

**Leading Provider of Language Translation**
**Technologies**

## First Semester 2004 Interim Report

- **Operating income of 1,757 K€ : +21.7 %  
+32 % at constant exchange rates**
- **Sales of 5,791 K€ : +9.8%  
+16.3 % at constant exchange rates**

July 27<sup>th</sup>, 2004 - SYSTRAN, leading provider of language translation technologies today announced consolidated financial results for the first semester ended June 30, 2004.

Consolidated and Audited Accounts (in K€)	1 <sup>st</sup> semester 2004	1 <sup>st</sup> semester 2003 published	Annual change 2004 / 2003 pro forma
<b>Sales</b>	<b>5,791</b>	5,273	<b>+ 9.8 %</b>
<b>Operating Income</b>	<b>1,757</b>	1,444	<b>+ 21.7 %</b>
%	+ 30.3%	+ 27.4%	
<b>Net Income (Group's Share)</b>	<b>1,424</b>	1,235	<b>+ 15.3 %</b>
%	+ 24.6 %	+ 23.4 %	

During the first semester 2004, the trend in sales growth for 2003 has continued in both the Software Publishing and Professional Services business units.

Revenue for the first semester 2004 amounted to 5,791 K€, reflecting a sales increase of +9.8 % (+16.3% at constant exchange rates).

Operating income for the first semester 2004 amounted to +1,757 K€, an increase of +21,7% as compared with the first semester 2003. SYSTRAN increased its operating margin to +30.3%, as compared with +27.4% for the same period last year.

Cash amounted to 7,360 K€ at June 30, 2004. The operating cash-flow for the reporting period is 1,739K€, as compared with 914 K€ for the same period last year.



## New version 5.0 release

In July SYSTRAN released its new version 5.0 for its family of desktop products. New and in-demand features include PDF documents translation, enhanced customization capabilities as well as one new product targeted for use by Microsoft® Office users called SYSTRAN Office Translator 5.0, and two new language pairs: Arabic into/from English and Swedish into/from English.

The new 5.0 release is expected to impact 3rd and 4th quarter software sales.

## Revenue analysis

Consolidated and Audited Accounts (in K€)	1 <sup>st</sup> semester 2004	%	1 <sup>st</sup> semester 2003	%	Annual change 2004/ 2003
<b>Software Publishing</b>	<b>2,634</b>	<b>45.5%</b>	<b>2,591</b>	<b>49.1%</b>	<b>+1.7%</b>
Home & Small Business (HSB)	255	4.4%	305	5.8%	-16.4%
Corporate & Administrations	770	13.3%	986	18.7%	-21.9%
Resellers	1,055	18.2%	686	13.0%	+53.8%
Online Sales	554	9.6%	614	11.6%	-9.8%
<b>Professional Services</b>	<b>3,157</b>	<b>54.5%</b>	<b>2,682</b>	<b>50.9%</b>	<b>+17.7%</b>
Corporate & Administrations	2,151	37.1%	1,694	32.1%	+27.0%
Co-funded	1,006	17.4%	988	18.7%	+1.8%
<b>Consolidated sales</b>	<b>5,791</b>	<b>100.0%</b>	<b>5,273</b>	<b>100.0%</b>	<b>+9.8%</b>

*Software Publishing* sales are stable at +1.7%, compared with the first semester 2003.

Earnings from the *Professional Services* business unit continue to expand as revenue increased by +17,7 %, as compared with the same reporting period last year. Positive results are due to existing contracts and new orders received from *Corporate* customers acquired during first semester of 2004.

### **Corporate & Administrations sales rose +9%**

Sales generated from *Corporate & Administrations*, comprised of Software licenses and Professional Services, increased by +9% to 2,920 K€, as compared with 2,680 K€ for the first semester 2003.

These positive results are due to a high renewal rate for both annual licenses and professional services contracts from existing customers.



### **Co-funded sales are firm**

Co-funded sales amounted to 1,006 K€ for the first semester 2004, as compared with 988 K€ for the first semester 2003.

### **Outlook**

The new version 5.0 release is expected to have a positive impact on the Software Publishing business unit during the 3rd and 4th quarters. In addition, we plan to launch new online stores, each available in a language other than English, in an effort to further extend the company's online sales reach.

The Professional Services business unit has a significant inventory of orders pending completion this year, as follows: 1,9 M€ for *Corporate & Administrations* customers, and 0,4 M€ for *Co-funded* contracts.

### **About SYSTRAN**

SYSTRAN is the leading provider of the world's most scalable and modular translation software. SYSTRAN's expertise spans over 30 years of building customized machine translation solutions for large corporations, ISPs, governments and public administrations through open and robust architecture.

Its core technology powers translation solutions for the Internet, PCs and network infrastructures that facilitate communication in 40 language pairs and 20 specialized domains. SYSTRAN's technology is developed under Linux and runs on all Unix platforms, MacOS X and Microsoft Windows.

SYSTRAN is headquartered in France and has a subsidiary in California, USA.

SYSTRAN (Code ISIN FR0004109197, Bloomberg: SYST NM, Reuters: SYTN.LN) is listed on Euronext Paris, *Nouveau Marché*, and is member of Euronext's Next Economy segment.

### **Contact**

Dimitris SABATAKAKIS, Chairman & CEO  
Téléphone: 33 (0)1 47 96 86 86 Fax: 33 (0)1 46 98 00 59 [sabatakakis@systran.fr](mailto:sabatakakis@systran.fr)

Revenue for the third quarter 2004 ending on September 30, 2004 will be announced on October 27<sup>th</sup>, 2004.

This Press Release is available for download at :  
[http://www.systransoft.com/company/investors/financial\\_releases.html](http://www.systransoft.com/company/investors/financial_releases.html)



<i>(thousands of Euros)</i>	1 <sup>st</sup> semester 2004 (6 month)	1 <sup>st</sup> semester 2003 (6 month)	2003 (12 month)
<b>Sales</b>	<b>5,791</b>	<b>5,273</b>	<b>11,191</b>
Other revenues	4	158	10
<b>Operating revenues</b>	<b>5,795</b>	<b>5,431</b>	<b>11,201</b>
Purchases and other external expenses	(2,004)	(2,011)	(4,078)
Taxes and duties	(39)	(28)	(50)
Wages and salaries	(1,709)	(1,847)	(3,919)
<b>Gross profit / (loss)</b>	<b>2,043</b>	<b>1 545</b>	<b>3,154</b>
Depreciation and operating provisions (net)	(286)	(101)	(74)
<b>Operating income / (loss)</b>	<b>1,757</b>	<b>1,444</b>	<b>3,080</b>
Financial provisions		0	0
Other financial income / (expense)	110	(56)	(135)
<b>Financial profit / (loss)</b>	<b>110</b>	<b>(56)</b>	<b>(135)</b>
<b>Current profit/ (loss) on ordinary activities</b>	<b>1,867</b>	<b>1,388</b>	<b>2,945</b>
<b>Extraordinary income / (loss)</b>	<b>(88)</b>	<b>(69)</b>	<b>(298)</b>
Income taxes	(355)	(84)	4
<b>Net income / (loss) from consolidated companies</b>	<b>1,424</b>	<b>1,235</b>	<b>2,651</b>
Goodwill amortization			0
<b>Consolidated net income / (loss)</b>	<b>1,424</b>	<b>1,235</b>	<b>2,651</b>
Minorities	0	0	0
<b>Net income / (loss) applicable to common shares</b>	<b>1,424</b>	<b>1,235</b>	<b>2,651</b>

<b>Earning / (loss) per share</b>	1 <sup>st</sup> semester 2004	1 <sup>st</sup> semester 2003	2003
On the basis of the average number of shares in circulation :			
- Number of common shares	9,833,695	9,833,695	9,833,695
- Euros per share	0.14	0.13	0.27