk management and internal control: Implementation guide for medium and small companies". The Guide does not specify regulations applicable to medium and small securities; it constitutes an AMF recommendation and must be adapted to each company. We have therefore decided to loosely base this report on it. An evaluation to improve the internal control process is under review, particularly through self-assessment questionnaires attached to the guide.

I. Description of the conditions under which the work of the Board of Directors is prepared and organised

1.1. Board of Directors

1.1.1. Members:

The by-laws state that there are between three and 12 members of the Board of Directors. At the close of the fiscal year, the Board of Directors had 5 Directors, including one independent Director:

Chairman of the Board of Directors: Mr. Dimitris Sabatakis
Other function performed within the Company: CEO
Other functions performed within the Group: Denis Gachot, non-executive SYSTRAN USA and SYSTRAN Software Inc. and Director of SYSTRAN Luxembourg S.A.
Other mandates held outside the Group during the last five years and continuing: President & CEO of the Board of Directors of Valfinance SA
Other mandates held outside the Group during the last five years and having expired: Director of Scheffer SA, Chairman of the Board of Directors of Techniques Nucléaires.

Director: Mr. Denis Gachot
Other function performed within the Company: none
Other functions performed within the Group: CEO of SYSTRAN Software Inc.
Other mandates held outside the Group during the last five years and continuing: Chief Executive Officer of INPROD Corp. (USA)
Other mandates held outside the Group during the last five years and having expired: none

Director: Mr. Guillaume Naigeon
Other functions performed within the Company or Group: Deputy CEO of SYSTRAN S.A.
Other mandates held outside the Group during the last five years and continuing: Director of Colbert Participations Industrielles Immobilières et Financières
Other mandates held outside the Group during the last five years and having expired: none

Director: Jean Senellart
Other function performed within the Company: R&D Director at SYSTRAN S.A.
Other functions performed within the Group: nil.
Other mandates held outside the Group during the last five years and continuing: none
Other mandates held outside the Group during the last five years and having expired: none

Director: Charles Boscals de Réals
Other function performed within the Company: none
Other functions performed within the Group: none Other mandates held outside the Group during the last five years and continuing: Manager SARL Yaka Productions and SARL Kazoo.
Other mandates held outside the Group during the last five years and having expired: none

Each Director must hold at least three shares under the by-laws.

1.1.2. Length of mandates of the directors:

It is six years in accordance with statutory provisions. The reappointments do not occur in a block, but are staggered:

Name	Mandate	Appointed	Duration
Dimitris Sabatakakis	Chairman and CEO *	AGM of 26/06/09	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2014
Denis Gachot	Director	AGM of 22/6/07	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2012
Guillaume Naigeon	Director	AGO of 24/06/11	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2016
Jean Senellart	Director	AGO of 24/06/11	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2016
Charles Boscals De Réals	Director	AGO of 24/06/11	6 fiscal years, until the AGM ruling on the accounts for fiscal year ending 31/12/2016

** Reappointed by the Board of Directors on 29 June 2009*

All of the director mandates are currently valid, no reappointment needs to be included in the agenda for the General Shareholders' Meeting that will rule on the financial statements for the fiscal year ending 31 December 2011.

1.1.3. Holding of meetings

On average, the Board of Directors meets 5 times a year. On average, each meeting is attended by three members. The Board of Directors met only four times during the completed fiscal year (on 9 March, 27 April, 27 July and 2 November 2011).

In particular, the Board of Directors did the following:

- Closed the half-yearly and annual corporate and consolidated financial statements;
- Closed the remuneration paid to the Executive Management;
- Approved a new draft stock acquisition plan presented to the Annual General Shareholders' Meeting on 24 June 2011;
- Adopted a new stock option plan in accordance with the decision of the Annual General Shareholders' Meeting on 25 June 2010;
- Reduced the capital stock of the Company by cancelling shares in accordance with the authorisation given by the Combined General Shareholders' Meeting on 24 June 2011 and 25 June 2010 and updated the by-laws;

The Company's by-laws do not specify any fixed period for convening Board of Directors Meetings. However, the members of the Board of Directors are usually summoned to attend by letter by the Chairman of the Board of Directors, providing a minimum of 8 days notice except in the case of urgent meetings.

In accordance with the terms of article L. 225-238 of the Commercial Code, the Statutory Auditors were summoned to attend the Board of Directors meeting on 9 March 2011, which closed the accounts of the fiscal year ending on 31 December 2010 (including the consolidated financial statements), and 27 July 2011, which closed the half-yearly financial statements ending on 30 June 2011.

The by-laws amended by the Extraordinary General Meeting (tenth resolution) of 26 June 2009 provide the possibility of Directors to participate in the Board meetings through videoconferencing or other means of telecommunication. This provision does not apply to the closure of the annual financial statements and consolidated financial statements or the drawing-up of the corporate management report and the Group's management report. The internal rules adopted by the Board on 29 June 2009 and modified on 8 March 2011 specify the manner of such participation.

1.1.4. Directors' information:

The Chairman provided the Board of Directors with the information needed to fully perform its mission in adequate time. Each Director receives and can request all documents s/he considers useful in completing their mission.

1.1.5. Internal regulations, specialised committees and work assessment:

Internal regulations :

Internal regulations of the Board of Directors were adopted by decision of 29 June 2009 and modified on 8 March 2011. The main provisions of these rules are as follows:

- Whenever possible, the Board shall be comprised of at least two independent directors. This number can be reduced in the scenario whereby the Board is composed of five members or less; the criteria for independence are, as follows:
    - Not being or having been within the last three years an employee or corporate officer of the Company or at a company that consolidated with the Company;
    - Not being a customer, supplier, investment banker, significant financing banker for the Company or the Group, or for whom the Company or the Group represents a significant portion of business;
    - Not having a close family tie with a corporate officer;
    - Not having been an auditor of the Company with the last three years.
- Reference is made to the responsibilities of the Directors, as well as the information to be delivered to the Directors and the protocols of the meetings;
- The conditions regarding the authorisation of Board meetings by videoconferencing are established in Company by-laws;
- An evaluation of the Board regarding its proper function should be discussed each year.
- Specific rules applicable to Directors are specified (to act in the corporate interest, no conflicts of interest, confidentiality, prohibited transactions in Company securities, etc.).

At present, the Board is comprised of 5 directors, including one independent director. The ratio is thus achieved.

Specialised committees and work assessment:

Although the establishment of such committees is recommended by the MiddleNext code, due to its size and the limited number of Board members, the Company cannot set up specialised committees such as an audit committee, accounts committee, appointments board or salaries committee, or define articles of association or a procedure for assessing the Board's work.

In this context, the Council met on 8 February 2012 to decide on its obligation under article L. 823-19 of the amended Commercial Code, to establish an audit committee to provide oversight of issues relating to the development and monitoring of accounting and financial information. This provision has become mandatory for our company in late 2009 under the terms of the article cited and is expected to be an internal rule of our Board.

According to legal provisions, the Board noted that it was to establish the composition of this committee. The committee will not consist of members other than those in charge of the administrative and surveillance functions of the Company *(in the case of SYSTRAN, the members of the Board)*, except those exercising managerial functions. At least one member of the committee must display specific skills in finance or accounting and be independent under the criteria specified and made public by the entity responsible for administration or surveillance.

This committee is particularly responsible for the monitoring of: This committee is particularly responsible for the monitoring of: a) the development of financial reporting, b) the effectiveness of internal controls and risk management, c) the statutory auditing of annual accounts and, where appropriate, the consolidated accounts by the statutory auditors; and d) the independence of the statutory auditors.

This committee makes a recommendation regarding the statutory auditors proposed for designation by the General Meeting or body exercising a similar function. It reports regularly to the Board of Directors regarding the exercise of its duties and informs it promptly of any difficulties encountered.

Article L823-20 of the Commercial Code provides that "*are exempt from the obligations mentioned in article L. 823-19: (…) 4° "Individuals and entities perform as a body fulfilling the functions of the special committee referred to in Article L. 823-19, provided that the body is identified, which may be a body responsible for administration or surveillance, and the composition of which is made public".*

By decision of 8 March 2012, the Board found it impossible to appoint such a committee since it is itself composed of only five directors at present, including four exercising managerial functions within the Company and/or its subsidiaries.

It is therefore impossible to establish such audit committee or to consider that our Board sitting in plenary may exercise this function as envisaged by the 4th exception in Article L823-19 of the Commercial Code (*this analysis regarding sitting in plenary is particularly confirmed by the National Association of Companies Limited by Shares (ANSA) in the note No. 09-047 of October 2009).*

To remedy this, the Chairman intents to explore potential applications for the position of an independent director of the company.

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

Role

The Board's mission is to determine the principal direction of the Company's business and oversee its implementation.

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

- Setting the remuneration for the Directors;
- Allocating stock or free shares to the Directors and/or employees of the Group, as delegated by the General Shareholders' Meeting.

Under the terms of the Internal Regulations adopted by the Board, the following details on its role are provided:

“It regularly reviews and determines, upon the recommendation of CEO, the Group's strategy, appoints the Directors responsible for managing the Company under this strategy, management control and ensures the quality of information provided to shareholders, as well as to the market.

It deliberates prior to any operation that would be outside of the Group's stated strategy and which is likely to significantly affect or alter the financial position or results of the Group.

It is regularly updated and always kept informed of the development of business and the Group's results, financial situation, debt, cash and the general level of the Group's commitments.

It examines and approves investment programs and divestitures, as well as internal restructuring”.

1.2. Principles and rules fixed by the Board of Directors to define the remuneration and benefits of any type granted to the Directors

1.2.1. Remuneration of Directors

The General Shareholders' Meeting on 24 June 2011 resolved to allocate attendance fees to the Directors for a total of EUR 36,000 for fiscal year 2011.

The attendance fees were allocated as follows:

- Dimitris Sabatakis : EUR 8,000
- Mr. Denis Gachot : EUR 8,000
- Mr. Guillaume Naigeon : EUR 8,000
- Jean Senellart : EUR 4,000
- Charles-Eric Boscals de Réals : EUR 4,000
- Mr. Jean Ginisty : EUR 4,000

1.2.2. Setting the remuneration policy of the Directors

The fixed remuneration of the CEO of the Company, the President of the subsidiary, SYSTRAN Software Inc., the Deputy CEO and the R&D Director are determined by the Board of Directors based on objective market criteria. They received variable compensation during the previous year, No securities giving them access to capital or performance shares have been allocated in the course of the fiscal year.

Full information on the remuneration of Management and non-Management Directors are provided in the management report and duplicated in the reference document.

II. Description of internal control procedures

2.1 - Summary of the purposes of internal control in the Company

The internal control procedures in force in the Company have the following aims:

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

In general, internal controls help to control business activities, operational efficiency and the efficient use of resources.

One of the aims of the internal control 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. *(particularly as outlined in the Reference document - Analysis of risk factors)*. Like any control system, it cannot, however, provide absolute guarantees that these risks are totally eliminated.

Organisation of internal control 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.

2.2 - Persons or structures involved in control activities

2.2.1. Executive Management

In accordance with the terms of article 18 of the by-laws, the Board of Directors decided at its meeting on 28 June 2009 not to dissociate the functions of the Chairman of the Board of Directors and the CEO, which are performed by Mr. Dimitris Sabatakakis, reappointed for a further period of six years by decision of the same Board of Directors.

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 members of the Executive Management also have extensive experience in the Group (14, 9 and 24 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 the Executive Management other than those provided for by legislation or regulations.

2.2.2. Delegations and authorisations

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

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

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

2.3 - Company references and internal regulations

The Group has not yet laid down its procedures in a handbook. Procedures on *"what to do"* exist for critical procedures, however:

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

Similarly, the Group has laid down certain rules governing *"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.

2.4 - Organisation of financial and accounting data preparation

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 reference document;
- Guillaume Naigeon, the Deputy CEO and a Director of SYSTRAN S.A.

Their prerogatives include:

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

2.5. Information on existing procedures

2.5.1 - Main existing procedures

The main existing procedures concern:

- purchase ordering and checking;
- drafting and reviewing contracts with customers;
- reimbursing employee expenses.

Each of these three procedures is documented in a written memorandum.

The purchase ordering and checking procedure involves 3 internal controls: prior authorisation of the expenditure from Executive Management; checking 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: the use of standard contracts ratified 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 Management.

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

2.5.2 - Procedures for preparing accounting data

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

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

Secondly, 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;
- The consolidation process is managed using custom consolidation software;
- The 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 any publication.

III. Conditions for the participation of Shareholders at the General Meeting

The conditions of shareholder participation in the General Shareholders' Meeting have been modified by the Extraordinary General Meeting of June 2010. Article 23 has been modified to comply with the provisions of Decree No. 2009-295 of 16 March 2009, as follows:

« *Any shareholder whose shares, whatever their number, are recorded under the conditions and at a date fixed by the laws and regulations in force, has the right to attend meetings upon proof of capacity and identity. S/he can, in accordance with the laws and regulations in force, personally attend the meeting, vote by mail, or give a proxy to a representative.*

The intermediary registered on behalf of shareholders may participate in meetings as provided by laws and regulations in force.

Proxy forms or votes by mail must reach the address specified in the notice not later than the third business day preceding the meeting at midnight, Paris time, unless a shorter period has been established by the Board.

IV. Publication of information concerning the capital structure and elements that could be relevant in the case of a takeover bid

In accordance with what has already been stated in the management report of the Company for the fiscal year ended 31 December 2011, there are no other items likely to have a bearing on a takeover bid under the terms of article L. 225-100-3 of the Commercial Code.

____
Dimitris Sabatakakis
Chairman and CEO

5.4 Statutory Auditor's report on the Chairman's report on internal controls for the fiscal year ending 31 December 2011

Mesdames, Messieurs les Actionnaires

In our capacity as Statutory Auditors of the Systran S.A. company and pursuant to the provisions of article L. 225-235 of the Commercial Code, we hereby present our report on the report drawn up by the Chairman of the Board of Directors of your company in accordance with article L. 225-37 of the Commercial Code pertaining to the fiscal year ended 31 December 2011.

The Chairman is responsible for drawing up and submitting for the Board's approval a report stating the internal control and risk management procedures set up in the Company and providing the other information, notably relating to corporate governance, required by article L. 225-37 of the Commercial Code.

We are responsible for doing the following:

- Providing you with our comments on the information contained in the Chairman's report concerning the internal control procedures and risk management regarding the preparation and processing of accounting and financial data; and

- Certifying that the report contains the other information required by article L. 225-37 of the Commercial Code, and noting that we are not responsible for checking that this other information is fairly presented.

We have carried out our work in accordance with the standards of professional practice applicable in France.

Information on the procedures for internal control and risk management relating to the preparation and processing of financial and accounting information

Professional standards require us to take diligent measures to assess the accuracy of the information concerning internal control procedures, and checking the preparation and processing of the accounting and financial data contained in the Chairman's report. In particular, these measures involve:

- Checking the internal control procedures and risk management relating to the preparation and processing of accounting and financial data underlying the information presented in the Chairman's report and the existing documentation;

- Checking the work that has drawn up this information and the existing documentation;

- Determining whether the major internal control deficiencies relating to the preparation and processing of accounting and financial data that we might find as part of our mission are noted appropriately in the Chairman's report.

On the basis of this work, we have no comment to make as to the information given concerning the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial data, as contained in the Chairman of the Board of Directors' report, drawn up in application of article L. 225-37 of the Commercial Code.

Other information

We affirm that the report of the Chairman of the Board of Directors comports with the information required under article L 225-235 of the Commercial Code.

The statutory auditors

Paris La Défense, 27 February 2012	Paris, 27 February 2012
KPMG Audit *Département de KPMG S.A.*	Grant Thornton *Membre français de Grant Thornton International*
Stéphanie ORTEGA	Vincent FRAMBOURT
Associée	*Associate*

6 GENERAL INFORMATION

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, a French limited liability company, was incorporated on 4 December 1985 and subsequently adopted the structure of a limited liability company and the corporate name “SYSTRAN S.A.” on 30 December 1988.

6.1.3 Registered office

5, rue Feydeau

75002 Paris

6.1.4 Lifetime

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

6.1.5 Legal form

“Société Anonyme,” which is a French public limited liability company governed by the Commercial Code and by-laws.

6.1.6 Fiscal year

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

6.1.7 Trade and Corporate Registry

334 343 993 Trade and Company Register PARIS

6.1.8 Activity code

New classification: 5829 B – Development and language software publication tools

Old classification: 722 A – software development

6.2 DOCUMENTS AVAILABLE TO THE PUBLIC

This document is available on the SYSTRAN website at the address http://www.systran.co.uk or on the French financial market authorities' website at the address http://www.amf-france.org.

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

1 - the issuer's incorporating document and by-laws;
2 - all reports, correspondence and other documents, historic financial information, evaluations and statements drawn up by an expert at the Company's request, part of which is included or referred to in this document;
3 - the Company's historical financial information for each of the two fiscal years preceding publication of this document.

Anyone wishing to obtain further information on the SYSTRAN Group can, without commitment, request the documents:

a) by post:

SYSTRAN
Investor Relations
5, rue Feydeau
75002 Paris

b) By telephone: 01 44 82 49 00

The regulatory information is available on the http://www.systran.co.uk website.

6.3 MAJOR CONTRACTS

To date, SYSTRAN has not signed any major contracts, other than those signed as part of its normal business, that impose a major obligation or commitment on the entire Group.

6.4 POSITION OF DEPENDENCY

To date, there are no relationships between SYSTRAN and entities on which SYSTRAN has a strong influence or that are dependent upon it.

6.5 TRENDS

SYSTRAN's prospects have not been affected by any significant deterioration since 31 December 2011, when its last financial statements were audited and published.

6.6 SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL SITUATION

No significant change in the Group's financial or commercial situation has occurred since 31 December 2011 for which the verified financial statements or interim financial statements have been published.

6.7 INVESTMENTS

The Group has not made any significant investment over the last three fiscal years.

6.8 LEGAL PROCEEDINGS AND ARBITRATION

On 16 December 2010, the CFI declared that “the Commission infringed the copyright and know-how held by the SYSTRAN Group regarding the Unix version of the SYSTRAN machine translation software”. As a sanction for those acts, the Court ordered the Commission to pay SYSTRAN liquidated damages in the amount of EUR 12,001,000.

On 28 February 2011, SYSTRAN was informed that the Commission had appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. This appeal is limited exclusively to questions of law and has no suspensive effect.

The European Commission has partially implemented the terms of the CFI's judgment of 16 December 2010 by paying SYSTRAN the sum of EUR 5,685,240 on 9 February 2011, then EUR 6,315,760 on 14 March 2011.

However, despite repeated requests from SYSTRAN, it is yet to pay the balance of the sentence imposed upon it, namely, costs.

On 4 March 2011, the European Commission appealed to the European Court of Justice (ECJ) against the 16 December 2010 judgment of the CFI. On 13 May 2011, SYSTRANS filed its memorandum in response. In 9 September 2011, the Commission produced its response. On 28 October 2011, SYSTRANS filed its rejoinder. On November 8, 2011, the clerk of the Court informed the parties that the written procedure was closed, failing a subsequent decision by the Court. The Court decided to open the oral procedure. The court heard the arguments on 19 April 2012. During the hearing, the Advocate-general indicated that he would deliver his conclusions on 6 September 2012.

6.9 INCORPORATING DOCUMENTS AND BY-LAWS UPDATED ON 13 FEBRUARY 2012

TITLE I
Legal form – Purpose – Company name – Registered office – Lifetime

Article 1 – Legal form

The SOISY TRADUCTION company, a limited liability company, incorporated in a privately-signed deed (acte sous seing privé) at SOISY S/S MONTMORENCY on 4 December 1985 and recorded in ERMONT-OUEST on 6 December 1985, in n Vol. 1, Folio 67, Form 245/2, in application of article 20 of the by-laws, adopted, from 30 December 1988 onwards, the Limited liability legal form and the company name SYSTRAN S.A. as recorded in a privately-signed deed (acte sous seing privé) dated 30 December 1988.

This Company continues to exist between the owners of the shares created hereunder and those that may be subsequently created.

It will henceforth be subject to the provisions of the Commercial Code relating to limited liability companies and to these by-laws.

Article 2 – 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 concerning dictionaries and TERMINOLOGY data banks and all MULTILINGUAL NATURAL LANGUAGE PROCESSING applications.

Management, acquisition, and commercial activities in the field of LANGUAGE INDUSTRIES.

Article 3 – Company name

The Company's name is as follows:

SYSTRAN S.A.

In all deeds, letters, invoices, announcements, publications and other documents of any type issued by the Company and intended for other parties, the company name must be immediately preceded or followed by the words "Société Anonyme" (Limited liability company) or the initials "S.A." and state the amount of the capital stock.

Article 4 – Registered office & Sales offices

The Company's registered office is located at:

5, rue Feydeau - 75002 Paris - France

It may be transferred to any other location in the same or an adjoining department when so decided by the Board of Directors, subject to ratification of said decision by the following Ordinary General Shareholders' Meeting, or to any other location by virtue of a decision by an Extraordinary General Shareholders' Meeting.

The Board of Directors is empowered to create agencies or sales branches anywhere it judges useful, without any restriction.

Article 5 – Lifetime

The lifetime of the Company is set at NINETY-NINE (99) years starting from the date of its registration with the Trade Registry, in the form of a Limited liability company, except in the event of early winding-up or extension provided for in these by-laws.

At least one year before the Company's expiration date, the Board of Directors must summon an Extraordinary General Shareholders' Meeting to decide whether the Company's lifetime must be extended.

TITLE II
Capital contributions – Capital stock – Shares

Article 6 – [Nil]

Article 7 – Capital stock

The capital stock is fixed at the sum of THREE MILLION NINE HUNDRED AND NINETY NINE THOUSAND, EIGHT HUNDRED AND FORTY-THREE Euros (EUR 3,999,843). It is divided into 7,999,686 fully paid-in shares with a per share par value of fifty cents (EUR 0.50) of the same class.

Article 8 – Increase in capital stock

The capital stock may be increased and reduced by any method and in any way permitted by law.

Article 9 – [Nil]

Article 10 – [Nil]

Article 11 – Paying-in of shares

At least half of the face value of shares subscribed in cash must obligatorily be paid in when they are subscribed, together with, as applicable, the total issue premium.

The surplus must be paid up in one or more instalments when requested by the Board of Directors, within five years of the increase in capital becoming final.

The shares may be paid up by compensation with claims to money owed by the Company.

The Board of Directors shall notify subscribers of calls for capital by registered letter with request for acknowledgment of receipt, at the address they provide when subscribing the shares, at least fifteen days before the date set for each payment.

In the event of the shareholder defaulting on the periods fixed by the Board of Directors, the sums owing on the amount of the shares subscribed by him or her shall be subject to interest payable ipso jure to the Company, at the legal interest rate plus 3 points starting from the end of the month following the eligibility date, without requiring the issuance of a claim or a summons.

In addition, to obtain payment of these sums, the Company holds the performance right, recourse to guarantee and sanctions provided for in articles L. 228-27 to L. 228-29 of the Commercial Code.

Shares issued in lieu of profits, reserves or issue premiums must be fully paid up when issued.

Article 12 – Form of shares

The shares are personally registered or bearer shares, as the shareholder chooses.

The Company may, at any time, make use of legal measures relating to the identification of securities granting immediate or subsequent voting rights at shareholders' meetings in accordance with articles L. 228-1 et seq. of the Commercial Code.

Article 13 – Transfer of shares

The shares are freely negotiable.

"(...)[A]ny shareholder, operating alone or jointly, who comes to hold, directly or indirectly, a percentage of shares equal to or greater than 3% of the capital stock and/or voting rights is required to inform the Company within fifteen days of crossing this limit, by registered letter with a request for acknowledgment of receipt addressed to its registered office, and also including in this declaration the total number of shares or instruments granting access to the capital. The information mentioned above is also to be given in the same time when the equity stake or voting rights fall below the threshold mentioned above. In the event of a violation of this reporting obligation, one or more shareholders holding a portion of the capital or voting rights equal to at least three percent (3%) may request that the shares exceeding the portion that should have been declared be deprived of voting rights for any

Shareholders' Meeting that might be held within a two-year period following the date of regularisation of the notification. The request is countersigned in the minutes of the General Shareholders' Meeting. Under the same conditions, the voting rights for the shares that were not properly declared cannot be delegated by the defaulting shareholder.
To the reporting obligation above is added the obligation to report any surpassing of thresholds as provided for by law.

Article 14 – Rights and obligations attached to the shares

1/ Each share gives a right, in the earnings and corporate assets, to a proportional portion of the issued shares, and notably, to settlement of the same net sum, for any allocation or redemption made during the Company's lifetime or liquidation. As a result, all appropriate measures must be taken so that the holder of each share, like all other shares, receives any tax exemptions to which the above share allocations or redemptions entitle him or her.

2/ The rights and obligations attached to the share are transferred to each holder of the share, and the share's transfer includes all dividends due and not paid and accrued, together with any share in reserve funds and provisions.
Ownership of a share automatically entitles its holder to participating in the decisions of the General Shareholders' Meetings and these by-laws.

The heirs, creditors, beneficiaries or other representatives of a shareholder may not, under any pretext, order seals to be placed on the Company's goods and securities or request their sharing or sale by auction, or intermeddle in any way in the Company's administration; they must, in order to exercise their rights, refer to the General Shareholders' Meeting's corporate inventories and decisions.

3/ The shareholders are liable only up to the nominal value of the shares they own; beyond this amount, any call for capital is forbidden.

4/ Whenever it is necessary to own several shares in order to hold a given right, in the event of securities being exchanged, grouped or allocated or the Company's capital being increased or reduced, or a merger or any other corporate operation taking place, the owners of single shares or less shares than the required number may only exercise this right if they make it their personal business to group and, potentially, buy or sell the necessary number of securities.

5/ Unless agreed otherwise with the Company, the usufructuaries of shares are deemed to be their legal owners with respect to the Company. However, the voting right belongs to the usufructuary in Ordinary General Shareholders' Meetings, and to the legal owner in Extraordinary General Shareholders' Meetings.

The pre-emptive subscription right and the right to allocation of free shares belongs to the legal owner. If the latter neglects to exercise his or her rights, the usufructuary may act in place of the legal owner.

TITLE III
Administration of the Company

Article 15 – Board of Directors & Appointment

1/ The Company is administered by a Board of Directors with a minimum of three members and a maximum of twelve members, subject to the waivers provided for in law.

2/ If a Directorship becomes vacant between two General Shareholders' Meetings as the result of a death or resignation, the Board of Directors may appoint a temporary Director.

If only two Directors remain, they, or if not, the Auditors, must immediately convene an Ordinary General Shareholders' Meeting in order to complete the Board.

The Directors appointed by the Board of Directors are subject to ratification at the following Ordinary General Shareholders' Meeting. In the event of the Director(s) not being ratified, the decisions made and acts performed previously by the Board nevertheless remain valid.

The Director appointed as a replacement of another remains in that position only for the remaining period of his/her predecessor's mandate.

3/ The age limit for performing the function of Director or serving as the permanent representative of a legal entity is fixed at 85 years; this limit shall apply only when the number of Directors and permanent representatives who are 85 years old exceeds one third of the number of serving Directors.

"(…) When this limit is exceeded, the oldest Director is deemed to have resigned from office at the following Ordinary General Shareholders' Meeting.

However, the oldest Director shall be deemed to have resigned if the statutory proportion is exceeded as the result of a death or resignation occurring after the previous Ordinary General Shareholders' Meeting. The above conditions shall be required to apply after the Director who has died or resigned has been replaced, however.

In the event of the age limit being reached by a permanent representative of a legal entity, the represented legal entity must immediately appoint a new permanent representative as a replacement, who has not reached that age.

Each Director must own at least THREE shares.

If, on the day he is appointed, a Director does not own the required number of shares or if, during his/her term of office, he ceases to own them, he is deemed to have resigned from office if he does not regularise the situation within a period of THREE months.

Article 16 - Proceedings of the Board of Directors

The Board of Directors meets as often as required by the interests of the Company, by the Chairman or one-third of the Board's members convening the meeting either at the Company's registered office or another place, in France or abroad. It may be convened by any method, even verbally. The CEO may also ask the Chairman to convene the Board of Directors Meeting on a given agenda.

An attendance book, which is signed by the Directors taking part in the meeting, is kept.

In order for the proceedings to be valid, at least half of the serving Directors are required to attend the Meeting. Resolutions are taken by a majority of the votes of the members present or represented. In the event of a split vote, the Chairman's vote is final.

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

The rules of procedure drawn up by the Board of Directors may provide for Directors attending the Board meeting by means of videoconferencing and other means of remote communication that allow the participants to be identified being deemed present when the meeting's quorum and majority are calculated, in accordance with current regulations. This provision does not apply to the closure of the annual financial statements and consolidated financial statements or the drawing-up of the corporate management report and the Group's management report.

Article 17 – Powers and operation of the Board of Directors

1°/ The Board of Directors defines the direction taken by the Company's business and ensures it is followed.

Subject to the powers expressly vested in the General Shareholders' Meetings and within the limits of the Company's purpose, it addresses any question concerning the Company's proper operation and, through its proceedings, decides on matters concerning it.
The Board of Directors performs the controls and checks it considers appropriate.

Each Director receives the information needed in order to perform his/her mission and can request all the documents s/he considers useful.

2°/ From among its members, the Board of Directors chooses a Chairman who, under penalty of his appointment being cancelled, must be a natural person and must not be over 80 years old. When the Chairman reaches this age limit, s/he is automatically considered as having resigned from office and s/he is supposed to manage her/his replacement in the terms envisaged by these by-laws.

The Board of Directors can also appoint a Vice-Chairman from its members if it judges this useful. The Vice-Chairman is responsible for chairing Board of Directors Meetings and General Shareholders' Meetings if the Chairman is unable to do so.

The Chairman and the Vice-President are appointed for a duration which cannot exceed that of their assignment as Director. They may be re-elected subject to the provisions relating to the age limit governing their functions. The Board of Directors can relieve them of their functions at any time.

In the event of the Chairman or the Vice-Chairman being absent or prevented from attending a meeting, the Board chooses which of its attending members is to chair the meeting.

The Chairman represents the Board of Directors. He organises and directs its work, reports on its work at the General Shareholders' Meeting and carries out its decisions. He ensures that the Company's units operate smoothly and makes sure that the Directors are able to perform their functions.

Article 18 - Board of Directors & Proxies

1°/ In accordance with the provisions of article L. 225-1 of the Commercial Code, the Company's executive management is performed, under their own liability, either by the Chairman of the Board of Directors or by another natural person appointed by the Board of Directors and having the title of Chief Executive Officer.

The choice between these two methods of executive management is made by the Board of Directors when its Chairman is appointed. Shareholders and other parties are informed of the decision in accordance with current laws and regulations.

The Board's choices regarding the method of executive management are made by a majority of the Directors attending or represented at the Board Meeting.

The option chosen by the Board of Directors can be queried only at the time of its renewal or when the Chairman of the Board of Directors is replaced or the Chief Executive Officer's term of office ends.

It is not necessary to amend the by-laws if the method of executive management changes.

2°/ When the Board of Directors chooses to split the Chairman's and Chief Executive Officer's functions, it appoints the Chief Executive Officer, defines the length of his/her period of office, which cannot exceed that of the Chairman's appointment, determines the details of his/her remuneration and, if necessary, specifies the limits of his/her powers.

In performing his functions, the Chief Executive Officer must not be more than 80 years old. When the Chief Executive Officer reaches this age limit, he is deemed to have resigned and he must be replaced under the terms and conditions set forth in these by-laws.

The Chief Executive Officer may be removed from office at any time by the Board of Directors. When the Chief Executive Officer is not also the Chairman of the Board of Directors, his/her removal can result in a claim for damages if the decision is not based on fair grounds.

3°/ The Chief Executive Officer is given the widest powers in order to act in any circumstances on behalf of the Company. S/he uses these powers within the limits of the purpose of the Company and subject to the limits that the Commercial Code expressly defines for the shareholders' meetings and the Board of Directors.

The Chief Executive Officer represents the Company in its relations with other parties. The Company is even liable for the Chief Executive Officer's actions that are outside the purpose of the Company, unless it can prove that the other party knew that the action was outside this purpose or it was impossible for it not to know this fact in view of the circumstances, sole publication of the by-laws not constituting sufficient proof.

When the Company's executive management is performed by the Chairman of the Board of Directors, the provisions of this paragraph 3/ relating to the Chief Executive Officer are also applicable to him.

4°/ If so proposed by the Chief Executive Officer, the Board of Directors may appoint one or more natural persons to assist the Chief Executive Officer and having the title of Deputy Chief Executive Officer.

The maximum number of executive officers is set at five.

When performing his/her functions, a Deputy Chief Executive Officer must not be over 85 years old. When a Deputy Chief Executive Officer reaches this age limit, he is deemed to have resigned and he must be replaced under the terms and conditions set forth in these by-laws.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and the duration of the powers granted to the Deputy Chief Executive Officers and the details of their remuneration. Deputy Chief Executive Officers have the same powers as the Chief Executive Officer in relations with other parties.

In the event of the Chief Executive Officer being absent or prevented from attending a meeting, the Deputy Chief Executive Officers retain their functions and assignments until a new Chief Executive Officer is appointed, unless decided otherwise by the Board of Directors.

When the Company's executive management is performed by the Chairman of the Board of Directors, the provisions of this paragraph 4/ relating to the Chief Executive Officer are also applicable to him/her.

Article 19 - Remuneration of the Directors and the Executive Management

1°/ The Ordinary Shareholders' Meeting may grant the Directors, as remuneration for their work, a fixed annual lump sum as attendance fees. Their amount is recorded as operating expenses of the Company.

The Board distributes this amount freely between its members.

2°/ The remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officers, as well as, if necessary, that of a Director delegated the Chairman's functions, is set by the Board of Directors in the event of the Chairman being temporarily prevented from performing his/her functions or upon the death of the Chairman.

3°/ The Board of Directors can be allowed special remuneration for the special assignments entrusted to the Directors; in this case, this remuneration is recorded as operating costs and is submitted to the Ordinary General Shareholders' Meeting for approval under the terms and conditions set forth in articles L. 225-38 to L. 225-42 of the Commercial Code.

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

Article 20 - Agreement between the Company and a Director or a (Deputy) Chief Executive Officer

Any direct or indirect agreement between the Company and its CEO, one of its Deputy Chief Executive Officers, one of its Administrators, one of its shareholders holding over 5% of the voting rights or, if it is a shareholding company, the company controlling it as defined in article L. 233-3 of the Commercial Code must be submitted for prior authorisation by the Board of Directors.

The same is true for transactions to which any of the persons referred to in the previous sub-paragraph is indirectly involved.

Transactions between the Company and another company, if the Company's Chief Executive Officer, one of its Deputy Chief Executive Officers or one of its Directors is the owner, partner, Officer, Director, member of the board of trustees or, in a general way, the executive manager of the company also require prior authorisation.

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

The above provisions are not applicable to agreements relating to the Company's everyday transactions contracted under standard terms. The party concerned shall, nevertheless, inform the Chairman of the Board of Directors of these transactions. The Chairman shall provide the members of the Board of Directors and the Statutory Auditors with the list of transactions and details of their purpose.

TITLE IV
Controls & prevention of difficulties

Article 21 – Statutory Auditors

The Company's controls shall be performed by one or more Statutory Auditors under the terms and conditions defined by the law.

Article 22 – Prevention of difficulties

If the Company meets the legal criteria, the Board of Directors must draw up the accounting and financial documents and the periodic reports specified by articles L. 232-2 and L. 232-3 of the Commercial Code.

The Works Committee or, if not, the shop stewards, shall perform the assignments provided for in articlesL. 2313-14 and L. 2323-78 of the Labour Code.

TITLE V
Shareholders' meetings

Article 23 – General Shareholders' Meetings

1/ The shareholders' joint resolutions shall be made during Ordinary or Extraordinary General Shareholders' Meetings. An Ordinary General Shareholders Meeting is one that is required to take all decisions that do not change the by-laws.

It is held at least once a year, within six months of the end of the fiscal year just completed.

An Extraordinary General Shareholders' Meeting is the only one 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 transactions 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 a legal representative, in accordance with the terms and conditions stipulated by the law and regulations.

“(…) 2°/ Any shareholder whose shares, whatever their number, are recorded under the conditions and at a date fixed by the laws and regulations in force, has the right to attend meetings upon proof of capacity and identity. S/he can, in accordance with the laws and regulations in force, personally attend the meeting, vote by mail, or give a proxy to a representative.
The intermediary registered on behalf of shareholders may participate in meetings as provided by laws and regulations in force.

Proxy forms or votes by mail must reach the address specified in the notice not later than the third business day preceding the meeting at midnight, Paris time, unless a shorter period has been established by the Board.

3/ For any proxy sent to the Company by a shareholder without stating the representative, the Chairman shall issue a vote in favour of adopting draft resolutions submitted or approved by the Board of Directors, together with a vote against adopting all other draft resolutions.

4/ In addition to the voting right attached to the shares, a double voting right in consideration of the portion of the Company's capital that the shares represent is granted to all fully paid and duly registered shares once they have been held for at least 4 years by the same stockholder, 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 legal owner in Extraordinary General Shareholders' Meetings.

In the event of a capital increase 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 transferred to ownership loses the double voting right. Nevertheless, transfer as a consequence of succession, liquidation of community property between spouses, or donation between living spouses to the benefit of a spouse or relative of inheritable relationship, does not cause the right to be lost and does not interrupt the deadlines provided for in article L. 225-123 of the Commercial Code.

Company mergers do not affect the double voting right, which can be exercised in the acquiring Company if this is allowed by its by-laws.

5/ An attendance sheet is kept at each meeting.

This attendance sheet, duly signed by the attending shareholders and proxies, is certified as accurate by the Meeting's officers.

The Meeting is chaired by the Chairman of the Board of Directors, and failing this by a Director appointed to replace him.

The duties of the ballot-counters are filled by two shareholders, present and accepting, representing both on their own behalf and as proxies, the largest number of shares.

These officers will appoint a Secretary, who cannot be a shareholder.

Article 24 – Quorum and majority

"1/ The Ordinary General Shareholders' Meeting will be in valid session when first convened only if the attending or represented shareholders hold at least one-fifth of the shares with voting rights.
On the second convocation, no quorum is necessary.

It rules by a majority of votes cast by attending or represented shareholders. The Company cannot vote validly with shares that it has subscribed or acquired itself. Such shares are not counted in calculating the quorum.

2/ The Extraordinary General Shareholders' Meeting can deliberate validly only if the attending or represented shareholders constitute at least one-quarter of the voting shares on first convocation, and one-fifth of the shares entitled to vote on the second convocation.

It rules by a majority of two-thirds of votes cast by attending or represented shareholders.

Notwithstanding the above provisions, a General Shareholders' Meeting that approves a capital increase through the capitalisation of reserves, earnings or premiums can rule under an Ordinary General Shareholders' Meeting's conditions of quorum and majority.

A General Shareholders' Meeting called to rule on the conversion of the Company does so under the majority conditions provided for in article L. 225-245 of the Commercial Code and which differ depending on which new formula is to be decided upon.

3/ In the event of a postal ballot, this will be in paper form in accordance with the regulatory requirements.

In calculating the quorum, only forms received by the Company before the General Shareholders' Meeting is held are considered, subject to the time deadlines set by the regulatory provisions.

Forms stating no vote or expressing an abstention are considered negative.

Article 25 – Reports

The deliberations of General Shareholders' Meetings are recorded in written or bound reports in a special detailed and initialled register in accordance with regulatory requirements.

These reports are signed by the members of the Board of Directors. Legally binding copies or extracts may be provided if they are signed by the Chairman of the Board of Directors, the Director temporarily appointed to replace the Chairman unable to attend, two Directors or, following the Company's liquidation, by a liquidator.

TITLE VI

Article 26 – SHAREHOLDERS' RIGHT OF COMMUNICATION

Each shareholder is entitled to be provided with, and the Board of Directors is obliged to provide him with or make available to him, the documents needed in order to enable him to express an informed opinion and state a judgment on management and operation of the Company.

The details of these documents and the way in which they are provided to shareholders are specified by the law and the appropriate decrees.

Each shareholder is also entitled, starting from the date on which the documents are provided and prior to any General Shareholders' Meeting, to state in writing any questions that the Board of Directors will be required to answer at the Meeting.

TITLE VII
Annual financial statements

Article 27

The fiscal year begins on 1er January and ends on 31 December each year.

At the end of each fiscal year, the Board of Directors draws up, with a view to recording the book items and inventory, the annual accounts including an inseparable whole consisting in the following: the balance sheet together with the report of warranties and guarantees, the report of securities, the income statement and a schedule intended to supplement and comment upon, as appropriate, the information provided in the balance sheet and the income statement.

It provides a written report of the Company's position and its business during the completed fiscal year.

The Statutory Auditors are provided with all of these documents in accordance with the applicable legal and regulatory terms.

From each fiscal year's earnings, less any previous losses, five percent is first deducted for the legal reserve fund; this deduction is no longer mandatory when this fund amounts to one-tenth of the capital stock; it resumes when, for any reason whatsoever, the statutory reserve falls below this fraction.

The balance, increased if necessary by unallocated earnings, constitutes distributable earnings.

The Ordinary General Shareholders' Meeting, at the proposal of the Board of Directors, may resolve on the allocation of all or part of these distributable earnings to the unallocated earnings fund or to the allocation of all reserve accounts, established or to be established, extraordinary, general or special reserve accounts, specifically pursuant to the tax provisions. The General Shareholders' Meeting rules on the allocation or use of these funds. It may also entrust such allocation or use to the Board of Directors.

From the balance, if any, the required amount is applied to be used for all shares at an interest rate of five percent per year of their par value, paid-in and not amortised, as first dividend, without possibility, if the earnings for a fiscal year fail to allow complete payment of this first dividend, for the shareholders to claim it from the earnings of subsequent fiscal 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 losses are posted to the balance sheet in a separate account, after the financial statements have been approved by the General Shareholders' Meeting.

The General Shareholders' Meeting may decide to post the amounts to the reserves available to it; in this case the decision expressly applies to postings of reserves for which provisions are applied.

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, a choice between payment of the dividend in cash or shares issued by the Company, subject to the terms and conditions set or allowed by the legal or regulatory provisions.

Article 28 – Dividend advances

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, following deduction of any necessary depreciation and provisions and any previous losses and amounts to be applied to reserves have been deducted, in accordance with the law and by-laws, advances on dividends may be paid before the financial statements for the fiscal year are approved.

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 taken if the Company's shareholders' equity becomes less than half of the capital stock

If, due to the losses stated in the accounts, the shareholders' equity becomes less than half of the capital stock, the Board of Directors must convene an Extraordinary General Shareholders' Meeting to decide whether the Company must be wound up, within four months of the accounts that revealed this loss being approved.

If the Company's winding-up is not decided upon, the Company must, no later than the end of the second fiscal year following that in which the loss was observed, and subject to the legal measures fixing the minimum capital stock, reduce its capital by an amount at least equal to the losses that could not be charged to the provisions if, within that time, the shareholders' equity could not be built up to a value equal to at least half of the capital stock.

Article 30 – Dissolution & Liquidation

At the expiration of the Company's lifetime or if it is wound up early for any reason whatsoever, the Company shall be liquidated by one or more liquidators appointed by the Board of Directors, subject to the terms and conditions governing quorum and majority set forth for Ordinary General Shareholders' Meetings and, if not, in a legal decision.

Liquidation shall be carried out in accordance with the provisions provided for in law.

The net revenue resulting from the liquidation, after the liabilities and expenses have been cleared and the shareholders have been refunded the unamortised nominal value of their shares, is divided between the shareholders proportionally to the number of shares they hold, taking into account, if applicable, the rights conferred by the different types of shares.

TITLE IX
Disputes

Article 31

Any disputes that may occur during the Company's lifetime or liquidation, either between the shareholders and the Company or between the shareholders themselves, regarding corporate matters or the performance of the by-laws, shall be judged in accordance with French law and submitted to the competent courts.

-oOo-

6.10 TEXT OF RESOLUTIONS PRESENTED TO THE COMBINED SHAREHOLDERS GENERAL MEETING OF 22 JUNE 2012

I. Competence of the Ordinary General Shareholders' Meeting

FIRST RESOLUTION

Following the reading of the reports of the Board of Directors, the report of the Chairman of the Board of Directors as provided for in article L. 225-37 of the Commercial Code and the report of the Statutory Auditors on the corporate financial statements, the General Shareholders Meeting decided on the quorums and majorities required in Ordinary General Shareholders Meetings and approves the annual financial statements for the fiscal year ended on 31 December 2011 as presented to it, with a positive closing balance of EUR 644,887 for this fiscal year, together with the transactions represented in these financial statements or summarised in these reports.

It approves the total amount of the costs and expenses nondeductible from the taxable earnings of the Companies covered by article 39-4 of the French Tax Code, amounting to EUR 35,031.

Accordingly, it gives the Directors and Statutory Auditors full and unqualified discharge of the execution of their assignments for the aforementioned fiscal year.

SECOND RESOLUTION

Following the reading of the reports of the Board of Directors, the Chairman of the Board of Directors and the Statutory Auditors on the consolidated financial statements, the General Shareholders Meeting decides on the quorums and majorities required in Ordinary General Shareholders Meetings and approves the consolidated financial statements for the fiscal year ended on 31 December 2011 as presented to it, with a positive closing balance of EUR 697,714 for this fiscal year, together with the transactions represented in these financial statements or summarised in these reports.

Accordingly, it gives the Directors and Statutory Auditors full and unqualified discharge of the execution of their assignments for the aforementioned fiscal year.

THIRD RESOLUTION

The General Shareholders Meeting decides on the quorums and majorities required in Ordinary General Shareholders Meetings and resolves to allocate the profit made in the fiscal year, totalling EUR 644,847, to the Carried Forward account, bringing it to a balance of EUR 644,847.

In accordance with current legislation, the General Shareholders' Meeting notes that no dividend was distributed during the last three fiscal years.

FOURTH RESOLUTION

The General Shareholders' Meeting, following the reading of the Statutory Auditors' special report on the agreements covered by articles L. 225-38 et seq. of the Commercial Code, and acting upon the quorum and majorities required for the Ordinary General Shareholders' Meetings, approves the report's conclusions and the agreements mentioned in it.

FIFTH RESOLUTION

The General Shareholders' Meeting, acting upon the quorums and majorities required in Ordinary General Shareholders' Meetings, resolves to allocate ultimately by the Board of Directors attendance fees for the fiscal year to and among the members of the Board of Directors in the amount totalling EUR 36,000.

SIXTH RESOLUTION

The General Shareholders' Meeting notes that KPMG's mandate as Statutory Auditors has just expired.

The General Shareholders' Meeting decides on the appointment as Statutory Auditors of the KPMG AUDIT IS company for a term of six fiscal years expiring after the General Shareholders Meeting ruling on the financial statements for the fiscal year ending 31 December 2017.

KPMG AUDIT IS has indicated that it accepted this nomination.

SEVENTH RESOLUTION

The General Shareholders Meeting notes that the mandate of J.C. ANDRE, acting in case of replacement of the regular auditors, has just expired.

The General Shareholders' Meeting decides on the appointment as Statutory Auditors of the KPMG AUDIT ID company for a term of six fiscal years expiring after the General Shareholders Meeting ruling on the financial statements for the fiscal year ending 31 December 2017.

KPMG AUDIT ID has indicated that it accepted this nomination.

EIGHTH RESOLUTION

The General Shareholders' Meeting, after hearing the report of the Board of Directors and acting upon the quorum and majority required in Ordinary General Shareholders' Meetings, authorises the former, with power of delegation, to proceed to the purchase of the Company's shares pursuant to articles L. 225-209 et seq. of the Commercial Code, Regulation No. 2273/2003 of the European Commission and the General Regulations of the AMF, in one or more stages, up to 10% of the Company's capital stock, with the Company's capital adjusted if necessary to take into account any capital increases occurring during the period of the plan.

The shares may be purchased, in order of priority, with the aim of doing the following:

- cancel purchased shares, if desired, provided that this is approved by the authority granted under this General Shareholders' Meeting in its ninth extraordinary resolution *;*
- hold purchased shares and eventually exchange or sell them later as a result of any external growth, merger, division or contribution in accordance with the law;
- Ensure that share purchase option plans and other forms of share allocation to employees and/or Directors of the Company and the Group's subsidiaries are covered, in accordance with the terms and conditions stipulated by the law, notably concerning the company's profit-sharing, company savings plans or the free allocation of shares;
- Ensure the coverage of securities entitling their holders to the allocation of Company shares under current regulations;
- Manage the secondary market dealing or liquidity of SYSTRAN shares by means of an investment service provider, through a liquidity agreement that complies with the ethic charter recognised by the French Securities Regulator.

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 sets the maximum sale price at five (5) euros. The maximum number of shares the Company may acquire under this resolution must not exceed 10% of the capital, this limit calculated at the time of redemption, and the overall maximum amount allocated to the share repurchase programme may not exceed EUR 3,999,843 (based on 7,999,686 shares comprising the share capital as of 13 February 2012). The meeting gives all powers to the Board of Directors in capital transactions of the Company to adjust the aforementioned purchase price to reflect the impact on the value of the shares.

To ensure the execution of this delegation, full authority is given to the Board of Directors, for the purpose of:

- Placing all trading orders and entering into all agreements, notably with a view to keeping a record of all share purchases and sales;
- Making all declarations and completing all formalities and, in general, doing all that is necessary.

This authorisation supersedes any previous delegation of the same nature, and especially that provided in the eleventh resolution of the Ordinary and Extraordinary Shareholders' Meeting of 24 June 2011. This authorisation is granted for a period of 18 months from today. The Board of Directors will inform the annual Ordinary General Shareholders' Meeting of all transactions carried out pursuant to this resolution.

II. Competence of the Extraordinary General Shareholders Meeting

NINTH RESOLUTION

The General Assembly, after hearing the report of the Board of Directors and the Statutory Auditors' special report and acting under the quorum and majority required for Extraordinary General Meetings, decides, in accordance with Article L. 225-209 of the Commercial Code, to authorise the Board of Directors to:

- reduce the capital stock by up to 10% of the total capital stock, by cancelling all or some of the acquired shares on one or more occasions per 24-month period acquired in the Company's plan to buy back its own shares; and

- allocate the difference between the purchase value of the cancelled shares and the book value to premiums and available reserves.

The Meeting gives for this purpose 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 the cancellations authorised by this resolution, to amend, as applicable, the by-laws, and to more generally do all that is necessary for the successful completion of these transactions.

The maximum number of shares that the Company may cancel by virtue of this authorisation, within a period of twenty-four months, is 10% of the shares forming the Company's capital, with the understanding that this limit applies to an amount of the Company's capital that shall, as appropriate, be adjusted to take into account transactions affecting it later than this present General Shareholders' Meeting.

This authorisation is granted for a period of 18 months from this day, and cancels all previous delegations of the same type, and in particular the one granted in the twelfth resolution of the Ordinary and Extraordinary General Shareholders' Meeting of 24 June 2011.

TENTH RESOLUTION

The General Assembly, acting under the quorum and majority required for Extraordinary General Meetings, having considered the report of the Board of Directors and the special report of the Auditors and in accordance with Articles L. 225-129 and Articles L. 228-91 et seq. of the Commercial Code:

1. Delegates to the Board of Directors, with the power to subdelegate as provided by law, its competence to decide one or more capital increases, with the retention of the preferential subscription rights of shareholders:

   a) by the issuance in France or abroad, of (i) common shares of the Company or (ii) any securities of any kind giving access, by any means, immediately or ultimately to a proportion of the Company's stock, which can be paid for in euros or in any other currency and can be subscribed to either in cash or offset against receivables;

and/or

   b) through the incorporation of prime capital, reserves, profits or other capitalisation permissible by law and under the by-laws, by raising the par value of the existing shares.

2. Resolves that the delegation and consent to the Board of Directors is valid for a period of 26 (twenty-six) months from the present General Shareholders' Meeting and acknowledges that this authorisation supersedes any previous authorisation on the same subject, including that passed the ninth resolution of the Combined Shareholders' Meeting of 25 June 2010;

3. Resolves that the total nominal increase of capital stock through the issuing of shares giving access immediately or in the long term, at any time or on a fixed date, to the Company's capital, at a maximum par value may not exceed five million euros (EUR 5,000,000), given that the maximum total nominal capital possible under this delegation and conferred under the eleventh and twelfth resolution of this meeting is fixed at eleven million, six hundred and forty eight thousand euros (EUR 11,648,000), in which are included the adjustments or additional issuances that may be made to preserve, in accordance with the law, the rights of holders of securities that have an entitlement to shares;

4. Resolves that the total amount of capital increases resulting from the incorporation of reserves, bonuses, benefits referred to in 1/b), plus the amount necessary to preserve, in accordance with the law, the rights of holders of securities giving right to shares and regardless of the ceiling at 3, may not exceed the amount of reserve accounts, bonuses or benefits that exist at the time of the capital increase.

5. Resolves that, in case of the use of the Board of Directors of this current delegation regarding an issuance referred to in 1 a):

   - The shareholders have a preferential right to subscribe for shares or securities issued under this resolution in proportion to the amount of their shares;

   - This delegation also allows the Board of Directors to establish, where appropriate, rights to subscribe for shares on a preemptive basis for new share issuances not subject to an irrevocable subscription, which allocate to the holder of the subscription rights a higher number of securities than under an irrevocable subscription basis and in proportion to their number of subscription rights and within the limits of their requests;

   If the subscriptions on an irrevocable subscription basis, or, if appropriate, a preemptive basis, are not absorbed by the entirety of the share or security issuance as defined above, the Board of Directors may use one or more of the following options, in the order it chooses:

   - limit the increase of capital to the amount of the subscriptions, provided that it totals at least three-quarters of the approved increase,

   - Make the allotment in whole or in part to the persons regarding their choice, but not make the offer public.

6. Acknowledges and agrees that, as necessary, this authorisation by law and with regards to the holders of securities having access to shares of the Company liable to be issued by the Company under this resolution, constitutes an express waiver by the shareholders of their preferential right of subscription to the shares to which these securities entitle them, pursuant to article L.225-132 of the Commercial Code;

7. Grants the Board of Directors full powers, with the option to subdelegate authority under conditions laid down by law, to implement the present authorisation and, particularly, to:

   - Determine the issuances and all terms and conditions, including, particularly, the dates and amounts of the issuance as well as the form and characteristics of the securities; determine the issue price of shares or securities giving access to capital, the tenure dates (even retroactively), their mode of release, including, where appropriate, the possibility of suspending the exercise of rights attached to securities for a period not exceeding the maximum period prescribed by the laws and regulations in force; set and carry out any adjustments to take into account the impact on the capital of the company and set the conditions under which such capital will be protected, and, where appropriate, preserve the rights of holders of securities having access to capital;

   - Process, where appropriate, all expenses related to the premiums associated with the capital increase and deduct against this amount the required sums necessary to provide for the legal reserve;

   - Confirm the capital increase made through use of this authorisation, and amend the by-laws accordingly;

   - And, in general, take all necessary measures and conclude all agreements to achieve the successful completion of the proposed issuances.

ELEVENTH RESOLUTION

The General Assembly, acting under the quorum and majority required for Extraordinary General Meetings, having considered the report of the Board of Directors and the special report of the Auditors and in accordance with Articles L. 225-129-2 and Articles L. 225-135, L.225-136, L.228-91 to L. 228-93 of the Commercial Code,

1. Delegates to the Board of Directors, with power to subdelegate as provided by law, its competence to decide, with cancellation of the preferential subscription right for shareholders, one or more capital increases through an issuance in France or abroad, either in euros or in any other currency either in cash or by offsetting against receivables for the subscription of (i) common shares of the Company or (ii) any securities of any kind giving access, by any means, immediately or ultimately to a share of the Company's capital;

2. Resolves that the capital increases that can be made under this delegation immediately or over time, may be made by public offers referred to in Article L. 225-136 of the Commercial Code.

3. Resolves that the delegation and consent to the Board of Directors is valid for a period of 26 (twenty-six) months from the present General Shareholders' Meeting and acknowledges that this authorisation supersedes any previous authorisation on the same subject, including that passed the tenth resolution of the Combined Shareholders' Meeting of 25 June 2010;

4. Resolves that the total nominal increase of capital stock through the issuing of shares giving access immediately or in the long term under the above delegation may not have a maximum par value exceeding five million euros (EUR 5,000,000), it being specified that this amount will be deducted from the global ceiling referred to in paragraph 3 of the tenth resolution of this meeting (EUR 11,648,000), in which are included the adjustments or additional issuances that may be made to preserve, in accordance with the law, the rights of the holders of securities having entitlement to shares;

5. Resolves to remove the preferential subscription rights of shareholders in securities issued by the use of this delegation, it being understood that the Board of Directors may grant existing shareholders for a period and under the conditions fixed in accordance with the legal and regulatory requirements, on the whole issue made by a public offer, a priority period as provided for in Article L. 225-135, 2nd paragraph of the Commercial Code to purchase the securities referred to above, in proportion to number of shares held by each shareholder, in either irreducible or possibly reducible title.

6. Acknowledges and agrees that, as necessary, this authorisation by law and with regards to the holders of securities having access to shares of the Company liable to be issued by the Company under this resolution, constitutes an express waiver by the shareholders of their preferential right of subscription to the shares to which these securities entitle them, pursuant to article L.225-132 of the Commercial Code;

7. Resolves that the issue price of shares and/or securities will be determined in accordance with the provisions of Article L. 225-136, 1 and R.225-119 of the Commercial Code, including:

   - The share price of the issuance is at least equal to the weighted average of the last three trading days preceding the determination, possibly with a discount of up to 5%;

   - The issue price of the securities having access to capital will be such amount that whether either immediately received by the Company, or, where appropriate, if likely to be received later by the Company, that for each share issued as a result of the issuance of these securities, it will be at least equal to the minimum subscription price defined in the preceding paragraph.

8. Grants the Board of Directors full powers, with the option to subdelegate authority under conditions laid down by law, to implement the present authorisation and, particularly, to:

   - Determine the issuances and all terms and conditions, including, particularly, the dates and amounts of the issuance as well as the form and characteristics of the securities; determine the issue price of shares or securities giving access to capital, the tenure dates (even retroactively), their mode of release, including, where appropriate, the possibility of suspending the exercise of rights attached to securities for a period not exceeding the maximum period prescribed by the laws and regulations in force; set and carry out any adjustments to take into account the impact on the capital of the company and set the conditions under which such capital will be protected, and, where appropriate, preserve the rights of holders of securities having access to capital;

   - Process, where appropriate, all expenses related to the premiums associated with the capital increase and deduct against this amount the required sums necessary to provide for the legal reserve;

   - Confirm the capital increase made through use of this authorisation, and amend the by-laws accordingly;

   - And, in general, take all necessary measures and conclude all agreements to achieve the successful completion of the proposed issuances.

TWELFTH RESOLUTION

The General Assembly, acting under the quorum and majority required for Extraordinary General Meetings, having considered the report of the Board of Directors and the special report of the Auditors and in accordance with Articles L. 225-129-2 and Articles L. 225-135, L.225-136, L.228-91 to L. 228-93 of the Commercial Code,

1. Delegates to the Board of Directors, with power to subdelegate as provided by law, its competence to decide, with cancellation of the preferential subscription right for shareholders, one or more capital increases through an issuance in France or abroad, either in euros or in any other currency either in cash or by offsetting against receivables for the subscription of (i) common shares of the Company or (ii) any securities of any kind giving access, by any means, immediately or ultimately to a share of the Company's capital;

2. Resolves that any capital increases that may be made under this delegation, immediately or over time, may be made by an offer referred to in Article L.411-2 of the Monetary and Financial Code, up to a limit of 20% of the capital stock annually;

3. Resolves that the delegation and consent to the Board of Directors is valid for a period of 26 (twenty-six) months from the present General Shareholders' Meeting and acknowledges that this authorisation supersedes any previous authorisation on the same subject, including that passed the eleventh resolution of the Combined Shareholders' Meeting of 25 June 2010;

4. Resolves that the nominal value of increases in capital stock that may be realised may not have a maximum par value exceeding one million six hundred and forty eight thousand (1,648,000) euros, it being specified that this amount will be deducted from the global ceiling referred to in paragraph 3 of the ninth resolution of this meeting (EUR 11,648,000), in which are included the adjustments or additional issuances that may be made to preserve, in accordance with the law, the rights of the holders of securities having entitlement to shares;

5. Resolves to remove the preferential subscription rights of shareholders in securities issued by the use of this delegation, it being understood that the Board of Directors may grant existing shareholders for a period and under the conditions fixed in accordance with the legal and regulatory requirements, on the whole issue made by a private offer, a priority period as provided for in Article L. 225-135, 2nd paragraph of the Commercial Code to purchase the securities referred to above, in proportion to number of shares held by each shareholder, in either irreducible or possibly reducible title. ;

6. Acknowledges and agrees that, as necessary, this authorisation by law and with regards to the holders of securities having access to shares of the Company liable to be issued by the Company under this resolution, constitutes an express waiver by the shareholders of their preferential right of subscription to the shares to which these securities entitle them, pursuant to article L.225-132 of the Commercial Code;

7. Resolves that the issue price of shares and/or securities will be determined in accordance with the provisions of Article L. 225-136, 1 and R.225-119 of the Commercial Code, including:

   - The share price of the issuance is at least equal to the weighted average of the last three trading days preceding the determination, possibly with a discount of up to 5%;

   - The issue price of the securities having access to capital will be such amount that whether either immediately received by the Company, or, where appropriate, if likely to be received later by the Company, that for each share issued as a result of the issuance of these securities, it will be at least equal to the minimum subscription price defined in the preceding paragraph.

8. Grants the Board of Directors full powers, with the option to subdelegate authority under conditions laid down by law, to implement the present authorisation and, particularly, to:
   - Determine the issuances and all terms and conditions, including, particularly, the dates and amounts of the issuance as well as the form and characteristics of the securities; determine the issue price of shares or securities giving access to capital, the tenure dates (even retroactively), their mode of release, including, where appropriate, the possibility of suspending the exercise of rights attached to securities for a period not exceeding the maximum period prescribed by the laws and regulations in force; set and carry out any adjustments to take into account the impact on the capital of the company and set the conditions under which such capital will be protected, and, where appropriate, preserve the rights of holders of securities having access to capital;

   - Process, where appropriate, all expenses related to the premiums associated with the capital increase and deduct against this amount the required sums necessary to provide for the legal reserve;

   - Confirm the capital increase made through use of this authorisation, and amend the by-laws accordingly;

   - And, in general, take all necessary measures and conclude all agreements to achieve the successful completion of the proposed issuances.

THIRTEENTH RESOLUTION

The General Meeting of Shareholder, acting under the quorum and majority required for Extraordinary General Meetings, having considered the report of the Board of Directors and the special report of the Auditors, and acting in accordance with article L. 225-136, 1, 2 of the Commercial Code, authorises the Board of Directors for a period of 26 (twenty-six) months from the date of the meeting, decided for each issue under the eleventh and twelfth resolution before and within 10% of the capital of the Company in any period of 12 months, to derogate from the conditions of the above pricing in the eleventh and twelfth resolutions and set the issue price of shares and/or securities issued under the following terms:

1. The issue price will equal the amount withheld in the range between 80% and 120% of the average closing price of the last twenty trading days preceding the date of fixing the issue price.

2. The total capital increase, immediate or future, resulting from the issuance realised is deducted from the ceilings for capital increases previously established by the eleventh and twelfth resolutions, depending on the case, and from the global ceiling referred to in paragraph 3 of the tenth resolution.

FOURTEENTH RESOLUTION

The General Assembly, having considered the report of the Board of Directors and the special report of the Auditors, authorises the Board of Directors full powers, in accordance with the provisions of Article L. 225-129-6 clause 1 and L. 225-138-1 of the Commercial Code to issue on one or more occasions in a capital increase of shares having a maximum par value of EUR 123,633 to be reserved for employees of Company and/or its subsidiaries, and members of a company savings plan pursuant to the provisions of Article L.3332-18 of the Labour Code.

The General Shareholders' Meeting resolves to cancel the preferential rights of the shareholders for the shares to be issued that are the subject of the present delegation.

This authorisation is granted for a period of eighteen months from this day.

In accordance with the provisions of the Article L.3332-19 of the Labour Code, the subscription price of shares for the employee beneficiaries mentioned above, cannot be higher than the average market price for twenty trading days preceding the date of the decision on the opening date of the subscription. It also may not be less than 20% of this admission price or average, or 30% when the unavailability period under the plan pursuant to Articles L.3332-25 and L.3332-26 of the Labour Code is greater than or equal to ten years.

The General Shareholders' Meeting grants the Board of Directors full powers to implement the present authorisation and, for this purpose, to:

- Set the number of new shares to be issued and their date;
- Set the issue price of the new shares and the time granted to employees to exercise their rights, according to the Statutory Auditors' report;
- Set the deadlines and terms for the release of new shares;
- Confirm the completion of the capital increase(s) and amend the by-laws accordingly;
- Undertake all transactions and formalities required due to the capital increase(s).

III. Competence of the Combined General Shareholders' Meeting

FIFTEENTH RESOLUTION

The General Shareholders' Meeting grants all powers to the Board of Directors and to its Chairman, with the right to delegate those powers, to conduct all legal formalities regarding the publication of this Meeting's documents, and to the bearer of an original, extract or certified copy of the minutes reporting its resolutions, to conduct all formalities prescribed by law relating to this Meeting.

-oOo-

6.11 STATUTORY AUDITORS' SPECIAL REPORT ON THE REGULATED AGREEMENTS AND COMMITMENTS FOR THE FISCAL YEAR ENDING 31 DECEMBER 2011

Mesdames, Messieurs les Actionnaires,

In our capacity as Statutory Auditors of your company, we report to you on the regulatory agreements and commitments.

Our responsibility is to communicate to you, on the basis of the information that we were provided, the essential characteristics and terms of agreements and commitments of which we have been informed or that we have discovered during our mission, without having to pass judgment on their usefulness and their merits or seek the existence of other agreements. According to the provisions of article R. 225-31 of the Commercial Code, it is for you to judge the usefulness of signing these agreements or commitments, with a view to their approval.

Furthermore, it is our responsibility, if any, to provide you with the information specified in Article R. 225-31 of the Commercial Code relating to the execution, during the past year, of agreements and commitments already approved by the General Shareholder's Meeting.

We have taken the measures that we have thought necessary with regard to the professional doctrine of the national Company of Statutory Auditors concerning this assignment. These measures have consisted in verifying that the information we have been given agrees with the basic documents from which they are taken.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL SHAREHOLDER MEETING

Authorised agreements and commitments during the past fiscal year

We have not informed you of having received any authorised agreement or commitment during the fiscal year to be submitted for approval by the General Shareholders' Meeting pursuant to the provisions of Article L. 225-38 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDER MEETING

Agreements and commitments approved in the course of previous fiscal years and which continued into this fiscal year

Pursuant to article R. 225-30 of the Commercial Code, we have been informed that the following agreement, which was approved in previous fiscal years, continued into the last fiscal year.

- Your company has signed a service contract with the Valfinance company (which merged with the Techniques Nucléaires S.A. company during fiscal year 2011), for the storage of your archives. A EUR 28,000 net expense was recorded in the financial statements for fiscal year 2011. The Director concerned is Dimitris Sabatakakis (Chairman of the Board of Directors of Systran SA).

Agreements and commitments approved in the course of previous fiscal years and which continued into this fiscal year

Furthermore, we have been informed that the following agreement already approved by the General Shareholder Meeting in previous fiscal years, was not given a place of performance in the last fiscal year.

- Personal guarantee provided up to a limit of EUR 152,449.02 by Mr. Dimitris Sabatakakis to ensure the refunding of all amounts due by SYSTRAN S.A. to Natixis. The director concerned is Mr. Dimitris Sabatakakis (Chairman of the Board of Directors of SYSTRAN S.A.). This agreement did not affect the accounts ending on 31 December 2011.

The statutory auditors

Paris La Défense, 27 February 2012

KPMG Audit
Département de KPMG S.A.

Stéphanie ORTEGA
Associée

Paris, 27 February 2012

Grant Thornton
Membre français de Grant Thornton International

Vincent FRAMBOURT
Associate

7 AUDITORS OF THE FINANCIAL STATEMENTS

7.1 STATUTORY AUDITORS

KPMG
1 cour Valmy

92044 PARIS LA DEFENSE Cedex

Grant Thornton
100 rue de Courcelles

75017 Paris

KPMG S.A. was appointed as Statutory Auditors by the Combined General Shareholders' Meeting of 23 June 2006 for a term of six fiscal years expiring after the General Shareholders' Meeting ruling on the financial statements for the fiscal year ending 31 December 2011.

KPMG is represented by Mrs. Stéphanie Ortega

Temporary substitute:

SCP J.C. ANDRE, represented by Mrs. Danielle PRUT-FOULATIÈRE, residing at 2 bis rue de Villiers – 92309 Levallois Perret.

Grant Thornton's appointment as Statutory Auditors was renewed at the Combined General Shareholders' Meeting on 22 June 2007 for a term of six fiscal years expiring after the General Shareholders' Meeting ruling on the financial statements for the fiscal year ending 31 December 2012.

Grant Thornton is represented by Mr. Victor Frambourt

Temporary substitute:

Mr. Gilles Hengoat, 100 rue de Courcelles, 75017 PARIS

.

7.2 TABLE OF STATUTORY AUDITORS' FEES

In thousands of euros	*KPMG*					*GRANT THORNTON*				
	2011	2010	2009	*% N*	*% N-1*	**2011**	2010	2009	*% N*	*% N-1*
Audit : Statutory auditing (certification & examination of individual and consolidated financial statements)	**27**	26	26			**27**	27	26		
Auditing of the US subsidiary SSI by Grant Thornton						**16**	14	14		
Subtotal	**27**	26	26	*%*	*100 %*	**43**	41	40	*%*	*100 %*
Other services: Legal, taxation and corporate										
Information technology										
IFRS										
Internal audit								2		
Other: to be specified if > 10% of audit fees	**0**					**3**				
Subtotal	**0**	-	-	-	-	**3**	0	2	- *%*	- *%*
TOTAL	**27**	**26**	**26**	***%***	***100 %***	**46**	**41**	**42**	***%***	***100 %***

8 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

8.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Dimitris Sabatakakis, Chairman and CEO of SYSTRAN S.A.

8.2 CERTIFICATION BY PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

“Having taken all reasonable measures for the purpose, I certify that, to the best of my knowledge, the information in this reference document corresponds to reality and does not comprise any distorting omissions.

I hereby certify that, to the best of my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and provide a true picture of the assets, financial position and earnings of the Company and of all of the companies included in the consolidation, and the management report information shown on pages 23 to 29, pages 30 to 39, pages 41 to 45, pages 46 to 51, pages 52 to 56, pages 76 to 79, pages 82 to 85, page 88, pages 93 to 94, pages 109 to 110, 111 and 112, and page 118 to 130, pages 131 to 140, 166 to 175 and page 179 provide an accurate picture of the business, earnings and financial position of the Company and all of the companies included in the consolidation, together with a description of the main risks and uncertainties facing them.

I have obtained a completion letter from the Statutory Auditors KPMG Audit and Grant Thornton, in which they state that they have conducted an audit of information relating to the financial position and financial statements provided in this reference document and have read the entire document.

The corporate and consolidated financial statements for the fiscal year ending 31 December 2011 have been reported upon in the Statutory Auditors' reports shown on pages 90 to 91 and 113 to 114 of this reference document, and these reports contain the following comments:

Corporate financial statements

“Without questioning the opinion expressed above, we draw your attention to the following: notes 1 - “Important events during the year”, 3.5 - “Other operating expenses and income”, 4.4 – “Trade and other accounts receivable”, and 4.7 “Provisions” in the appendix to the consolidated financial statements concerning the situation regarding the litigation with the European Commission”.

Consolidated financial statements

“Without questioning the opinion expressed above, we draw your attention to the following:

- notes 2 - “Important events during the year”, 4.5 - “Other operating expenses and income”, 5.4 – “Trade and other accounts receivable”, and 5.8 “Provisions” in the appendix to the consolidated financial statements concerning the situation regarding the litigation with the European Commission.
- notes 3.2 - “Research tax credit in the financial statements and change of presentation” and 4.4 “Other operating expenses and income” in the appendix to the consolidated financial statements which describe the change of presentation of the research tax credit.

The corporate and consolidated financial statements for the fiscal year ending 31 December 2010, shown in reference document D.08-0390, have been reported upon in the Statutory Auditors' reports on pages 83 to 84 and 106 to 107 of this reference document, and these reports contain the following comments:

Corporate financial statements:

“Without calling into question the opinion expressed above, we draw your attention to the notes 1 - “Important events during the year”, 3.5 - “Other operating expenses and income”, 4.4 – “Trade and other accounts receivable”, and 4.7 “Provisions” in the appendix to the consolidated financial statements concerning the situation regarding the litigation with the European Commission”.

Consolidated financial statements:

“Without calling into question the opinion expressed above, we draw your attention to the notes 2 - “Important events during the year”, 4.4 - “Other operating expenses and income”, 5.4 – “Trade and other accounts receivable”, and 5.8 “Provisions” in the appendix to the consolidated financial statements concerning the situation regarding the litigation with the European Commission”.

The corporate and consolidated financial statements for the fiscal year ending 31 December 2009, shown in reference document D.08-0268, have been reported upon in the Statutory Auditors' reports on pages 86 to 87 and 112 to 113 of this reference document contains the following observations:

Consolidated financial statements:

“Without calling into question the opinion expressed above, we draw your attention to the note 3.1 “Principles for establishing the consolidated financial statements” regarding the mandatory new financial statements standards as of 1 January 2009”.

Paris, 24 April 2011

Dimitris Sabatakakis

Chairman and CEO

9 ANNUAL DISCLOSURE DOCUMENT

Document drawn up in accordance with the provisions of article 221-1-1 of the general regulations of the French Securities Regulator.

Subject	Publication date	Medium
Monthly disclosure of voting rights	4 January 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	4 January 2011	AMF / Website
Monthly disclosure of voting rights	4 February 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	4 February 2011	AMF / Website
Revenue 2010	10 February 2011	AMF / Website Press release
Revenue 2010	11 February 2011	Les Echos
Monthly disclosure of voting rights	7 March 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	7 March 2011	AMF / Website
2010 financial results	10 March 2011	AMF / Website Press release
2010 financial results	11 March 2011	Les Echos
Monthly disclosure of voting rights	5 April 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	5 April 2011	AMF / Website
Reference document 2010	29 April 2011	AMF / Website Press release
Monthly disclosure of voting rights	6 May 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	6 May 2011	AMF / Website
Revenue for Q1 2011	5 May 2011	AMF / Website Press release
Revenue for the 1st quarter of 2011	6 May 2011	Les Echos
Meeting notification serving as summons to attend Combined General Shareholders' Meeting	18 May 2011	BALO no. 59 Website
Meeting notification of the Combined General Assembly on 24 June 2011	3 June 2011	BALO no. 66
Meeting notification of the Combined General Assembly on 24 June 2011	6 June 2011	Website JSS 152 to 155
Monthly disclosure of voting rights	6 June 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	6 June 2011	AMF / Website
Press release detailing the provision of preparatory documents for the Combined General Shareholders' Meeting of 24 June 2011	8 June 2011	AMF / Website Press release
Monthly disclosure of voting rights	6 July 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	6 July 2011	AMF / Website
Biannual results 2011	28 July 2011	AMF / Website Press release

Biannual results 2011	29 July 2011	Les Echos
Monthly disclosure of voting rights	2 August 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	2 August 2011	AMF / Website
Monthly disclosure of voting rights	6 September 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	6 September 2011	AMF / Website
Capital reduction	7 September 2011	BALO no. 107
Annual financial statements 2011	14 September 2011	BALO no. 110
Monthly disclosure of voting rights	4 October 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	4 October 2011	AMF / Website
Monthly disclosure of voting rights	4 November 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	4 November 2011	AMF / Website
Revenue for Q3 2011	3 November 2011	AMF / Website Press release
Revenue for Q3 2011	4 November 2011	Les Echos
Weekly disclosure of Company trading in its own shares	7 November 2011	AMF / Website
Monthly disclosure of voting rights	7 December 2011	AMF / Website
Monthly disclosure of Company trading in its own shares	7 December 2011	AMF / Website
Monthly disclosure of voting rights	5 January 2012	AMF / Website
Monthly disclosure of Company trading in its own shares	5 January 2012	AMF / Website
Monthly disclosure of voting rights	3 February 2012	AMF / Website
Monthly disclosure of Company trading in its own shares	3 February 2012	AMF / Website
2011 financial results	10 February 2012	AMF / Website Press release
2011 financial results	11 February 2012	Les Echos
Monthly disclosure of voting rights	5 March 2012	AMF / Website
Monthly disclosure of Company trading in its own shares	5 March 2012	AMF / Website

The monthly disclosures relating to the Company's purchases and sales of its own shares carried out as part of the stock acquisition plans approved at the Combined General Shareholders' Meetings on 25 June 2010 and 24 June 2011, have been regularly sent to the French Securities Regulator (AMF) during the fiscal years 2010, 2011 and 2012 and are published on the site www.systran.co.uk under the heading “Regulated Information” since 20 January 2007.

The monthly disclosures relating to the number of shares and voting rights of the Company are published on the website www.systran.co.uk under the heading “Regulated Information” since 20 January 2007.

The press releases are available on the www.systran.co.uk 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: 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 : process of translating content (e.g. a Website) and adapting it to the specific cultural preferences of the target language.

OEM: Original Equipment Manufacturing: 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 describing the pairing consisting of a source language (to be translated) and a target language (the translated text). Example: from French to English.

Portal: non-specialised Website that provides a set of everyday services (directory, searches, knowledge base, e-mail, forums, etc.) for Internet users who often make the home page the default for their browser, providing a gateway to the Internet (hence the use of the word *Portal*). AltaVista, AOL, Google, Lycos and Yahoo! are Internet *portails*.

“Powered by SYSTRAN” means that the application is provided by SYSTRAN. It may be operated either by SYSTRAN or by a customer or partner.

11 REFERENCE AND CONSISTENCY TABLE

To simplify reading of the reference document, the following consistency table provides links to the main headings required by Appendix I of European Regulation 809/2004 in application of the "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. 180**
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. 180 to 181**
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. 178**
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; pp. 46-51**
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.	**pp. 30-39**
5.	**INFORMATION ABOUT THE ISSUER**	
5.1	**Company history and changes**	
5.1.1	Issuer's corporate name and title	**p. 153**
5.1.2	Issuer's registration number and location	**p. 153**
5.1.3	Issuer's date of creation and duration, if it is not undetermined	**p. 153**
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. 153**

5.1.5	Important events in the development of the issuer's business	**pp. 46-51; pp. 57-58 and p. 95**
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.	**pp. 27-28 and p. 155**
5.2.2	Main investments of the issuer, 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.	**pp. 6-9; pp. 46-51**
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.	**pp. 6-9, 46-51**
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.	**pp. 13-16; p. 66; p. 98**
6.3	If the information supplied for points 6.1 and 6.2 was affected by exceptional events, please mention these events.	**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.	**p.30 (section 1.9.1)**
6.5	Indicate the elements justifying any declaration by the issuer concerning its position in relation to competitors.	**N/A**
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. 23**
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. 23**
8.	**OWNERSHIP OF BUILDINGS, LAND, PLANTS 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. 28 to 29 p. 74; p. 103**
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 situation**	
	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.	**pp. 45-51, 52-88**
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.	**pp. 46-51, pp. 57-58**
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 FLOW AND CAPITAL**	
10.1.	Provide information about the issuer's capital (short-term and long-term).	**p.40 to 41; pp. 43-44, pp. 76-79; p. 106; p. 109; pp. 116-129; p. 132; p. 138**
10.2.	Indicate the source and amount of the issuer's cash flow and describe these cash flows.	**p. 55**
10.3.	Provide information about the issuer's borrowing terms and conditions and financing structure.	**p. 39; pp. 80-81; p.107**
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.	**pp. 27 to 28; p. 71**
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.	**p. 51**
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 accountants or auditors, 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 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 designated professional associations). It should also be indicated whether 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. 131 to 139**

14.2.	**Conflicts of interest in the administrative, managerial and supervisory bodies and the 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 holdings in the issuer's capital stock, after a certain period of time has elapsed.	**p. 134 to 135** **p. 44** **p. 44**
15.	**REMUNERATION AND BENEFITS**	
	For the whole of the last fiscal 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;	**pp. 134-137**
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, unless specified otherwise, 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. 132**
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. 134**
16.3.	Information about the issuer's audit committee and remuneration committee, including the names of members of these committees and information on the issuer's audit committee and remuneration committee, including the names of the members of these committees and a summary of their mandate.	**pp. 144-145**
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. 131; p. 141**
	Report by the Chairman of the Supervisory Board on the internal control procedures. Statutory Auditors' report on the report by the Chairman of the Supervisory Board on the internal control procedures.	**pp. 141-150**

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. 24**
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.	**pp. 119, 132, 138**
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 hold 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.	**pp. 40, 132**
18.2.	Indicate whether the issuer's main shareholders have different voting rights, or supply an appropriate negative statement.	**pp. 40, 132**
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.	**TRANSACTIONS WITH RELATIVES**	
	The detail of transactions with relatives (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 posted in the issuer's revenue.	**p. 50; p. 110; 134-135**

20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL SITUATION 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 historical 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 table; e) the accounting methods 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. 52 to 88**
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.	**N/A**

	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.	
20.3.	**Financial statements**	
	If the issuer draws up its annual financial statements on an individual and consolidated basis, include at least the annual consolidated financial statements in the reference document.	**p. 52 to 56**
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.	**pp. 90-91, pp. 113-114**
20.4.2.	Indicate what other information contained in the reference document has been verified by the auditors.	**pp. 151-152, pp. 176-177**
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.	**N/A**
20.5.	**Date of the latest financial information**	
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 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 interim financial statements that have not been verified.	**N/A**
20.6.	**Interim and other financial information**	
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.	**N/A**
20.7.	**Dividend distribution policy**	
	Describe the issuer's policy with regard to dividend distribution and any applicable restriction in this respect.	**p. 42**

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.	**N/A**
20.8.	**Legal proceedings and arbitration**	
	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.	**pp. 31-32; p. 37; pp. 57-58; p. 95; p. 130**
20.9.	**Significant change in the financial or commercial situation**	
	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.	**p.155**
21.	**ADDITIONAL INFORMATION**	
21.1.	**Capital stock**	
	Provide the following information, dated from the most recent balance sheet included in the historic financial information:	
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;	**p. 40; pp. 116-129**
21.1.2.	If there are shares not representing the capital, indicate their number and main characteristics;	**N/A**
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;	**pp. 76-77, pp. 106, 120-123**
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;	**pp. 76-78; pp. 105; 118-119; pp. 124-129**
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;	**N/A**
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. 117**
21.2.	**Incorporating document and by-laws**	**pp. 156-165**
21.2.1.	Describe the corporate purpose of the issuer and indicate where it is stated in the incorporating document and by-laws.	**p. 156**

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.	**pp. 143-144; pp. 157-160**
21.2.3.	Describe the rights, privileges and restrictions attached to each category of existing shares.	**p. 40; p. 76; pp. 156-158; pp. 162-163**
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.	**N/A**
21.2.5.	Describe the conditions governing the way in which the Ordinary General Shareholders' Meetings and Extraordinary General Shareholders' Meetings are convened, including the requirements for admission.	**pp. 42-43; pp. 162-163**
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.	**N/A**
21.2.7.	Indicate, if applicable, any provision in the incorporating document, by-laws, character or regulation setting the threshold above which any holding of shares must be divulged.	**pp. 157-158**
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.	**N/A**
22.	**IMPORTANT CONTRACTS**	
	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.	**p. 154**
23.	**INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST**	
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.	**N/A**

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: a) the issuer's incorporating document 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 the reference document; c) 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; d) 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, in hard copy or by electronic means.	**p. 154**
25.	**INFORMATION ABOUT HOLDINGS**	
	Supply information about enterprises in which the issuer holds a fraction of the capital that may have a significant impact on the assessment of its assets, its financial situation or its income.	**p. 110**

The information relating to the annual Financial Statement appears on the following pages:

- Consolidated financial statements (pages 52 to 56);
- Statutory Auditors' report on the consolidated financial statements (pages 90 to 91);
- Corporate financial statements (pages 93 to 112);
- Statutory Auditors' report on the corporate financial statements (pages 113 to 114);
- Persons responsible for auditing the financial statements (page 178);
- Other information relating to the management report (pp 23-29, 30-39, 41-45, 46-51, 52-56, 76-79, 82, 85-88, 93, 94, 109, 110, 111-112, 118-130, 131-140, 166-175, and 179.

Pursuant to article 28 of Regulation 809-2004 governing prospectuses, the following items are included by reference:

- The Group's consolidated accounts, the corporate financial statements of SYSTRAN S.A., the Statutory Auditors' report on the consolidated financial statements for the fiscal year ending 31 December 2010 and the Statutory Auditors' report on the corporate financial statements for the fiscal year ending 31 December 2010, as presented in the “Financial situation and results” section of the reference document submitted to the French Securities Regulator on 28 April 2011 under number D. 11-0390.

- The Group's consolidated accounts, the corporate financial statements of SYSTRAN S.A., the Statutory Auditors' report on the consolidated financial statements for the fiscal year ending 31 December 2009 and the Statutory Auditors' report on the corporate financial statements for the fiscal year ending 31 December 2009, as presented in the “Financial situation and results” section of the reference document submitted to the French Securities Regulator on 15 April 2010 under number D. 10-0268.

The 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.