



Half year financial report
for 30 June 2014

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1 HALF YEAR ACTIVITY REPORT

1.1 BUSINESS ACTIVITY DURING H1 2014

Financial results for H1 2014

Consolidated and Audited Accounts (in K€)	1 st semester 2014	1 st semester 2013	Annual Change 2014 / 2013
Sales	3,973	5,786	(31.3 %)
Current Operating Income (Loss)	(773)	1,033	(175 %)
%	<i>N/A</i>	17.9 %	
Net Income (Loss) - Group's Share	(674)	132	(611 %)
%	<i>N/A</i>	2.3 %	

SYSTRAN's consolidated sales for the first half of the year amounted to 3,973 K€, a decrease of (31.3) % as compared with 2013.

During the first six months of 2014, the salaries and wages and other expenses slightly increased respectively by 0.2% and 0.9% as compared with the first semester 2013. A 370 K€ tax credit for research activities was accounted for during the first semester of 2014 as compared with 330 K€ for the first semester 2013.

The consolidated current operating income amounted to (773) K€ as compared with 1.033 K€ for the first semester of 2013.

The operating income amounted to (793) K€ as compared with 223 K€ during the first semester of 2013. Financial income amounted to 142 K€ as compared to 206 K€ in the first semester 2013. Consolidated net income amounted to (674) K€ as compared with 132 K€ in the first semester 2013.

Total shareholders' equity amounted to 15.22 million Euros as compared with 15.29 million Euros as of December 31, 2013. The Company's net cash position amounted to 12.1 million Euros at June 30, 2014, as compared with 13.7 million Euros on December 31, 2013. Total group debt amounted to 0.96 million Euros as of June 30, 2014 against 0.94 million Euros on December 31, 2013.

🔄 Business activity in H1 2014

Total consolidated sales amounted to 3,973 K€ for the first semester 2014, divided between 2,109 K€ for **Software Publishing** and 1,864 K€ for **Professional Services**.

In K€	2014	In % of total	2013	In % of total	Annual Change 2014 / 2013
Software Publishing	2,109	53.1 %	3,597	62.2%	-41.4 %
Professional Services	1,864	46.9 %	2,189	37.8%	-14.8 %
Consolidated Sales	3,973	100 %	5,786	100.0%	-31.3 %

During the first semester of 2014, license sales amounted to 2,109 K€ and represent 53.1 % of total sales, a decrease of (41.4) % as compared with 2013. This decrease is due to a large order received from the US Government during the first semester 2013, amounting to 1.4 Million Euros.

Professional Services sales totalled to 1,864 K€ and represent 46.9 % of total sales, a decrease of (14.8) % as compared with the first semester 2013, mainly due to the slowdown of the co-funded research and development activity.

More than half of SYSTRAN sales are in North America. Sales are distributed as follows:

By geographical area of customer location (in thousands of euros)	1st sem. 2014	1st sem. 2013
Europe	1,590	1,717
North America	1,977	3,642
Other geographical areas	406	427
Total sales	3,973	5,786

1.2 OUTLOOK FOR THE LAST SIX MONTHS OF THE FISCAL YEAR

In 2014 SYSTRAN plans to expand the sales team to develop revenue in all business segments. SYSTRAN will also launch new cloud services to complement its line of products and services for corporate customers.

Taking into account the level of existing orders and the current economic environment, sales for the second semester 2014 should be higher than the first semester 2014.

1.3 TENDER OFFER PROJECT BY CSLI

On April 25, 2014, SYSTRAN and CSLI confirmed that in accordance with the announcement made on April 2, CSLI had completed the acquisition of all of the shares held in SYSTRAN by Dimitris Sabatakakis¹, Guillaume Naigeon², Denis Gachot, Jean Senellart, Charles-Eric Boscals de Réals³, together with Valfinance and SOPI, representing approximately 38.04%⁴ of SYSTRAN's share capital, at the price of €5 per share and for a total purchase price of approximately €15.7 million.

As announced, and in accordance with the regulations of the French *Autorité des marchés financiers* (AMF), CSLI has filed a tender offer for all of the remaining shares at the price of the block trade, namely €5 per share. This tender offer has been approved on May 27, 2014 by the French *Autorité des marchés financiers* (AMF), under visa Nr. 14-235.

On July 11, 2014 the French *Autorité des marchés financiers* (AMF) announced the results of the tender offer: 3,889,239 shares have been brought to the offer. On July 11, 2014 CSLI owned 7,034,083 shares, representing 84.77% of the share capital and at least 80.23% of the voting rights⁵.

It is reminded that SYSTRAN owns 794,024 of its own shares, representing 9.57% of its share capital.

On July 11, 2014 shareholders who didn't bring their shares to the offer represented 5.66% of the share capital.

In accordance with article 232-4 of the AMF regulation, the tender offer has been re-opened as from 16 to 29, July 2014, which will allow all the remaining shareholders of SYSTRAN to bring their shares at the same conditions as the original offer.

The bidder will reserve the right to undertake a squeeze out (*retrait obligatoire*) if the minority shareholders do not represent more than 5% of the shares or voting rights of SYSTRAN following the completion of the tender offer.

1.4 DISPUTE WITH THE EUROPEAN COMMISSION

On April 18, 2013, the European Court of Justice set aside the judgment of the European General Court ordering the European Commission to pay SYSTRAN a lump-sum amount of 12,001,000 Euros as compensation for the material damage sustained by it.

SYSTRAN reimbursed the amount of 12,001,000 Euros to the European Commission and has recorded a provision for risks, corresponding to the cost incurred by the European Commission before the European Courts.

¹ Via a holding company held by Dimitris Sabatakakis, Chief Executive Officer and President of the Board of Directors of SYSTRAN, and to which he has contributed his SYSTRAN shares.

² Directly and via a holding company held by Guillaume Naigeon, member of the Board of Directors of SYSTRAN, and to which he has contributed some of his SYSTRAN shares.

³ Denis Gachot, Jean Senellart and Charles-Eric Boscals de Réals are members of the Board of Directors of SYSTRAN.

⁴ I.e. 3,144,844 shares out of a total of 8,267,628 shares, taking into account the 300,000 shares created as a result of the exercise of the vendors' stock-options and transferred today to CSLI.

⁵ Based on a share capital of 8,297,628 shares representing no more than 8,767,149 voting rights (taking into account the loss of double voting rights attached to the shares which have been brought to the offer and that the shares not brought to the offer may all have double voting rights), according to 2nd paragraph of article 223-11 from the AMF general rules.

Following the decision of April 18, 2013, SYSTRAN has lodged a new action against the European Commission before the Court of Luxemburg. The assignation was delivered to the European Commission on June 19, 2013.

In this case Nr 157000, the European Commission delivered its memorandum on February 18, 2014. On July 8, 2014 SYSTRAN delivered its memorandum in response. During the hearing which took place on July 8, 2014, the advocate of the European Commission requested a time period of 3 months to deliver his answer.

On the other hand, the European Commission has claimed for compensatory interests, based on 12,001,000 Euros which have been reimbursed to the Commission. SYSTRAN has recorded a provision to cover the risk of paying these interests. But SYSTRAN has disputed this claim for compensatory interests and has lodged an action for annulment in front of the General Court of the European Union. In this case T-481/13-14, the European Commission delivered its response on November 28, 2013. SYSTRAN delivered its reply on January, 21 2014. On January 22, 2014 the Court informed SYSTRAN that the European Commission has to provide its memorandum in response on March 6, 2014. On March 14, 2014 SYSTRAN has been informed by the General Court that the European Commission didn't provide any response and therefore the written procedure was closed. The next step will be communicated by the General Court later on.

2 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR 30 JUNE 2014

2.1 INCOME STATEMENT

<i>(in thousands of euros)</i>	<i>Notes</i>	H1 2014 (6 months)	H1 2013 (6 months)
Revenue	4.1	3,973	5,786
Purchases and other external expenses	4.2	(1,589)	(1,575)
Salaries and fringe benefits	4.3	(3,250)	(3,242)
Taxes and duties		(136)	(125)
Net impairment and amortisation		(147)	(166)
Other current expenses and income	4.4	376	355
Current operating income		(773)	1,033
Other operating income	4.5	296	12,112
Other operating expenses	4.5	(316)	(12,922)
Operating income		(793)	223
Net cost of indebtedness	4.6	158	220
Other financial expenses and income	4.7	(16)	(14)
Financial income		142	206
Pre-tax income		(651)	429
Income taxes	4.8	(23)	(297)
Total consolidated net income		(674)	132
Minority interests			
Net income (Group share)		(674)	132
Income per share	7.5	(0.09)	0.02
Fully diluted income per share	7.5	(0.09)	0.02

2.2 CONSOLIDATED INCOME

<i>(in thousands of euros)</i>	Fiscal year 2014 (6 months)	Fiscal year 2013 (6 months)
Net income (Group share)	(674)	132
Minority interests		0
Total consolidated net income	(674)	132
Revaluations		
Other		
Non-recyclable items in net income	0	0
Conversion adjustments	(10)	13
Recyclable items in net income	(10)	13
Consolidated income for the period	(684)	161
Of which:		
- Group share	(684)	161
- minority interest share	0	0

2.3 CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2014**ASSETS**

<i>(in thousands of euros)</i>	<i>Notes</i>	30/06/2014	31/12/2013
Intangible fixed assets	5.1	5,128	5,141
Tangible fixed assets	5.2	515	568
Financial fixed assets	5.3	194	204
Total noncurrent assets		5,837	5,913
Inventory		41	39
Trade and other accounts receivable	5.4	2,508	1,911
Tax payable debit	5.5	1,271	931
Other receivables and accruals	5.6	643	522
Cash flow and cash flow equivalents	5.7	12,111	13,680
Total current assets		16,574	17,083
Total assets		22,411	22,996

LIABILITIES

<i>(in thousands of euros)</i>	<i>Notes</i>	30/06/2014	31/12/2013
Capital	5.8	4,149	3,974
Premium accounts		12,630	12,224
Consolidated reserves		(205)	(819)
Income for the fiscal year		(674)	579
Conversion adjustments		(679)	(669)
Shareholders' equity (group share)		15,221	15,289
Provisions	5.9	49	45
Interest-bearing borrowing	5.10	931	938
Deferred tax credit	5.11	1,662	1,662
Total noncurrent liabilities		2,642	2,645
Provisions	5.9	1,100	1,131
Borrowing – items < one year	5.10	36	39
Trade accounts payable and related accounts	5.12	443	475
Tax payable credit	5.12	0	0
Other liabilities and deferred revenue	5.12	2,969	3,417
Total current liabilities		4,548	5,062
Total liabilities		7,190	7,707
Total shareholder equity and liabilities		22,411	22,996

2.4 CONSOLIDATED CASH FLOW STATEMENT

	H1 2014 (6 months)	H1 2013 (6 months)
Total consolidated net income	(674)	132
Impairment and provisions	163	1,087
Provision reversals	(46)	(12,001)
Variation of deferred taxes	0	0
Stock options	0	1
Income re-evaluations	0	0
Net income from fixed asset transfers	0	0
Transfer capital gains and losses	2	0
Taxes on transfer capital gains and losses	0	0
Share in the income of the companies consolidated by the equity method	0	0
Sundry	0	0
Gross margin from self-financing	(555)	(10,782)
Inventory variations	(1)	0
Change in accounts receivable	(594)	(663)
Change in other receivables	(447)	(445)
Change in accounts payable	(46)	(202)
Change in other payables	(453)	(243)
Change in working capital requirement linked to the activity	(1,541)	(1,553)
NET OPERATING CASH FLOW	(2,096)	(12,335)
Acquisitions of tangible and intangible fixed assets	(78)	(26)
Transfers of tangible and intangible fixed assets	0	0
Increase in permanent financial investments	0	0
Reductions in permanent financial investments	10	2
Change in investments	0	0
Change in payables and receivables on fixed assets	0	0
Effect of changes in the consolidation scope	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES	(68)	(24)
Dividends paid to parent company shareholders	0	0
Dividends paid to minority shareholders of integrated companies	0	0
Increase in capital or contributions	581	0
Increase in other equity	0	0
Decrease in other equity (repurchase of own shares)	0	0
Increase in financial liabilities	1	616
Decrease in financial liabilities	(14)	(22)
CASH FLOW FROM FINANCING ACTIVITIES	568	594
CHANGE IN NET CASH POSITION	(1,596)	(11,765)
<i>Opening cash position</i>	<i>13,680</i>	<i>22,938</i>
<i>Closing cash position</i>	<i>12,111</i>	<i>11,196</i>
<i>Effect of exchange rate changes</i>	<i>27</i>	<i>23</i>
<i>Effect of cash re-evaluations</i>	<i>0</i>	<i>0</i>

2.5 CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	Capital	Premiums and consol. reserves	Group income for fiscal year	Conversion adjustments	Total Group share- holders' equity
Situation as of 30 June 2014	4 149	12 425	(674)	(679)	15 221
Change in conversion adjustments and sundry		35		(10)	25
Capital in treasury shares and cancellation of options					
Capital reduction	175	406			581
Stock options					
Consolidated income for H1 2013			(674)		(674)
Allocation of 2012 income		579	(579)		0
Situation as of 31 December 2013	3,974	11,405	579	(669)	15,289
Change in conversion adjustments and sundry		16			16
Capital in treasury shares and cancellation of options					
Increase in capital					
Capital reduction					
Stock options		2			2
Consolidated income for fiscal year 2011			579	(157)	422
Allocation of 2010 income		745	(745)		-
Situation as of 31 December 2012	3,974	10,642	745	(512)	14,849
Change in conversion adjustments and sundry		(26)			(26)
Capital in treasury shares and cancellation of options	(147)	(879)			(1 026)
Increase in capital					
Capital reduction					
Stock options		5			5
Consolidated income for fiscal year 2011			745	(35)	710
Allocation of 2010 income		698	(698)		
Situation as of 31 December 2011	4,121	10,844	698	(477)	15,186

2.6 SELECTION OF ADDITIONAL NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CLOSED ON 30 JUNE 2014

2.6.1 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 organizations including the US Department of Defense and the European Commission, the Company also counts some of the largest multinational corporations among its customers.

The parent company, SYSTRAN SA, is a French corporation [société anonyme] whose registered office is located at 5 rue Feydeau, 75002 Paris, France. The Company is listed in Compartiment C of Euronext Paris (ISIN code: FR0004109197, Reuters: SYTN.LN; Bloomberg: SYST NM).

2.6.2 Important events during the year

Dispute with the European Commission

On April 18, 2013, the European Court of Justice set aside the judgment of the European General Court ordering the European Commission to pay SYSTRAN a lump-sum amount of 12,001,000 Euros as compensation for the material damage sustained by it.

SYSTRAN reimbursed the amount of 12,001,000 Euros to the European Commission and has recorded a provision for risks, corresponding to the cost incurred by the European Commission before the European Courts.

Following the decision of April 18, 2013, SYSTRAN has lodged a new action against the European Commission before the Court of Luxemburg. The assignation was delivered to the European Commission on June 19, 2013.

In this case Nr 157000, the European Commission delivered its memorandum on February 18, 2014. On July 8, 2014 SYSTRAN delivered its memorandum in response. During the hearing which took place on July 8, 2014, the advocate of the European Commission requested a time period of 3 months to deliver his answer.

On the other hand, the European Commission has claimed for compensatory interests, based on 12,001,000 Euros which have been reimbursed to the Commission. SYSTRAN has recorded a provision to cover the risk of paying these interests. But SYSTRAN has disputed this claim for compensatory interests and has lodged an action for annulment in front of the General Court of the European Union. In this case T-481/13-14, the European Commission delivered its response on November 28, 2013. SYSTRAN delivered its reply on January, 21 2014. On January 22, 2014 the Court informed SYSTRAN that the European Commission has to provide its memorandum in response on March 6, 2014. On March 14, 2014 SYSTRAN has been informed by the General Court that the European Commission didn't provide any response and therefore the written procedure was closed. The next step will be communicated by the General Court later on.

2.6.3 Accounting policies

2.6.3.1 Principles for establishing the consolidated financial statements

SYSTRAN SA is a company domiciled in France. The condensed consolidated financial statements for the period of 6 months ending 30 June 2014 include the Company and its subsidiaries (together referred to as "the Group").

The Group's consolidated financial statements for the year ended 31 December 2013 are available on request at the registered office of the Company - 5 rue Feydeau 75002 Paris, France.

The condensed consolidated interim financial statements prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group published for the year ended 31 December 2013, included in the Reference Document filed with the AMF.

The accounting policies applied by the Group in the interim financial statements are identical to those used in the consolidated financial statements for the year ended 31 December 2013.

The provisions relating to the new standards and interpretations and to the amendments of the standards, as adopted by the European Union and in force as of 1 January 2014 are found not to apply to the Group.

Moreover, the Group has not opted for an early application of the standards and interpretations whose application is not required as of 1 January 2014.

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

The condensed consolidated interim financial statements on 30 June 2014 were approved by the Board of Directors on 23 July 2014. The provisions for contingencies and charges and the revenue for the period reflect information obtained after the closing date. No other event subsequent to closing has made it necessary to adjust the financial statements for the period or provide specific information in the notes.

2.6.3.2 Critical accounting estimates and judgments

Estimates and judgments are regularly updated, and at the end of each financial year 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 significantly result in a material adjustment to the accounting value of assets and liabilities during the next period are discussed below.

Estimated impairment of intangible assets

The Group assesses its intangible assets with its annual impairment test implemented at the end of the fiscal year or during the financial year during the identification of an impairment index, in accordance with the methodology described in note 5.1 – Intangible fixed assets.

Research tax credit

In accordance with normes IAS 12 and IAS 20, the research tax credit is recognized in "Other operating income" (see note 4.4) and is the subject of an estimate for the first six months of each fiscal year.

2.6.3.3 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	50, Route d'Esch L-1142 Luxembourg	FC	100%	100%

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

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

2.6.3.4 Exchange rate used

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

USD rate expressed in EUR	30/06/2014	31/12/2013	30/06/2013
Opening rate of the fiscal year	0.7251	0.7579	0.7579
Average rate on income statement	0.7297	0.7532	0.7614
Closing rate	0.7322	0.7251	0.7645

2.6.4 Notes to the consolidated income statement**2.6.4.1 Breakdown of revenue**

By geographical asset installation zone (in thousands of euros)	H1 2014	H1 2013
Europe	2,050	2,073
North America	1,923	3,713
Other geographical areas	0	0
Total revenue	3,973	5,786

By geographical customer location zone (in thousands of euros)	H1 2014	H1 2013
Europe	1,590	1,717
North America	1,977	3,642
Other geographical areas	406	427
Total revenue	3,973	5,786

By type of revenue (in thousands of euros)	H1 2014	H1 2013
Licences	2,109	3,597
Services	1,864	2,189
Total revenue	3,973	5,786

2.6.4.2 Purchases and other external expenses

Purchases and other external expenses (in thousands of euros)	H1 2014	H1 2013
Co-contracting	5	4
Leases of land & buildings	642	610
Fees and sub-contracting	280	371
Marketing, advertising	101	81
Other purchases	561	509
Total	1,589	1,575

Expenses concerning direct rental contracts recorded in the fiscal year (in thousands of euros)	H1 2014	H1 2013
Minimum payments recorded	642	610
Conditional rentals recorded	0	0
Sub-rental income recorded	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.

There is no contract providing for conditional rentals.

2.6.4.3 Salaries and fringe benefits

Salaries and fringe benefits (in thousands of euros)	H1 2014	H1 2013
Salaries and benefits	2,373	2,375
Employment contract termination allowance	0	0
Pensions	0	0
Stock options expenses	0	1
Welfare contributions	877	866
Total	3,250	3,242

The Group's average headcount has changed as follows:

Profile	H1 2014	H1 2013
Executive management	4	4
Computational engineers	35	35
Computational linguists	17	15
Sales and marketing	18	16
Administrative staff	6	6
Total headcount	80	76

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

Remuneration paid to the Executive Committee (in thousands of euros)	H1 2014	H1 2013
Short-term benefits	399	338
Post-employment benefits		
Other long-term benefits		
Stock options expenses		0
Employment contract termination allowance		
Total	399	338

2.6.4.4 Other current expenses and income

Other current expenses and income (in thousands of euros)	H1 2014	H1 2013
Research tax credit	370	330
Net extraordinary provisions for accounts receivable	6	1
Other	0	24
Total	376	355

Other operating expenses and revenue correspond to the research tax credit that has been recognized for an amount of EUR 370 thousand for the first half of 2014 against EUR 330 thousand for the first half of 2013.

2.6.4.5 Other operating expenses and income

Other operating expenses and income (in thousands of euros)	H1 2014	H1 2013
Income from fixed asset transfers	(2)	0
Non-recurring provision movements	32	12,923
Other non-recurring expenses and revenue	(50)	(11,890)
Total	(20)	1,033

Other operating expenses and income for the first semester 2014 correspond, on one end, to an indemnity received in a procedure and the relevant advocate fees, and on another end, to legal fees related to the tender offer from CSLI.

On 26 June 2013, SYSTRAN, in accordance with the judgment of the European Court of Justice on 18 April 2013, reimbursed the European Commission the indemnity of EUR 12,001,000 that had been paid by the latter in execution of the judgment of 16 December 2010.

SYSTRAN consequently recognized a charge of EUR 12,001,000 and has taken a provision for the contingencies in the same amount established in December 2010.

In 2013, SYSTRAN recorded also a provision for the contingencies for an amount of EUR 931 thousand corresponding, primarily, to the compensatory interest claimed by the European Commission on the sum of EUR 12,001,000 that it was reimbursed in accordance with the decision of 18 April 2013. SYSTRAN has contested this latest request.

Refer to the paragraph 1.6.2 - Important events during the year - for the history of the litigation.

2.6.4.6 Net cost of indebtedness

Net cost of indebtedness (in thousands of euros)	H1 2014	H1 2013
Income from marketable securities and other investments	162	225
Gains from changes in marketable securities and other investments	0	0
Losses from changes in marketable securities and other investments	0	0
Other	(4)	(5)
Total	158	220

2.6.4.7 Other financial expenses and income

Other financial expenses and income (in thousands of euros)	H1 2014	H1 2013
Exchange difference on financial items	(16)	(14)
Other	0	0
Total	(16)	(14)

2.6.4.8 Income taxes

The income tax burden breaks down as follows:

Group tax income (expense) (in thousands of euros)	H1 2014	H1 2013
Current tax expense (income)	0	(484)
Stabilization of current US taxes from earlier fiscal years	(23)	187
Deferred taxes on temporary differences	0	0
Total	(23)	(297)

In 2013, the line "Adjustment of current US taxes from previous fiscal years" included the adjustment of the income tax on the companies of the subsidiary Systran Software Inc. (SSI) for EUR 187 thousand for the posting of a research tax credit for previous years (2008 to 2010).

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)	H1 2014	H1 2013
Pre-tax income	(651)	429
Theoretical tax revenue (expense) at the parent company's rate	217	(143)
<i>Tax rate of the parent company</i>	33,33%	33.33%
Effect on the theoretical tax:		
- utilization tax losses from previous fiscal years		
- effect of unposted tax losses (*)	(286)	(424)
- research tax credit for the period	123	110
- permanent differences		(6)
- effect of intercompany flows		
- US tax adjustment from the previous fiscal years (**)	(23)	187
- other (including the tax burden of subsidiaries)		
- other (including tax rate variances)	(54)	(21)
Total	(23)	(297)
Tax at the standard rate	(23)	(297)
Tax at the reduced rate		
Tax revenue (expense) in the income statement	(23)	(297)

(*) The Group no longer recognizes deferred taxes on tax losses since 31 December 2008.

(**) Reminder: this amount mainly corresponded, on June 30, 2013 to the research tax credit of SYSTRAN Inc. for fiscal years 2008 to 2010.

2.6.4.9 Research & development expenses

Self-financed research expenditure totalled EUR 1.1 million in H1 2014, as against EUR 1.0 million in H1 2013. It consists primarily of staff expenses.

2.6.5 Notes to the consolidated balance sheet**2.6.5.1 Intangible fixed assets**

Intangible fixed assets (in thousands of euros)	01/01/2014	Increase	Reduction	Conversion adjustments	30/06/2014
Research & development expenses					
Concessions, patents and licences					
- Gross value (1)	10,697	4	0	26	10,727
- Amortisation (1)	(10,542)	(17)	0	(26)	(10,585)
- Ongoing					
- Net value	155	(13)	0	0	142
Goodwill					
- Customers	45,994	0	0	0	45,994
- Amortisation	(45,994)	0	0	0	(45,994)
- Net value	0	0	0	0	0
Other fixed assets					
Intangibles (2)					
- Dictionaries and know-how	16,569	0	0	0	16,569
- Provisions for impairment	(11,583)	0	0	0	(11,583)
- Net value	4,986	0	0	0	4,986
Total	5,141	(13)	0	0	5,128

(1) The concessions, patents and licenses item primarily consists of software licenses for language pairs acquired by the Group. Their gross value as of 30 June 2014 consists of the following items:

- EUR 7.6 million 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 capitalized 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 amortized.

(2) The gross value of the other intangible fixed assets as of 30 June 2014 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.
- 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 capitalizing 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 2013, assumptions relating to cash flow forecasts were reviewed. The main assumptions adopted are as follows:

- Growth in EBITDA on the projection horizon applied is trending toward a normative rate of 17% of revenue.
- The adopted discount rate is set at 13.0% after taxes, to account for the Group's intrinsic risk premium (against 13.0% on 31 December 2012 and 31 December 2011).
- The long-term projected growth rate is 1.5% based on a conservative estimate of growth expected in the relevant geographical areas (Europe and the USA) and inflation (against 1.5% on 31 December 2012 and 31 December 2011).

The use of this test led to the calculation of a utility value of these intangible assets that exceeded their book value. Consequently, no additional impairment was accounted for on 31 December 2013.

In the absence of indications of impairment, no impairment test was implemented as of 30 June 2014.

2.6.5.2 Tangible fixed assets

Tangible fixed assets (in thousands of euros)	01/01/2014	Increase	Reduction	Conversion adjustments	30/06/2014
Fixtures and fittings					
- Gross value	254	0	0	0	254
- Amortisation	(90)	(16)	0	0	(106)
- Ongoing	0	0	0	0	0
- Net value	164	(16)	0	0	148
Facilities, hardware and tools					
- Gross value	912	17	0	9	938
- Amortisation	(880)	(30)	0	(8)	(918)
- Net value	32	(13)	0	1	20
Other fixed assets					
- Gross value	1 762	57	(2)	1	1 818
- Amortisation	(1,390)	(81)	0	0	(1,471)
- Net value	372	(24)	(2)	1	347
Total	568	(53)	(2)	2	515

2.6.5.3 Financial fixed assets

Financial fixed assets (in thousands of euros)	01/01/2014	Increase	Reduction	Conversion adjustments	30/06/2014
Deposits and guarantees					
- Gross value	208	0	(10)	0	198
- Depreciation	(4)	0	0	0	(4)
- Net value	204	0	(10)	0	194
Total	204	0	(10)	0	194

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.

2.6.5.4 Accounts receivable

Accounts receivable (in thousands of euros)	30/06/2014	Which are less than one year	31/12/2013
Accounts receivable	2,773	2,773	2,182
Depreciation of the accounts receivable	(265)	(265)	(271)
Total	2,508	2,508	1,911

2.6.5.5 Tax payable debit

Tax payable debit (in thousands of euros)	30/06/2014	Which are less than one year	31/12/2013
Tax receivables (research tax credit)	1,271	1,271	931
Total	1,271	1,271	931

The tax receivables correspond to the research tax credit for fiscal year 2013 and H1 2014 for 1,150 K€, as well as a surplus of tax installments paid by the subsidiary, SYSTRAN Inc. for 121 K€.

The Company posted a research tax credit of EUR 370 thousand Euros relating to H1 2014.

On 31 December 2013, the tax payable debits correspond to the research tax credit for fiscal year 2013, as well as a surplus of tax installments paid by the subsidiary, SYSTRAN Inc.

2.6.5.6 Other receivables and accruals

Other receivables and accruals (in thousands of euros)	30/06/2014	Which are less than one year	31/12/2013
Other receivables from the Government	104	104	80
Sundry debtors	75	75	15
Prepaid expenses	464	464	427
Total	643	643	522

2.6.5.7 Cash flow and cash flow equivalents

Cash flow and cash flow equivalents (in thousands of euros)	30/06/2014	31/12/2013
Financial assets for transactions	10 088	10 010
Cash	2 023	3 670
Total	12 111	13 680

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. They correspond to "Category 2" cash instruments (unlisted but observable) within the meaning of IFRS 7.27A. 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.

2.6.5.8 Capital and reserves

The capital of the SYSTRAN S.A. company amounts to EUR 4,148,814. The number of ordinary shares issued is 8,297,628.

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 represent the share premium paid by shareholders who have subscribed to SYSTRAN S.A.’s capital. These amounts are fully distributable.

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

Transactions during the period

On February 12, 2014, as the result of one of the Company's employee exercising his subscription options, the capital increased by EUR 5,000 as noted at the Board of Directors meeting on 12 February 2014, which led to the creation of 10,000 new shares.

On March 11, 2014, as the result of one of the Company's employee exercising his subscription options, the capital increased by EUR 5,000 as noted at the Board of Directors meeting on 11 March 2014, which led to the creation of 10,000 new shares.

On April 25, 2014, as the result of one of the Company's managers exercising their subscription options, the capital increased by EUR 150,000 as noted at the Board of Directors meeting on 25 April 2014, which led to the creation of 300,000 new shares.

On June 19, 2014, as the result of one of the Company's employee exercising his subscription options, the capital increased by EUR 15,000 as noted at the Board of Directors meeting on 23 July 2014, which led to the creation of 30,000 new shares.

Capital management

In its sixth resolution, the Extraordinary General Shareholders Meeting on 27 June 2014 authorized the Board of Directors to purchase shares of SYSTRAN S.A. within the limit of 10% of the capital of the Company. The Board of Directors has not made use of this authorization.

In its fifteenth resolution, the Extraordinary General Shareholders' Meeting on 27 June 2014 authorized the Board of Directors to reduce the Company's capital stock within the limit of 10% of the total capital stock per 24-month period. The Board of Directors has not made use of this authorization.

In its sixteenth resolution, the Extraordinary General Shareholders Meeting on 27 June 2014 authorized the Board of Directors to allocate the employees free SYSTRAN S.A. shares. The Board of Directors has not made use of this authorization.

The Extraordinary General Shareholders' Meeting on 27 June 2014 authorized 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 authorization.

In its ninth resolution, the Extraordinary General Shareholders Meeting on 9 April 2013 authorized the Board of Directors to purchase shares of SYSTRAN S.A. within the limit of 10% of the capital of the Company. The Board of Directors has not made use of this authorization.

In its tenth resolution, the Extraordinary General Shareholders' Meeting on 9 April 2013 authorized the Board of Directors to reduce the Company's capital stock within the limit of 10% of the total capital stock per 24-month period. The Board of Directors has not made use of this authorization.

In its eleventh resolution, the Extraordinary General Meeting on 9 April 2013 authorized the Board of Directors to grant the employees and/or directors options stock options or purchase options for the Company's new shares. The Board of Directors has not made use of this authorization.

In its eighth resolution, the Extraordinary General Shareholders' Meeting on 22 June 2012 authorized the Board of Directors to trade SYSTRAN S.A.'s shares. The Board of Directors made use of this authorization to buy back 456,421 shares on 18 September 2012 and 200,000 shares on 23 November 2012.

In its ninth resolution, the Extraordinary General Shareholders' Meeting on 22 June 2012 authorized the Board of Directors to reduce the Company's capital stock. The Board of Directors made use of this authorization on 25 July 2012.

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

The Extraordinary General Shareholders' Meeting on 22 June 2012 also authorized 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 authorization.

Number of shares in circulation (excluding treasury shares):

Capital and reserves (number of shares)	30/06/2014	31/12/2013
Opening number of shares for the fiscal year	7 153 604	7 153 604
Treasury shares (acquired in the period)		
Stock option plan		
- granted options		
- stock options exercised	350 000	
Closing number of shares for the fiscal year	7 503 604	7 153 604

As of 30 June 2014, the Group held 794,024 of its own shares that were acquired during fiscal years 2010, 2011 and 2012 for an amount of EUR 1,214 thousand in order to cancel them. The value of these shares was charged to the consolidated reserve account

Number of shares authorized:

The authorizations given by the Extraordinary General Meetings and not used as of 30 June 2013 are as follows:

- EGM of 27 June 2014: option to increase the capital to a maximum amount of EUR 11.7 million euros delegated to the Board of Directors.
- EGM of 9 April 2013: 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 authorized and non-issued shares is 25,370,407.

Stock-options:

Status of the stock options granted to the Group's employees 30/06/2014						Total
Date of the General Shareholders' Meeting	25.06.04		22.06.07		25.06.10	
Date of the Board of Directors meeting	14.02.06	09.02.07	08.02.08	10.02.09	09.03.11	
Total number of shares that can be subscribed or purchased	-	-	-	-	4,450	4,450
of which shares that can be subscribed or bought by the members of the Executive Committee:	-	-	-	-	-	0
Starting point for exercise of the options	14.02.10	09.02.11	08.02.12	10.08.13	01.04.15	
Expiry date	13.02.14	8.02.15	7.02.16	09.08.17	31.03.19	
Strike price (in euros)	3.93	3.92	1.57	0.81	1.97	
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	-	-	-	-	-	0
<i>of which options are in the money</i>	-	-	-	-	-	0
Movements during the period (1 January 2014 - 30 June 2014)						
Granted options	-	-	-	-	-	0
Expired options	-	-	-	-	-	0
Cancelled options	-	-	-	-	-	0
Exercised options	(1) 10,000	(3) 10,000	(2) 310,000	(3) 20,000	-	350,000

(1) On 11 March 2014, the Board of Directors noted the exercise of 10,000 options by an employee.

(2) On 12 February 2014, the Board of Directors noted the exercise of 10,000 options by an employee.

On 25 April 2014, the Board of Directors noted the exercise of 300,000 options by 3 members of the board.

(3) On 24 June 2014, the Board of Directors has been informed that an employee exercised 30,000 options (10,000 + 20,000). On 30 June 2014, exercisable options amounted to 4 450 options.

2.6.5.9 Provisions

Provisions (in thousands of euros)	30/06/2014	31/12/2013
Non-current provisions	49	45
Current provisions	1 100	1 131
Total	1 149	1 176

The details of the current provisions are as follows:

Current provisions (in thousands of euros)	01/01/2014	Allocations	Use	Reversals (*)	Conversion adjustments	30/06/2014
Provisions for contingencies	932	14				946
Provision for litigation	199		(45)			154
Provisions for obligations to customers						
Sundry						
Total	1 131	14	(45)	0	0	1 100

(*) Reversals of provisions no longer applicable

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 30 June 2014 is insignificant and amounts to EUR 49 thousand.

SYSTRAN has recorded a provision for the contingencies for an amount of EUR 946 thousand corresponding, primarily, to the compensatory interest claimed by the European Commission on the sum of EUR 12,001,000 that it was reimbursed in accordance with the decision of 18 April 2013. SYSTRAN has contested this latest request.

2.6.5.10 Financial liabilities

Financial liabilities (in thousands of euros)	Gross amount 31/12/2013	Gross amount 30/06/2014	Less than one year	1 to 5 years
Loans and financial liabilities	928	932	0	932
Financing leases	49	35	21	14
Total	977	967	21	946

Financial liabilities as of 30 June 2014 consist primarily of repayable advances paid by OSEO in 2012 and in 2013.

The financing lease liabilities correspond mainly to leased vehicles. 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.

There are no liabilities due for more than 5 years.

2.6.5.11 Deferred tax credit

Deferred tax credit (in thousands of euros)	Intangible	Tax Losses	Other	Total
As of 31 December 2013	1,662	0	0	1,662
Posted in income statement				
Posted in shareholders' equity				
Exchange rate fluctuations				
As of 30 June 2014	1,662	0	0	1,662

These deferred liability taxes are related to the intangible assets of SYSTRAN S.A.

2.6.5.12 Current liabilities

Current liabilities (in thousands of euros)	Gross amount 31/12/2013	Gross amount 30/06/2014	Less than one year	1 to 5 years
Supplier debts	475	443	443	
Other tax and welfare debts	1 249	983	983	
Other liabilities	38	36	36	
Deferred revenue	2 130	1 950	1 950	
Total (*)	3 892	3 412	3 412	

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

2.6.6 Financial risk management

The standards relating to the financial risk management objectives and policies of the Group remain unchanged and are consistent with the descriptions provided in the consolidated financial statements for the year ended 31 December 2013.

2.6.7 Sundry information**2.6.7.1 Key elements of the parent company income**

The corporate financial statements for the first half of 2014 are based on earned revenue of EUR 2.851 million and a loss of EUR 501 thousand.

2.6.7.2 Off balance sheet obligations

As of 30 June 2014, 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

2.6.7.3 Financial instruments

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

2.6.7.4 Geographical area information

Current operating income (in thousands of euros)		Europe	North America	Unallocated / eliminated	Consolidated
30/06/2014	(6 mois)	(470)	(303)	0	(773)
30/06/2013	(6 mois)	(127)	1,159	0	1,032

Sectorial investments (in thousands of euros)		Europe	North America	Unallocated / eliminated	Consolidated
30/06/2014	(6 mois)	60	14	0	74
30/06/2013	(6 mois)	20	6	0	26

Sectorial assets (in thousands of euros)		Europe	North America	Unallocated / eliminated	Consolidated
30/06/2014		14,259	4,052	4,100	22,411
30/06/2013		12,957	5,554	4,000	22,511

Sectorial liabilities (in thousands of euros)		Europe	North America	Unallocated / eliminated	Consolidated
30/06/2014		4,830	1,584	776	7,190
30/06/2013		5,049	1,774	676	7,499

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

2.6.7.5 Net earnings per share

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

Income per share – IFRS standards	H1 2014	H1 2013
Basic earnings per share:		
Number of shares used for calculation	7,376,326	7,153,604
Net profit per share (in euros)	(0.09)	0.02
Fully diluted earnings per share:		
Number of shares used for calculation	7,378,066	7,153,604
Net profit per share (in euros)	(0.09)	0.02

The fully diluted income per share is determined as follows:

Calculation of the fully diluted income per share	H1 2014	H1 2013
Number of ordinary shares	7 376 326	7,153,604
Number of options issued	4 450	
Number of options not in the money		
Number of options in the money	4 450	
Number of shares to acquire with income from dilutive options	2 710	
Number of diluted shares	7 378 066	7,153,604
<i>average SYSTRAN share price</i>		<i>0.95</i>
Net consolidated income (in thousands of euros)	(674)	132
Fully diluted income per share (in euros)	(0,09)	0.02

The Company did not distribute dividends in the first half of 2014.

2.6.7.6 Related party

Relations with related parties are not significant.

3 LEGAL OPINION ON THE EXAMINATION OF THE FINANCIAL STATEMENTS FOR 30 JUNE 2014

Rapport des commissaires aux comptes sur l'information financière semestrielle 2014

Période du 1er janvier 2014 au 30 juin 2014

Mesdames, Messieurs les Actionnaires,

In accordance with the mission assigned to us by your General Shareholders meeting and pursuant to Article 451-1-2 III of the French monetary and financial code, we have carried out the following:

- the limited examination the consolidated half year financial statements of SYSTRAN S.A. relating to the period from 1 January 2014 to 30 June 2014, as attached to this report;
- the verification of the information given in the half year activity report.

These condensed consolidated half year financial statements have been prepared under the responsibility of your Board of Directors. Our role is to express our opinion on these financial statements, based on our limited examination.

I – Opinion on the financial statements

We have carried out our limited examination in accordance with the standards of professional practice applicable in France. A limited examination consists primarily of meeting with the members of the management responsible for the financial and accounting standards, and implementing analytical procedures. This work is less extensive than that which is required for an audit conducted in accordance with the standards of professional practice applicable in France. Therefore, the assurance that the financial statements, taken as a whole, do not contain any significant anomalies obtained within the context of a limited review is a moderate assurance, lower than that obtained within the framework of an audit.

Based on our limited examination, we did not identify any material anomalies likely to call into question, in accordance with IFRS standards as adopted by the European Union, the regularity and sincerity of the condensed consolidated half year financial statements and the true and fair view that they give of the assets and financial position at the end of the period, and the income for the Group consisting of the individuals and entities included within the consolidation.

Without calling into question the opinion expressed above, we draw your attention to the notes 6.2 - Important events during the year, and 6.5.9 - Provisions in the appendix concerning the litigation with the European Commission.

II – Special checks

We have also performed checks on the information provided in the half year activity report, commenting on the condensed consolidated half year financial statements regarding that which was subject to our limited examination. We have no comment to make as to the fair presentation of this information or its consistency with the condensed consolidated half year financial statements.

Paris La Défense, 23 July 2014

Paris, 23 July 2014

KPMG Audit IS

Grant Thornton

Stéphanie ORTEGA
Partner

Laurent DOUBY
Partner

4 PERSON RESPONSIBLE FOR THE HALF YEAR FINANCIAL STATEMENT

4.1 PERSON RESPONSIBLE FOR THE HALF YEAR FINANCIAL STATEMENT

Mr. Guillaume NAIGEON, Chief Executive Officer of SYSTRAN S.A.

4.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL STATEMENT

I hereby certify that, to my knowledge, the condensed financial statements for period 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 half year activity report provides an accurate picture of the important events that occurred during the first six months of the fiscal year, their impact on the financial statements, as well as a description of the main risks and key uncertainties for the six months remaining in the fiscal year.

Paris, 23 July 2014

Guillaume NAIGEON
Chief Executive Officer