



Annual Report

2000

(Extracts)

French limited company with a capital of 15.086.735 Euros
Registered office: 1, rue du Cimetière/, B.P. 7,
95230 Soisy s/ Montmorency
334 343 993 R.C.S. PONTOISE

Management report
presented by the Board of Directors
at the Stockholders Ordinary General Meeting
of March 30 2001

Dear stockholders,

During the past year, SYSTRAN Group was transferred successfully to the Nouveau Marché of Paris Stock Exchange in spite of an unfavorable context to the Stock Exchange introductions of technological companies.

The occasion is given to us here to account to you for the achievements of the plan of announced development on this occasion and of the achieved objectives.

1. SITUATION OF THE GROUP DURING THE PAST YEAR

The Group achieved the goals which had been announced for 2000:

- new activities of the Group (E-services, software publishing) increase by 70% in 2000 (after a progression of 75% in 1999) to 44 Million Francs and allow the revenues to increase by 34 % in spite of the new deceleration of the activities of linguistic services with the administrations (-14% to 16,6 Million Francs) of which the margin reduction weighed on the gross margin of the Group ;
- net income - share of the Group is established at 6,1 Million Francs, in growth of 38,6% compared to that of 1999, thanks to the maintenance of an adequate policy of acquisition of new contracts.
- stockholders' equity rises to 138,5 Million Francs and the Group does not have practically any debt in spite of its significant efforts of investment.
- Net cash as at December 31 2000 is 29,2 Million Francs against 4,6 Million Francs one year earlier, thanks to the funds raised on the Nouveau Marché .

During year 2000, SYSTRAN benefitted from its leading position on the Internet machine translation market to develop its activity and continue the financing of its effort of Research and Development.

During the year, SYSTRAN signed new contracts with Portals like AOL, Compuserve, Google and Lycos which strengthen its presence on Internet and make of SYSTRAN the standard of machine translation on this new media. SYSTRAN also provided solutions of specialized machine translation to Autodesk, Ford, PriceWaterhouseCoopers as well as Intranet versions to France Telecom, Honeywell, Dow Corning. These agreements consolidate the Internet strategy of the Company and contribute from now on mainly to the Group's revenues and margin.

2. COMMENTS ON THE CONSOLIDATED ACCOUNTS OF SYSTRAN GROUP

Revenue (60,7 Million Francs in 2000 against 45,3 Million Francs in 1999) is in progression of 34%, outcome of the organic growth recorded by the Group for its new activities of Internet services and software publishing (+70% to 44 Million Francs).

These new activities account from now on for 72% of the sales revenue of the Group, against 58% in 1999 and 38% in 1998.

Revenue performed with the linguistic services for the administrations shows on the other hand a new recession from 14% to 16,6 Million Francs.

Operating profit continued to benefit from this recombining of the activities since it increases by 25% and represents 12 % of the sales turnover to reach 7,4 Million Francs in 2000 .

Financial expenses remain insignificant, but the Group recorded some exchange losses on transactions in foreign currency due to significant variations of the American dollar during the year.

Exceptional income is composed mainly, on one hand, of an exceptional revenue of 2,9 Million Francs after the forgiveness of a refundable advance authorized by the Ministry of Finance, and on the other hand, of restructuring expenses for 4,1 Million Francs intended to reorganize the activities of linguistic services provided to administrations whose backlog decreases.

Effective current income tax, after reclassification of tax relating to the IPO expenses accounted for in stockholders equity, remains low because, on one hand, of the use of tax losses carried forward, in particular in the United States and, on the other hand, of the recognition of a research tax credit. Moreover, deferred tax assets related to provisions for restructuring were recognized at the end of the current financial year.

Net income (Group's share) amounts to 6,1 Million Francs against 4,4 Million Francs in 1999 before reversal of impairment on goodwill.

The cash flow of the Group rose to 10,3 Million Francs in year 2000 (against 6 Million Francs in 1999).

THE CONSOLIDATED BALANCE-SHEET OF THE GROUP

Fixed assets are increased by the the linguistic assets assigned from the purchase of the minority stockholders of Systran Luxembourg.

Trade receivables (18,5 Million Francs in 2000 against 11,1 Million Francs in 1999), progress because, on one hand, of the considerable progression of revenues in the 4th quarter and,, on the other hand, of the extension of the term of payment of administrations.

Net cash as of December 31 2000 is 29,2 Million Francs against 4,6 Million Francs one year earlier.

Stockholders' equity amounts to 138,5 Million Francs, after 2 new increases in capital totalizing 43,1 Million Francs. One was allocated to the minority stockholders of Systran Luxembourg and the other was carried out at the time of the transfer of the company on the Nouveau Marché . The expenses incurred for this last operation, 3,5 Million Francs, were charged to stockholders equity

premium account. Besides, we remember that the Stockholders Extraordinary General Meeting voted on March 6, 2000 the reduction of the authorized capital of 450 Million Francs to 90 Million Francs in order to discharge the former losses of the mother company . This measure did not affect the total of stockholders' equity of the Group.

Provisions for contingencies and losses include 4,9 Million Francs relating to deferred taxes and 3,6 MF relating to restructuring costs .

Other liabilities do not show particular evolution.

3. COMMENTS ON THE INDIVIDUAL ACCOUNTS OF SYSTRAN S.A.

THE INCOME STATEMENT

The operating costs amount to 24,8 Million Francs against 16,3 Million last year and are mainly made up by the revenues. Revenues amounted thus to 24,7 Million Francs for 2000 against 16,2 Million in 1999, that is to say an increase of 53% resulting from the ongoing development of new activities of Internet services and software publishing.

After deduction of 26,7 Million Francs as operating expenses (14,8 Million in 1999), the operating income results in a loss of 1,9 Million Francs, against a profit of 1,5 Million in 1999, because of research and development expenses engaged by the Company.

The financial income shows a profit of 0,1 Million Francs against a loss of 0,1 Million in 1999, that is to say an improvement of 0,2 Million Francs.

The exceptional income (+ 2,7 Million Francs) is composed primarily of an exceptional product of 2,9 Million Francs consecutive to the forgiveness authorized by the Ministry of Finances of the refundable advance which it had granted for the Multilingual Telephone project.

The income tax is nil this year, after (i) tax credit generated with the IPO expenses charged to the premium account in stockholders equity and (ii) the recognition of a research tax credit.

The net profit of the year arises to 0,8 Million Francs against 97,7 Million Francs last year, which included an exceptional reversal of provision on goodwill for 98,3 Million Francs.

THE BALANCE-SHEET

The fixed assets (129,4 Million Francs) record mainly, for 12,5 Million Francs, the acquisition of minority interests of Systran Luxembourg.

The stockholders' equity of the Company has increased from 105,1 Million Francs to 149,1 Million Francs after two increases in capital mentioned hereabove totalizing 43,1 Million Francs.

The operating costs increase from 6,6 Million Francs to 9,0 Million Francs.

The reduction in the financial liabilities reflects the settlement of the loans authorized by the Swiss company Socimbal AG as well as by the principal stockholders.

The translation profit adjustment is observed on the advance in American dollars granted to the American subsidiary.

ACTIVITY AND INCOMES OF THE CONTROLLED SUBSIDIARIES

| Investments | Invest. (%) | Revenue (in MF) | Staff | Net Income (in MF) | Activity |
|--|--------------------|------------------------|--------------|---------------------------|--|
| SYSTRAN USA (United States) | 100% | 0 | 0 | 0 | Holding Company controlling 100% of SSI |
| SYSTRAN Luxembourg SA (Luxembourg) | 100% | 16,2 MF | 26 | +0,3 MF | Contracts with European Administrations. |
| <i>SYSTRAN INSTITUT GmbH (Germany)</i> | <i>76%</i> | <i>0</i> | <i>0</i> | <i>0 MF</i> | <i>Dormant outside the consolidation perimeter</i> |

EMPLOYEE PROFIT SHARING

Pursuant to article 157-2 of the Law of July 24, 1966, we inform you that no employee profit sharing in the Company's capital (with the direction of the aforesaid item) was raised in the last day of the year.

PROFIT APPROPRIATION - FINAL DISCHARGE

We propose to you to affect the net benefit of 2000, that is to say 842 thousand Francs, to the statutory reserve of an amount of 42 thousands of Francs and to the carryforward for the balance.

The fiscally nondeductible expenditure or costs rose to 91.785 Francs during the past year

To the present report is joined in accordance with the provisions of article 148 of the Decree of March 23, 1967, the table revealing the incomes of the Company during the last five years.

In order to be in conformance with the provisions of article 243 (a) of the French General Tax Code, it is pointed out that the following dividends were distributed during the last three years:

| Year | Net Credit | Fiscal Credit |
|----------|------------|---------------|
| 31.12.97 | 0 | 0 |
| 31.12.98 | 0 | 0 |
| 31.12.99 | 0 | 0 |

It is under these conditions that you are kindly requested to give final discharge to the Administrators to carry out their mandate for the aforementioned year.

AGREEMENTS WITH RELATED PARTIES

Concerning conventions leading to the application of article 101 of the law of July 24, 1966 on the Commercial Companies, your Auditor will give you all details in his special report

ATTENDANCE FEES (BOARD OF DIRECTORS)

It is not envisaged to distribute attendance fees.

It is under these conditions that you are kindly requested to approve the resolutions submitted to your vote.

4. ACTIVITY OF THE GROUP REGARDING RESEARCH AND DEVELOPMENT

SYSTRAN developed new linguistic combinations, thus raising to 35 the number of systems already available. The linguistic modules are henceforth proposed by 'packs' including the combinations around a language. Thus, the 'French pack' offers already the bidirectional translation with 8 languages: German, English, Chinese, Spanish, Greek, Italian, Dutch and Portuguese. New systems are under development, in particular Hungarian, Polish, Czech, Swedish, Danish and Finnish.

SYSTRAN offers thus more linguistic combinations than its competitors all together.

The financed expenses of research rose to 6 MF in 2000 against 4 MF in 1999. They are composed primarily of external costs and personnel expenses resulting from the specific need for external linguistic resources.

Moreover, the cofinanced portion of development contracts rose in 2000 to 9,4 MF (against 6,8 MF in 1999).

5. STOCK-OPTION PLAN

In order to motivate the employees of the company and the social agents, a stock-option subscription plan was issued by the Extraordinary General Assembly of March 6, 2000. The number of shares which can result from taking up of stock allotted by this Assembly amounts to 1.484.437 shares. The situation of allotted options is as follows:

:

| attribution period (date) e | Price of the year | Number of allotted options (*) |
|-----------------------------|-------------------|--------------------------------|
| March 6, 2000 | 7,6 € | 1.040.000 |
| February 1, 2001 | 4,6 € | 122.000 |
| Total | | 1.162.000 |

(*) balance of the options into effect taking into account the departures up to date

6. CAPITAL DISTRIBUTION AND VOTING RIGHTS

| | Number of Shares | % | Voting Rights | % |
|---|---------------------|---------------|-------------------|---------------|
| Jean Gachot | 1.092.546 | 11,04% | 2.185.092 | 15,14% |
| SOPH SA | 1.017.429 | 10,28% | 1.132.815 | 7,85% |
| Dimitrios Sabatakakis | 873.467 | 8,83% | 1.693.773 | 11,73% |
| Valfinance SA | 300.000 | 3,03% | 300.000 | 2,08% |
| Denis Gachot | 233.474 | 2,36% | 244.622 | 1,69% |
| Scheffer SA | 101.403 | 1,02% | 101.403 | 0,70% |
| Norbert Von Kunitzki | 90.000 | 0,91% | 90.000 | 0,62% |
| Pierre Musman | 45.000 | 0,45% | 45.000 | 0,31% |
| Members of the Board of Directors and dependent companies | 3.753.319 | 37,93% | 5.792.705 | 40,13% |
| SOPREX AG | 1.420.719 | 14,36% | 2.841.438 | 19,69% |
| Public | 4.696.591 | 47,45% | 5.800.579 | 40,18% |
| treasury shares (*) | 25.621 | 0,26% | | |
| TOTAL | 9.896.250 | 100% | 14.434.722 | 100% |

(*) the Company acquired on the Market its own shares, within the framework of purchase program of shares authorized by the Extraordinary General Assembly of May 3, 2000. At December 31, 2000, the Group was holding 25.621 SYSTRAN shares, for 663 thousand francs.

7. EVOLUTION OF THE STOCK EXCHANGE RATE



The quote of SYSTRAN's share was affected by the decline of the technological securities during the 2nd six-month period of year 2000. The share is registered on a rise of more than 40% since the beginning of the year, counter to the significant fall of the index of the Nouveau Marché .

8. OUTLOOKS

The Group will continue in 2001 the development strategy which was presented last year and which aims obviously at improving its sales revenue and its profitability. While continuing the commercial development of Internet solutions , the corporate market will also be enforced

The integration of personalized and interactive automatic translation systems in the documentary chain of the firms, constitutes the most promising segment: online technical support , localization of applications, search and documentary analysis ...

The multinational groups also constitute banks of knowledge that our products can from now on integrate in a process of “automatic localization” to publish multilingual information or to make applications accessible in 35 languages.

The Board of Directors



SYSTRAN GROUP

CONSOLIDATED FINANCIAL STATEMENTS

2000

SYNOPSIS

CONSOLIDATED INCOME STATEMENT FOR FINANCIAL YEAR 2000

CONSOLIDATED BALANCE-SHEET AS OF DECEMBER 31, 2000

CONSOLIDATED CASH FLOW STATEMENT FOR FINANCIAL YEAR 2000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2000

- 1. Key feature of the financial year**
- 2. Accounting policies**
- 3. Notes to the consolidated income statement**
- 4. Notes to the consolidated balance-sheet**
- 5. Miscellaneous**

CONSOLIDATED INCOME STATEMENT 2000

| <i>(in thousand francs)</i> | Notes | 2000 | 1999 |
|---|------------|----------------|----------------|
| Revenue | 3.1 | 60.741 | 45.261 |
| Other revenues | | 169 | |
| Total operating revenues | | 60.910 | 45.328 |
| Purchases and other external expenses | 3.2 | (21.221) | (16.587) |
| Taxes, levies and similar payments | | (161) | (128) |
| Staff costs | 3.3 | (29.765) | (21.860) |
| EBITDA | | 9.763 | 6.753 |
| Depreciation and operating provisions | | (2.347) | (879) |
| Operating income | | 7.416 | 5.874 |
| Financial provisions | | (61) | (92) |
| Other financial profits and losses | | (510) | (488) |
| Financial income | 3.4 | (571) | (580) |
| Current profit | | 6.845 | 5.294 |
| Reversal of provision on goodwill | | - | 98.300 |
| Other exceptional expenses and profits | 3.5 | (1.334) | (54) |
| Exceptional income | | (1.334) | 98.246 |
| Income taxes | 3.6 | 645 | (244) |
| Net income from consolidated companies | | 6.156 | 103.296 |
| Goodwill amortization | | | |
| Total consolidated net income | | 6.156 | 103.296 |
| Minority share | | - | 564 |
| Net income (group share) | | 6.156 | 102.732 |
| SYSTRAN net income per share (except reversal of provision on goodwill) | 5.4 | | |
| On the basis of average number of shares into circulation: | | | |
| - number of shares | | 9.310.964 | 9.000.000 |
| - in French francs per share | | 0,66 | 0,49 |
| On the basis of mean number of shares after the effect of new increase in capital reserved to minorities and exercise of stock- options : | | | |
| - number of shares | | 10.660.964 | 10.485.000 |
| - in French francs per share | | 0,74 | 0,58 |

SYSTRAN GROUP

CONSOLIDATED BALANCE-SHEET AS OF DECEMBER 31, 2000

ASSETS

| <i>(in thousand francs)</i> | Notes | 2000 | 1999 |
|-------------------------------------|-------|----------------|----------------|
| Intangible assets | 4.1 | 109.313 | 98.935 |
| Tangible assets | 4.2 | 2.058 | 1.905 |
| Financial assets | 4.3 | 256 | 107 |
| Total fixed assets | | 111.627 | 100.947 |
| Trade and other account receivables | 4.4 | 18.555 | 11.137 |
| Marketable securities | | 22.846 | 209 |
| Cash | | 6.400 | 5.230 |
| Prepaid expenses | | 396 | |
| Total current assets | | 48.197 | 16.849 |
| TOTAL ASSETS | | 159.824 | 117.796 |

LIABILITIES

| <i>(in thousand francs)</i> | Notes | 2000 | 1999 |
|---|------------|----------------|----------------|
| Capital | | 98.963 | 450.000 |
| Premium accounts | | 34.133 | 45.732 |
| Consolidated reserves | | (524) | (508.324) |
| F/C translation adjustment | | (236) | (637) |
| Net income from current financial year | | 6.156 | 102.732 |
| Stockholders' equity (group share) | 4.5 | 138.492 | 89.503 |
| Minority interests | 4.6 | - | 1.764 |
| Conditional advances | | - | 2.921 |
| Provisions for contingencies and charges | 4.7 | 8.573 | 4.984 |
| Financial liabilities (except current banking intervention) | 4.8 | 1.511 | 5.830 |
| Trade and other account payables | 4.9 | 9.833 | 11.998 |
| Bank overdraft | | - | 796 |
| Deferred revenue | | 1.415 | - |
| Total current liabilities | | 21.332 | 28.293 |
| TOTAL STOCKHOLDERS EQUITY AND LIABILITIES | | 159.824 | 117.796 |

SYSTRAN GROUP

CONSOLIDATED CASH FLOW STATEMENT FOR FINANCIAL YEAR 2000

| <i>(in thousand francs)</i> | 2000 | 1999 |
|--|-----------------|----------------|
| Net income from consolidated companies | 6.156 | 103.296 |
| Elimination of depreciation and changes in provisions | 5.114 | (97.329) |
| Elimination of variation in deferred taxes | (985) | |
| Elimination of capital gains and losses | 43 | |
| Cash provided by operating activities | 10.328 | 5.967 |
| Variation of working capital requirements | (7.063) | (2.031) |
| Cash flow coming from operating activities (1) | 3.265 | 3.936 |
| Acquisitions of intangible assets and incidence of variation in scope | (12.150) | (170) |
| Acquisitions of tangible assets | (2.359) | (416) |
| Cash flow used in investing activities (2) | (14.509) | (586) |
| New loans and financial liabilities | 598 | - |
| Settlement of loans and financial liabilities t (except bank overdraft) | (4.917) | (1.702) |
| New increases in capital | 43.096 | |
| Variation of receivables attached to unconsolidated investments | - | (50) |
| Variation of conditional advances | (2.920) | - |
| Effect of F/C translation adjustment on cash | (10) | (32) |
| Cash flow coming from financing activities (3) | 35.847 | (1.784) |
| Variation of net cash (4) = (1) + (2) + (3) = (6) – (5) | 24.603 | 1.566 |
| Cash | 5.230 | 3.829 |
| Marketable securities | 209 | 370 |
| Bank overdraft | (796) | (1.122) |
| Net cash at the beginning of financial year (5) | 4.643 | 3.077 |
| Cash | 6.400 | 5.230 |
| Marketable securities | 22.846 | 209 |
| Bank overdraft | - | (796) |
| Net cash at the end of financial year (6) | 29.246 | 4.643 |

SYSTRAN GROUP

Notes to the consolidated financial statements as of December 31, 2000

1. key feature of the financial year

SYSTRAN Company was transferred from the "Marché Libre" (French Over the Counter) to the Nouveau Marché of Paris Stock Exchange on September 14, 2000.

2. Accounting policies

2.1- framework of consolidation

The group financial statements for 2000 were drafted in accordance with the accounting standards provided in the new Regulation # 99-02 of the French Accounting Regulation Committee. In 1999, they had been drafted according to provisions defined by the law of January 3, 1985, the decree of February 17, 1986 and the decision of December 9, 1986.

Setting the group accounts in conformity with the new Regulation did not have any material incidence on accounting and presentation policies adopted up to now.

2.2- scope of consolidation

The group accounts gather the financial statements of Systran and its subsidiaries, except for Systran Institut (dormant German subsidiary for many years), whose investment is completely written-off :

| Name | Sit | % control | % interests |
|----------------------------|------------|-----------|-------------|
| Systran SA | France | mother | mother |
| Systran The USA * | California | 100% | 100% |
| Systran Software Inc (SSI) | California | 100% | 100% |
| Systran Luxembourg | Luxembourg | 100% | 100% |

(*) *Holding company controlling 100% of SSI*

In accordance with what had been announced last year, Systran S.A. repurchased the minority interests in Systran Luxembourg, i.e. 21,4%, during 2000 (cf notes 4.7).

2.3- applied foreign currency exchange rates

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

| Dollar rate in FRF | 2000 | 1999 |
|----------------------------------|--------|--------|
| Opening rate | 6.5295 | 5.6220 |
| Average rate on income statement | 7.1020 | 6.1547 |
| Closing rate | 7.0495 | 6.5295 |

2.4- Consolidation policies

All the companies are consolidated by full integration on the basis of individual annual accounts as of December 31, 2000 and restated, if necessary, in compliance with the group accounting policies.

Translation of foreign subsidiaries accounts

Balance-sheet amounts are translated into French francs at the exchange rate into effect to the end of the financial year. Income statement amounts are converted on the basis of average exchange rate of the year. The translation adjustments resulting from the variation of the exchange rates on the balance-sheet and the income statement are entered in the heading " F/C Translation reserve" included in the stockholders' equity.

The translation adjustments relating to companies located in the euro area countries were maintained in the consolidated stockholders' equity, in accordance with the rules in force.

Goodwill arising from acquisitions

The principle is to assign the difference between the acquisition cost of the consolidated companies shares and the quota of the stockholders' equity at the acquisition date, to the various assets and liabilities from the balance-sheet of the acquired company.

The unassigned balance is reported in the assets of the consolidated balance-sheet under the heading "Goodwill" and amortized over a period not exceeding 20 years. The goodwill can, if necessary, lead to an accelerated depreciation or an impairment when the evaluation of the companies' estimated profitability or structure justifies it.

Deferred taxes

The group account for deferred taxes for the whole of the temporary differences between the tax amount and carrying amount of assets and liabilities into the consolidated balance-sheet. Deferred tax assets on temporary differences or tax loss carryforwards and tax credits are not recognised when their occurrence is unlikely.

Financial lease contracts

The fixed assets financed by lease contracts are restated in the consolidated accounts in order to be placed in the situation where the company would have acquired the concerned goods directly and would have financed them by loan. Depreciation is calculated following the straight-line method according to the expected lifespan in the initial lease contract.

Unrealized profits and losses on transactions in foreign currency

The unrealized profits and losses on transactions in foreign currency are recognized in the consolidated income.

2.5 - Measurement methods

Revenue

The Revenue recognition is carried out as follows:

- the license revenue is recognized at the time of the physical or electronic delivery media, or on the basis of detailed reports transmitted by the distributors. For temporary licenses, the recognized revenue is the amount for which the customer is committed, within a 12-month limit when the contract is for a period of more than one year
- revenue of linguistic services is recognized on the basis of the percentage of completion method ;
- the revenue from advertising on the portals is recognized on the basis of detailed reports transmitted by the latter;

- the development contracts are invoiced according to the percentage of completion method. When they are carried out with partners, Systran, as a coordinator and project holder, recognizes the totality of the contract in "Revenue", the share allocated to the partners being accounted for "Purchases and other external expenses".

Income recognition

The income on linguistic services contracts is measured according to the percentage of completion method. When a loss is expected on the contract, this loss is recognized immediately as an expense on a reasonable basis, according to the maximum-likelihood estimate of the forecasted results, including, if any, the rights to complementary returns or claims.

Current profit

The current profit includes the activity from companies included in the scope of consolidation and the financing cost of these activities. It does not take into account the non recurring items or those not directly linked up to the operations.

Exceptional income

Is retained, in the group accounts, the concept of exceptional income of the French Chart of Accounts. It includes the elements whose occurrence is not related to ordinary activities of the group.

Costs of research and development

- the expenses of cofinanced research and development are recognized on the basis of the completion of the project, the financed part being accounted for revenue ;
- the research and development expenses financed by the group are recognized once they are incurred.

Concessions, patents and licenses

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

The softwares created, intended for an internal or commercial use, are registered in operating costs.

Goodwill

Goodwill comes primarily from the contribution in kind of assets carried out by Gachot in 1989, SYSTRAN's mother company at that time. It is carried in balance-sheet at its contribution value. Moreover, at the time of the purchase of the minority shareholders of Systran Luxembourg, the Group has accounted for 9 millions French francs a portion of the paid price into the heading " Goodwill", corresponding to the linguistic assets of its subsidiary.

Among the components, one can distinguish:

- the customers whose evaluation was founded on the estimated profitability of the contracts,
- the linguistic assets, i.e. linguistic analyses, dictionaries of language pairs and the utilities which correspond to the databases integrated in the marketed software, as well as the associated know-how.

The goodwill part relating to the customers has been depreciated over a period of 8 years (multiple of 8 of the estimated income chosen at the time to evaluate the customers contribution).

The residual part of goodwill is by nature non depreciable, but can be the subject of an impairment in the event of durable fall of its utility value.

Tangible assets

Principal depreciation periods:

| | |
|---------------------------------------|---------------|
| Computer equipment | 3 years |
| Other equipments and office furniture | 5 to 10 years |
| Fittings, leasehold improvements | 5 to 10 years |

Financial investments

The financial investments represent the group's interests in the capital of the unconsolidated companies. They are carried out in the balance-sheet at their cost of acquisition. In the event of durable fall of their value in use, an impairment is accounted for.

The value in use is given according to the financial criteria most appropriate to the particular situation of each company. The criteria generally selected are the quota of revaluated stockholders equity and the outlooks for profitability and development.

Conditional advances

The conditional advances are advances authorized by the Government in order to facilitate the development of a project. Their settlement is conditioned by a certain number of by contract defined elements (success, break-even point...). The outcome of the operation conducts :

- either to a success which involves to settle the authorized advances;
- or to a failure which involves to forgive the payment of the advances. This handing-over constitutes a grant recognized for so in exceptional income.

Provisions for contingencies and charges

They are intended to cover risks and charges that events which have occurred or in progress make likely, definitely specified as for their purpose but whose realisation, due date or amount are uncertain.

Retirement obligations

When retiring, some of the group's employees are entitled to receive a payment for retirement. Corresponding commitments are evaluated according to the retrospective method and are determined on the base of wages as of the end of career. These commitments, accounted for as operating expenses, are classified into the heading "Provisions for contingencies and charges".

3. Notes relating to the consolidated income statement

3.1- *Split of revenue*

| By geographical area (in million francs) | 2000 | 1999 |
|---|-------------|-------------|
| Europe | 32,5 | 30,0 |
| North America | 27,0 | 15,3 |
| Other geographical areas | 1,2 | - |
| Total revenue | 60,7 | 45,3 |

| By nature of revenue (in million francs) | 2000 | 1999 |
|--|-------------|-------------|
| Licenses | 30,5 | 17,4 |
| Services provided to portals and companies | 4,2 | 1,7 |
| Services provided to administrations and development contracts | 26,0 | 26,0 |
| total revenue | 60,7 | 45,3 |

3.2- *Purchases and other external expenses*

| (in thousand francs) | 2000 | 1999 |
|-------------------------------------|---------------|---------------|
| Costs of joint and sub-contractors | 4 719 | 4 019 |
| Lease payments for premises | 2 562 | 2 065 |
| Fees | 4 311 | 4 503 |
| Advertising and marketing expenses | 2 970 | 464 |
| Other purchases | 6 659 | 5 536 |
| Purchases and other expenses | 21 221 | 16 587 |

3.3- *Staff expenses*

| (in thousand francs) | 2000 | 1999 |
|-----------------------------|---------------|---------------|
| Salaries and wages | 24 859 | 18 854 |
| Social contributions | 4 906 | 3 006 |
| Staff expenses | 29 765 | 21 860 |

The average workforce of the group has increased from 88 to 91 people between 1999 and 2000, as detailed here-below:

| Profile | 2000 | 1999 |
|----------------------------------|-------------|-------------|
| Executive management | 2 | 2 |
| Computer specialists (engineers) | 20 | 14 |
| Computational Linguists | 48 | 51 |
| Commercial and marketing | 11 | 11 |
| Administrative | 10 | 10 |
| Total staff | 91 | 88 |

The total compensation paid to other members of the Board of directors is not disclosed because it would otherwise account for individual remuneration.

3.4- *Financial income*

| (in thousand francs) | 2000 | 1999 |
|--------------------------------------|--------------|--------------|
| Allowances to financial provisions | (61) | (92) |
| Interest expenses | (381) | (612) |
| F/C Exchange gains and losses | (350) | 98 |
| Other expenses and financial incomes | 221 | 26 |
| <i>financial income</i> | (571) | (580) |

3.5- *Exceptional income*

Exceptional incomes:

Conditional advances were granted in 1993 for an amount of 2.921 thousand francs by the French Ministry of Economy for the development of Italian-French language pair for the French Ministry of Defense. The settlement of these advances was conditioned to the launch on the market of the product before July 1, 2000. Considering that no income would be generated from this project, the Ministry of Economy, Finances and Industry officially discharged Systran from the settlement of these advances in July 2000. Consequently, they were accounted for in exceptional product of this financial year

Exceptional expenses

SYSTRAN Group drew a restructuring plan of its translation departments activity with the administrations, in order to draw the conclusions from the decrease of backlog from the European Commission. The Group also undertook specific actions regarding the cost reduction of non-critical functions for the achievement of its development plan.

For this reason, restructuring costs accounted for at the end of the financial year amount to 4,1 million francs (including 3,5 million francs in the form of operating expenses; cf § 4.7).

3.6- *Income taxes*

| (in thousand francs) | 2000 | 1999 |
|-----------------------------------|-------------|-------------|
| Current taxes | (340) | (244) |
| Deferred taxes | 985 | - |
| Tax income (expense) of the group | 645 | (244) |

As a conservatism policy, the Group does not recognize the surplus of the deferred tax assets, relating in particular to the tax loss carryforwards expiring until 2012, whose amount rises to 20,3 million francs at December 31 2000. Deferred taxes assets arising from restructuring reserves have been the sole ones to be recognized during the financial year .

The differences between the effective corporate income tax recognized in financial statements and the theoretical tax obtained by applying the French tax rate are as follows:

| (in thousand francs) | 2000 |
|--|-------------|
| Income before tax | 5.511 |
| Theoretical tax expense at the mother company rate (37% for 2000) | (2.039) |
| Incidence on the theoretical tax use of: | |
| - the tax losses coming from former years | 1.473 |
| - research tax credit recognized during the current financial year | 1.298 |
| - others | (87) |
| Total | 2.684 |
| Tax at regular rate | 645 |
| Tax at reduced rate | - |
| Tax expense stated in the income statement | 645 |

The net income by share, after tax related to the financial year and dilution, amounts to 0,60 franc per share during 2000 and 0,42 franc per share for 1999 (cf § 5.4).

3.7 - *Cost of sales*

The cost of sales consist of the following items:

- for license revenues : duplication, packaging, user manuals , freight
- for services revenues : staff expenses , external services and related expenses engaged to perform consulting services , customization and application maintenance

| Nature of revenue (in million francs) | 2000 |
|--|---------------|
| Licenses | (1,2) |
| Services provided to portals and companies | (1,0) |
| Services provided to administrations and development contracts | (23,8) |
| <i>Cost of sales</i> | (26,0) |

This information being produced for the first time, it could not be compared to 1999.

3.8 - *Research & Development expenses*

The research & development expenses financed by the group amount to 6 MF in 2000 (4 MF in 1999). They are primarily composed of staff costs and from time to time of external expenses for lexical resources.

Moreover, the portion of cofinanced development contracts rose in 2000 to 9,4 MF against 6,8 MF in 1999 (cf notes 3.1).

4. Notes relating to the consolidated balance sheet

4.1- *Intangible assets*

| (in thousand francs) | 12/31/99 | Increase | Decrease | Translation adjustment | 12/31/00 |
|--|---------------|---------------------|----------|------------------------|----------------|
| Research and development expenses | - | - | - | - | - |
| Concessions, patents and licenses | | | | | |
| - Gross value (1) | 73.117 | 85 | - | 1 836 | 75 038 |
| - Depreciation | < 72 482 > | < 144 > | - | < 1 785 > | < 74 411 > |
| Net Value | 635 | < 59 > | - | 51 | 627 |
| Goodwill | | | | | |
| - Customer contracts | 301700 | | - | - | 301700 |
| - Amortization | <301700> | | - | - | < 301700 > |
| - Dictionaries and know-how (2) | 98 300 | 10 386 | | | 108 686 |
| - Provisions for impairment | - | | | | |
| - Net Value | 98 300 | 10 386 | - | - | 108 686 |
| intangible assets | 98 935 | 10 327 | | 51 | 109 313 |

(1) The concessions, patents and licenses values primarily consist of software licenses of language pairs acquired by the group. Its gross value as of December 31, 2000 is made up of the following elements:

- 50 MF of software owned by Gachot and acquired by Systran in July 1989, fully depreciated today.
- 21,9 MF of capitalized software at Systran Software Inc, revalued at the time of the purchase of the company by Gachot in 1985 and fully depreciated..
- 1,2 MF of owned software and not fully depreciated.

(2) The net value of goodwill as at December 31st 2000 amounts to 108,7 million francs, corresponding to:

- the evaluation of the language pairs dictionaries, the related utilities and the know-how provided in 1989 to Systran by Gachot, its mother company at the time, for 98,3 million francs;
- the purchase of Systran Luxembourg shares held by minority shareholders, who allowed to consolidate the linguistic assets of Systran Group for 10,4 million francs (see note 4.6).

4.2- *Tangible assets*

| (in thousand francs) | 12/31/99 | Increase | Decrease | Translation Adjustment | 12/31/00 |
|--|--------------|-----------|---------------------|------------------------|--------------|
| Leasehold improvements & fixtures | | | | | |
| Gross value | 809 | 74 | - | 41 | 924 |
| Depreciation | <444> | < 80 > | | < 27 > | < 551 > |
| Net Value | 365 | <6> | - | 14 | 373 |
| Computer Equipment and office furniture | | | | | |
| Gross value | 5 973 | 1 328 | < 28 > | 371 | 7 644 |
| Depreciation | <4 433> | <1 236> | - | < 290 > | <5 959> |
| Net Value | 1 540 | 92 | < 28 > | 81 | 1 685 |
| Tangible fixed assets | 1 905 | 86 | < 28 > | 95 | 2 058 |

* including fixed assets acquired in financial lease contracts

4.3- *Financial assets*

| (in thousand francs) | 12/31/99 | Increase | Decrease | 12/31/00 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Investments | | | | |
| - Gross Value | 11 349 | - | - | 11 349 |
| - Provision for impairment | <11 349> | - | - | <11 349> |
| - Net Value | - | - | - | - |
| Related Receivables | | | | |
| - Gross Value | 225 | 25 | - | 250 |
| - Provision for impairment | <225> | - | - | <225> |
| - Net Value | - | 25 | - | 25 |
| Other Financial Assets | | | | |
| - Gross Value | 107 | 184 | - | 291 |
| - Provision for impairment | | (60) | | (60) |
| - Net Value | 107 | 124 | - | 231 |
| FINANCIAL ASSETS | 107 | 149 | | 256 |

The investments are exclusively related to the German subsidiary Systran Institut, dormant for a few years. The related shares and the stockholder's current account are fully written off.

4.4- *Trade and other receivables*

| (in thousand francs) | 12/31/00 | 12/31/99 |
|------------------------------------|-----------------|-----------------|
| Trade receivables | 16 450 | 9 970 |
| Write-off of Trade receivables | (791) | (114) |
| Tax Credits | 1 484 | 676 |
| Deferred Tax assets | 985 | - |
| Other receivables | 779 | 605 |
| Write-off of other receivables | (352) | - |
| TRADE AND OTHER RECEIVABLES | 18 555 | 11 137 |

4.5- *Variation in stockholders' equity (group share)*

| (in thousand francs) | Capital | Premium | Consol'd Earnings | Group's net income of the year | Trans-lation reserve | Total stockholders equity |
|--|-----------|----------|-------------------|--------------------------------|----------------------|---------------------------|
| Situation as of 12/31/99 | 450 000 | 45 732 | (508 324) | 102 732 | (637) | 89 503 |
| Capital Reduction SEGM 3/6/00 | (360 000) | (45 732) | 405 732 | - | - | 0 |
| Minority Lux. increase SEGM 5/3/00 | 1 350 | 10 800 | - | - | - | 12 150 |
| IPO Nouveau Marché 9/14/00 | 7 613 | 23 333 | - | - | - | 30 946 |
| Profit Appropriation 1999 | - | - | 102 732 | (102 732) | - | 0 |
| Profit of the current financial year | - | - | - | 6 156 | - | 6 156 |
| Treasury stock | - | - | (663) | - | - | (663) |
| Variation of F/C Translation Reserve and miscellaneous | - | - | (1) | - | 400 | 399 |
| Situation as of 12/31/00 | 98 963 | 34 133 | (524) | 6 156 | (237) | 138 492 |

The Stockholders Extraordinary General Meeting of March 6, 2000 of SYSTRAN S.A. decided to offset the former losses of the mother company carried forward in stockholders equity for 488,7 millions francs against on one hand premium on capital stock for 45,7 million francs and , on the other hand, a reduction in capital of 360 million francs by a rebate on the par value of share from 50 FF to 10 FF.

Moreover, the mother-company carried out a new increase in capital in cash of 34,5 million francs at the time of its transfer on the Nouveau Marché. The expenses relating to the operation, 3.509 thousand francs were charged to the premium on capital stock account.

Lastly, the Group acquired, on the Market, SYSTRAN stock within the framework of the share purchase program authorized by the Stockholders Extraordinary General Meeting of May 3, 2000. As of December 31, 2000, the Group was holding 25.621 SYSTRAN shares, for 663 thousand francs. According to accounting rules dealing with treasury shares, they have been accounted for in deduction of stockholders' equity.

4.6- *Minority interests*

| (in thousand francs) | 12/31/00 | 12/31/99 |
|---|----------|--------------|
| Minority Interests in consolidated earnings | 0 | 1 200 |
| Minority Share in consolidated Profit of current financial year | 0 | 564 |
| MINORITY INTERESTS | 0 | 1 764 |

As of December 31, 1999, the minority interests were corresponding to the 21,6% hold by minority stockholders in the subsidiary Systran Luxembourg. In agreement with them, the Board of directors met on December 13, 1999 had approved the purchase of the totality of their shares. The payment was made in cash. By a decision of the Stockholders Extraordinary General Meeting of May 3, 2000, the corresponding amount was then incorporated in the capital via a new allocated increase in capital of 135.000 new shares accounting for 1,5% of the authorized capital of Systran at the time of the operation.

4.7- *Provisions for contingencies and charges*

| (in thousand francs) | 12/31/00 | 12/31/99 |
|---|-----------------|-----------------|
| Taxes | 4 851 | 4 851 |
| Restructuring costs | 3 588 | - |
| Other | 134 | 133 |
| PROVISIONS FOR CONTINGENCIES AND CHARGES | 8 573 | 4 984 |

There are no deferred tax liabilities except for the long-term tax (4 851 thousand francs) which will be due during the reversal of the impairment of Systran USA shares held by Systran SA.

The Group is engaged in a restructuring plan of its linguistic service activity for the administrations and takes also specific actions for the reduction of certain costs (cf notes 3.5). Consequently, a restructuring provision of 3.474 thousand francs has been accrued at the end of the current financial year .

Group's retirement obligations are fully accounted for at the end of the financial year. Taking into account the average age and seniority of the staff, the amount of obligation as at December 31 2000 is not significant. The provision amounts to 1,6 thousand francs.

4.8- *Financial Liabilities*

| (in thousand francs) | gross amount as at 12/31/99 | gross amount as at 12/31/00 | Less than one year | 1 to 5 years |
|---------------------------------|------------------------------------|------------------------------------|---------------------------|---------------------|
| COFACE Advances | 548 | 548 | - | 548 |
| Loans and Financial Liabilities | 4 847 | 0 | - | - |
| Financial lease contracts | 435 | 963 | 565 | 398 |
| FINANCIAL LIABILITIES | 5 830 | 1 511 | 565 | 946 |

The loans and financial liabilities were refunded to the Swiss company Socimbal AG and the principal shareholders of Systran S.A.

The financial lease contracts relate mainly to computer equipment.

4.9- *Trade and Other Payables*

| (in thousand francs) | gross amount as at 12/31/99 | gross amount as at 12/31/00 | Within one year |
|---------------------------------|------------------------------------|------------------------------------|------------------------|
| Trade payables | 6 959 | 4 989 | 4 989 |
| Tax and social liabilities | 2 642 | 3 010 | 3 010 |
| Other liabilities | 2 397 | 1 834 | 1 834 |
| TRADE AND OTHER PAYABLES | 11 998 | 9 833 | 9 833 |

5. Various Information

5.1- Disclosure on commitments and contingent liabilities

Guarantees

As of December 31, 2000, the commitments entered into by Systran SA with respect to third party for the account of its Luxembourg subsidiary were as follows:

| Date | Term | Creditors | Object | Amount |
|----------|-------------|-------------------------------|------------------------------------|-------------|
| 20.01.98 | | Banque Générale du Luxembourg | Overdraft authorization | 10.000 KLUX |
| 09.07.98 | 30.06.01 | Eurolease Factor | Financial Lease contract Guarantee | 648 KLUX |
| 13.08.98 | August 01 | Eurolease Factor | Financial Lease contract Guarantee | 299 KLUX |
| 03.08.98 | August 01 | Eurolease Factor | Financial Lease contract Guarantee | 673 KLUX |
| 03.02.99 | 31.01.02 | Eurolease Factor | Financial Lease contract Guarantee | 1.979 KLUX |
| | February 03 | European Commission | EC MT Contract | 48 KEUR |
| | February 04 | European Commission | TRADAUT Contract | 55 KEUR |
| 03.02.00 | February 03 | Eurolease Factor | Financial Lease contract Guarantee | 286 KLUX |
| 25.04.00 | 28.02.01 | European Commission | MCA3 Contract | 360 KEUR |
| 07.07.00 | Sept. 02 | European Commission | TRANSLEX Contract | 77 ,6 KEUR |
| 04.12.00 | Sept. 02 | Taalunie | TRANSLEX Contract | 19,4 KEUR |

The exchange rate of the Luxemburgish franc is equal to 0,16 French franc.

5.2- Financial Instruments

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

5.3- Stock-options

In order to motivate the employees of the company and the social agents , a stock-option subscription plan has been decided by the Stockholders Extraordinary General Meeting of March 6, 2000. The number of shares which can be issued accordingly amounts to 1.350.000 shares. The number of stock attributed as of December 31st, 2000 is 1.140.000 shares. The excersise price of stock is set at 7,6 euros per share.

5.4- *Net income per share*

The net income per share is calculated on the basis of balanced average number of outstanding shares during the financial year. It is in addition calculated after the complete exercise of attributed stock-options as defined in note 5.3.

The mean number of shares after dilution, which varied twice during the financial year (cf notes 4.5), is calculated as follows:

| | 2000 | 1999 |
|--|-------------------|-------------------|
| Mean number of shares into circulation | 9.310.964 | 9.000.000 |
| Number of shares resulting from the new increase in capital allocated to minority shareholders from Systran Luxembourg | 0 | 135.000 |
| Number of shares resulting from full exercise of stock-options | 1.350.000 | 1.350.000 |
| MEAN NUMBER OF SHARES AFTER DILUTION | 10.660.964 | 10.485.000 |

The net income after dilution for 1999 and 2000 corresponds to the net incomes of the related years, except the reversal of impairment on goodwill such as it appears in the consolidated income statement, added to it financial products pro forma net of taxes corresponding to the investment of funds raised from increases in capital of 135.000 (for 1999) and 1.350.000 shares (for 1999 and 2000).

| | 2000 | 1999 |
|--|-------------------|-------------------|
| Net income – Group share (except reversal of impairment on goodwill) | 6 156 | 4 432 |
| pro-forma financial incomes after tax | 1 750 | 1 701 |
| NET INCOME AFTER DILUTION | 7 906 | 6 133 |
| MEAN NUMBER OF SHARES AFTER DILUTION | 10.660.964 | 10.485.000 |
| NET INCOME PER SHARE AFTER DILUTION (IN FRANCS) (*) | 0,74 | 0,58 |

(*) after tax expense n of current financial year and before use of tax loss carryforwards (cf § 3.6)

0,60

0,42

| Detailed Information on each subsidiary and investment ((in thousand French francs) | Capital | Other stockholders' equity | Quota of the held capital in % | Gross Value of held shares | Net Value of held shares | Granted advances | Securities and granted endorsements | Revenue of the year 2000 | Net Income of financial year 2000 | Cashed dividends during the financial year | Observations |
|---|---------|----------------------------|--------------------------------|----------------------------|--------------------------|------------------|-------------------------------------|--------------------------|-----------------------------------|--|--|
| Subsidiaries (interest >50%) | | | | | | | | | | | |
| Systran USA (1 USD=7,04 FF) | 352 | 9.081 | 100.00 | 33.801 | 11.268 | 5.777 | - | - | (38) | - | Holding Company controlling Systran Software at 100% |
| Systran Luxembourg (1 LUF = 0,1626 FF) | 815 | (392) | 100.00 | 12.789 | 12.789 | - | 5.931 | 16.219 | 370 | - | |
| Systran Institute (1 DEM = 3,4 FF) | 855 | (1780) | 76.00 | 11.349 | 0 | 249 | | | | - | Dormant Company |
| 1. Investments (held between 10% and 50 %) | | | | | | | | | | | |

FINANCIAL INCOME OF THE COMPANY FOR THE LAST FIVE YEARS
Amounts in Francs, unless otherwise specified
(art.133, 135 and 148 of the Decree on Commercial Companies)

| NATURE OF THE INDICATIONS | 2000 | 1999 | 1998 | 1997 | 1996 |
|--|--------------|--------------|-------------|-------------|-------------|
| Capital at the end of the year | | | | | |
| a) Authorized capital | * 98.962.500 | 450.000.000 | 450.000.000 | 450.000.000 | 450.000.000 |
| b) Number of shares | | | | | |
| - ordinary | 9.896.250 | 9.000.000 | 9.000.000 | 9.000.000 | 9.000.000 |
| - with priority dividends | | | | | |
| c) Maximum Number of shares to be issued | | | | | |
| - by conversion of bonds | | | | | |
| - by use of warrants | | | | | |
| Operations and Incomes | | | | | |
| a) Revenue | 24.717.412 | 16.251.518 | 8.793.939 | 5.082.015 | 2.137.758 |
| b) Income before taxes, employee profit-sharing, depreciation and write-offs | 1.818.773 | 1.531.085 | 2.940.411 | 1.893.861 | 163.251 |
| | - | 79.121 | | 25.500 | |
| c) Income taxes | | | | | |
| d) Employee profit sharing | | | | | |
| e) depreciation and provisions | 976.920 | (96.259.163) | 1.744.764 | 1.034.829 | 18.347 |
| f) Net income | 841.853 | 97.711.127 | 1.195.647 | 833.532 | 144.904 |
| g) Distributed Income | | | | | |
| Earnings per share | | | | | |
| a) Income after tax, employee profit-sharing, before depreciation and provisions | | | | | |
| b) Income after tax, investment, depreciation and provisions | | 11 | | | |
| c) Allotted Dividend | | | | | |
| Staff | | | | | |
| a) Average number of employees | 25 | 9 | 9 | 5 | 3 |
| b) Wage bill | 6.695.296 | 1.694.387 | 1.687.672 | 573.331 | 755.153 |
| c) Sums paid in employee benefits (social security, etc.) | 2.672.973 | 692.009 | 654.695 | 230.919 | 290.249 |

** 15.086.735 Euros, the authorized capital having been converted into Euros by a decision of the Mixed General Assembly of May 3 2000*