

Leading Provider of Information and Translation Technologies

Half -Year Interim Report as of June 30, 2002

July 31st, 2002 -- SYSTRAN (Bloomberg: SYST NM, Reuters: SYTN.LN, Code Euroclear Paris: 7729) today announced consolidated financial results for the first semester ended June 30, 2002. They reflect a decrease in sales, due to delayed orders from distributors and a temporary slowdown in development contracts and services provided to public administrations. As a result of the restructuring implemented, the interim net loss of €1.9 million includes €0.6 million of these costs. Results for the second semester of 2002 are expected to be profitable.

Consolidated and audited accounts in M€	1st semester 2002 published	1st semester 2002 pro-forma	1st semester 2001	Change 2002 pro-forma / 2001
Revenue	3,15	2,70	4,37	(38%)
Operating Income	(1,53)	(1,53)	(0,30)	(410%)
<i>Operating Margin</i>	<i>(48,5%)</i>	<i>(56,6%)</i>	<i>(7%)</i>	
Net Income (Group share)	(1,88)	(1,59)	0,27	(689%)
<i>Net Margin</i>	<i>(60%)</i>	<i>(59%)</i>	<i>6%</i>	

Pro-forma financial statements for the first semester 2002, excluding contributions from Aurora SAS, have been prepared with anticipation of the subsidiary's closure during the second semester. Financial statements for the first semester 2001 did not include any contribution from Aurora SAS.

in M€	2002	as % of total	2001	as % of total	Change 02/01
Corporate & Portal Solutions (*)	1,3	41,9	1,2	27,3	+13,2%
Software Publishing	1,0	32,2	1,4	31,8	(28,7%)
Development Contracts	0,2	6,5	0,6	13,6	(80,3%)
Services to Administrations	0,6	19,4	1,2	27,3	(65,8%)
Consolidated Revenue	3,1	100%	4,4	100%	(29,5%)

(*) including Aurora : 0,4 M€ over the 1st semester 2002



License Sales

The renewal rate of software sales and corporate solutions is high. Despite the economic slowdown, SYSTRAN has acquired new customers and intends to realize a return on the pre-sales investment of the first semester during the second semester.

A new upgrade release of software, version 4, was launched in July 2002. This delayed release resulted in deferred orders from distributors, the basis for the decrease in sales for the "Software Publishing" unit during the first semester.

Development Contracts and Services to Administrations

SYSTRAN experienced a short-term slow period in the first semester, as certain contracts did not on-time and new contracts remain on-hold as they are scheduled to begin in July 2002. This decrease is unusual and standard invoicing on a regular basis is anticipated to resume September 7, 2002. Seven new contracts totaling €4.4 Million Euros and covering a 24-month period have been added to the current backlog of €1 million to be executed through the end of the year.

Implementation of Company Restructuring

Due to the ongoing economic slowdown and in compliance with the announcement made at the end of the 1st quarter, SYSTRAN has taken measures to reduce costs. Aside from the current closure of Aurora SAS, currently in process, we have reduced our workforce in Europe and in the United States, allocating a savings of €0.5 million during the second semester and €1 million for the year. The related restructuring costs are charged as extraordinary expenses of the reporting period.

Sales and marketing expenditures in Europe and in the United States, i.e. €0.76 million, remain at the same level as compared with the first semester of 2001.

Research and development expenditures amount to €0.75 million, versus €0.5 million, as compared with the first semester of 2001. A tax credit in the amount of €0.2 million for research has been recognized for the reporting period, versus €0.4 million, as compared with the first semester of 2001.

Aurora SAS Files for Bankruptcy Protection

Facing continuous difficulties in developing the activities of Open Source IT Services, Aurora SAS is currently placed under the French "Chapter 11", provided for distressed companies. SYSTRAN has written-off its investment, i.e. amounting to €0.4 million.

Outlook

SYSTRAN forecasts an increase in sales of Corporate & Portal Solutions during the second semester of 2002, due to the pre-sales activities during the last quarter 2001 and the first semester of 2002 are realized. The corporate sales cycle is much longer than that of the Portal market. However, the corporate business is far more solid as compared with the Portal market, and this will allow us to build a foundation of steady development and recurring sales.

The Software Publishing business unit is forecasted to profit from the release of the newly upgrade release of Version 4 for SYSTRAN's family of desktop translation software products. Version 4.0 includes tangible improvements and technology innovation from SYSTRAN's R&D Department. This unit's sales are anticipated to increase over the second semester of 2002. New orders for these products have already been recorded by the Group.

Development contracts and services to administrations are expected to increase effective September, the starting date of the new orders recorded during the last months. This recovery of sales is projected to restore the unit's annual revenue to the same level as compared with the second semester of 2001.

Due to the results of the first semester and anticipated profits for the second semester of 2002, the break-even projected at the beginning of the year will not be achieved.

SYSTRAN intends to increase its capital before the end of the year 2002.

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 translation solutions for large corporations, portals, ISPs, governments and public administrations through open and robust architectures

Its core technology powers revolutionary translation solutions for the Internet, PCs and network infrastructures that facilitate communication in 36 language pairs and in 21 specialized domains. SYSTRAN's technology is developed under Linux and runs on all Unix platforms, MacOS X and MS Windows.

SYSTRAN is headquartered in France and has subsidiaries in California, USA and in Luxembourg.

SYSTRAN ([Euroclear Paris code : 7729](#)) is listed on Euronext Paris, *Nouveau Marché* and is member of Euronext's Next Economy segment. AUREL-LEVEN is the French investment banking company appointed to trade SYSTRAN's stock on the Market.

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Revenue for the third quarter ending on September 30, 2002 will be announced October 22, 2002.

This Press Release is available for download at: www.systransoft.com/Investors/Press.html.

CONSOLIDATED INCOME STATEMENT FOR FIRST SEMESTER 2002

(000' Euros)	1 ^{er} semester 2002 6 months	1 ^{er} semester 2001 6 months	Year 2001 12 months
Revenue	3 149	4 375	8 183
Other revenues	21	0	15
Operating revenues	3 170	4 375	8 198
Purchases and other external expenses	(1 629)	(2 143)	(3 891)
Taxes and similar expenses	(32)	(13)	(50)
Wages and salaries	(2 835)	(2 400)	(5 137)
Gross margin	(1 326)	(181)	(880)
Depreciation and operating provisions (net)	(202)	(124)	(286)
Operating income	(1 528)	(305)	(1 166)
Financial provisions		3	3
Other financial expenses and income	(23)	176	214
Financial income	(23)	179	217
Current profit	(1 551)	(126)	(949)
Extraordinary expenses and income	(252)	93	94
Extraordinary income	(252)	93	94
Income taxes	207	299	344
Net income from consolidated companies	(1 596)	266	(511)
Goodwill amortization	(287)		(18)
Consolidated net income	(1 883)	266	(529)
Minorities			
Net income (Group share)	(1 883)	266	(529)

Net income per share flowing to SYSTRAN	1 st sem. 2002	1 st sem. 2001	Année 2001
On the basis of the average number of shares in circulation:			
- Number of shares (net of treasury shares)	9 833 695	9 843 106	9 833
- Per share in Euros	(0,19)	0,03	695 (0,05)