

## First Semester 2014 Interim Report

- **Consolidated Sales of 3,973 K€**
- **Consolidated Current Operating Income : (773) K€**
- **Consolidated Net Income : (674) K€**

**August 1, 2014 – SYSTRAN today announced its consolidated financial results for the first semester ended June 30<sup>th</sup>, 2014.**

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



## Activities – First semester 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
<b>Software Publishing</b>	<b>2,109</b>	53.1 %	<b>3,597</b>	62.2%	-41.4 %
<b>Professional Services</b>	<b>1,864</b>	46.9 %	<b>2,189</b>	37.8%	-14.8 %
<b>Consolidated Sales</b>	<b>3,973</b>	100 %	<b>5,786</b>	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
<b>Total sales</b>	<b>3,973</b>	<b>5,786</b>

## Outlook

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.



## 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 Sabatakakis<sup>1</sup>, Guillaume Naigeon<sup>2</sup>, Denis Gachot, Jean Senellart, Charles-Eric Boscals de Réals<sup>3</sup>, together with Valfinance and SOPI, representing approximately 38.04%<sup>4</sup> 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 rights<sup>5</sup>.

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.

## 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.

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<sup>1</sup> 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.

<sup>2</sup> 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.

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

<sup>4</sup> 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.

<sup>5</sup> 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 2<sup>nd</sup> paragraph of article 223-11 from the AMF general rules.



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.

## About SYSTRAN

SYSTRAN is the market historic provider of language translation software products and solutions for the desktop, enterprise and Internet.

Use of SYSTRAN products and solutions enhance multilingual communication and increase user productivity. SYSTRAN delivers real-time language solutions for search, content management, online customer support, intra or intercompany collaboration, and eCommerce.

With the ability to facilitate communication in 60 language combinations and in 20 vertical domains, SYSTRAN's software is the choice of leading global corporations, portals and public agencies.

SYSTRAN has been pioneering advances in machine translation for over 45 years. Its latest achievement, SYSTRAN Hybrid MT, combines the predictability and language consistency of rulebased machine translation with the fluency of statistical MT.

SYSTRAN is headquartered in Paris, France with a North American office located in San Diego, California, USA.

SYSTRAN (Code ISIN FR0004109197, Bloomberg: SYST NM, Reuters: SYTN.LN) is listed on EuroNext Paris, Compartiment C.

For more information, visit [www.systransoft.com](http://www.systransoft.com)

## About CSLI

CSLI is a leading provider of language translation software and services. CSLI has a dominant market position in the Korean translation market and it offers translation solutions and services, including document translation and automatic web translation to various corporations, government agencies and individuals.

CSLI's proven technology and accumulated language resources allow the company to better serve its customers. Specifically, CSLI's high-quality translation engines offer a real-time, bidirectional translation for many languages including Korean, Japanese, Chinese and English.

CSLI is dedicated to developing various language translation solutions to make the world more connected and it plans to further expand its market presence in the global language translation market.

CSLI is headquartered in Seoul, Republic of Korea with presence in USA, China, France, etc.



For more information, please visit [www.csli.co.kr](http://www.csli.co.kr)

## **Contact**

### **Guillaume NAIGEON, CEO**

Telephone: +33 (0)1 44 82 49 00 Fax: +33 (0)1 44 82 49 01

Email: [naigeon@systran.fr](mailto:naigeon@systran.fr)

Results for the third quarter 2014 ending on September 30, 2014 will be announced on November 7, 2014.

This Press Release is available for download at:

<http://www.systransoft.com/systran/investors/press-releases>

Half-Year financial report is available for download at:

<http://www.systransoft.com/systran/investors/financial-report/half-year>



<i>(In K€)</i>	<b>1<sup>st</sup> semester 2014 (6 months)</b>	<b>1<sup>st</sup> semester 2013 (6 months)</b>
<b>Net sales</b>	<b>3,973</b>	<b>5,786</b>
Cost of sales and other external expenses	(1,589)	(1,575)
Wages and salaries	(3,250)	(3,242)
Taxes and duties	(136)	(125)
Depreciation and amortization (net)	(147)	(166)
Other income / (expenses)	376	355
<b>Current operating income</b>	<b>(773)</b>	<b>1 033</b>
Other operating income	296	12 112
Other operating expenses	(316)	(12 922)
<b>Operating income</b>	<b>(793)</b>	<b>223</b>
Net cost of debt	158	220
Other financial income and expenses	(16)	(14)
<b>Net financial income</b>	<b>142</b>	<b>206</b>
<b>Profit before tax</b>	<b>(651)</b>	<b>429</b>
Income tax expenses	(23)	(297)
<b>Profit from operations</b>	<b>(674)</b>	<b>132</b>
Minority interest		
<b>Net income / (loss) – Group's share</b>	<b>(674)</b>	<b>132</b>
<b>Earning / (loss) per share</b>		
<i>On the basis of the average number of shares in circulation:</i>		
- Number of common shares	7,376,326	7,153,604
- <b>Euros per share</b>	<b>(0.09)</b>	<b>0.02</b>