

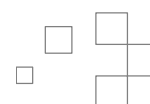


# 2008

ANNUAL REPORT

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## 1. SELECTED FINANCIAL INFORMATION

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### Net Sales

| Net Sales (€thousands) |        |
|------------------------|--------|
| 2008                   | 26,593 |
| 2007                   | 25,873 |
| 2006                   | 25,097 |
| 2005                   | 22,917 |

### Current operating income

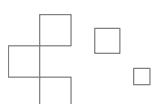
| Current      | Operating | Income |
|--------------|-----------|--------|
| (€thousands) |           |        |
| 2008         |           | -1,097 |
| 2007         |           | -896   |
| 2006         |           | 664    |
| 2005         |           | -652   |

### Net Income

| Net Income (€thousands) |        |
|-------------------------|--------|
| 2008                    | -1,112 |
| 2007                    | -1,044 |
| 2006                    | +1,763 |
| 2005                    | -1,637 |

### Earnings per Share

| Earnings per Share (€) |       |
|------------------------|-------|
| 2008                   | -0.24 |
| 2007                   | -0.24 |
| 2006                   | +0.42 |
| 2005                   | -0.49 |



## 2. STATUTORY INFORMATION AND COMPANY MILESTONES

### ■ Legal and commercial name

Esker SA

### ■ Place of registration and registration number

**RCS Number:** The company is registered in Lyon under number B 331 518 498

**APE code:** 5829 C

### ■ Date of incorporation and term

**Date of incorporation:** February 7, 1985

**Term:** 50 years from the date of incorporation in the registry of companies saving early dissolution or extension provided for by law.

### ■ Registered office and legal form

**Registered office:** 10 rue des Emeraudes, Immeuble "GEO CHAVEZ" - 69006 Lyon – France - +33 (0)4 72 83 46 46

**Legal form:** *Société Anonyme* (a French corporation) incorporated under French law with an Executive Board and a Supervisory Board, governed by the provisions of the French commercial code.

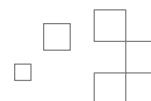
**Country of origin:** France

### ■ Company milestones

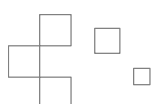
- **In 1985** Esker was founded by Jean-Michel Bérard and Benoît Borrits after completing computer science degrees from INSA of Lyon. In its start-up phase, the company initially specialised in providing computer services that enabled it to develop experience in the markets for Unix and PC.
- **In March 1989** Esker marketed its first host access software products, notably TUN which fueled the company's expansion over the following years. Management decided to position the Company as a developer of software products and opened up its capital to outside investors. The first contracts were signed with European distributors.
- **In 1991** Esker opened its first subsidiary in the US (San Francisco), rapidly followed by subsidiaries in Germany, the United Kingdom, Italy and Spain. In 1997, Esker acquired its main distributor in Sydney providing a commercial platform for its operations in Australia..
- **2 July 1997**, Esker was listed on the *Nouveau Marché* of the Paris stock exchange to strengthen its equity to accelerate its expansion in North America and the diversification of its product portfolio.
- **In 1998**, Esker acquired Teubner & Associates (Stillwater, Oklahoma, USA).
- **In 1999**, Esker acquired Alcom (Mountain View, California, USA) and Persoft (Madison, Wisconsin, USA)
- **In 2000**, Esker acquired VSI (Lake Forest, California, USA)

These acquisitions gave Esker access to significant customer bases and North American distributors and diversified its activities to include fax servers. From 1988 to 2004, the contribution of the US to sales increased from 15% to 53%.

In response to a sustained decline in host access sales (-35% in 2000) Esker introduced automation solutions adapted to the evolving needs of companies. This led to the launch of Esker DeliveryWare in 2001. To focus efforts on ensuring the success of this new workforce and expenses devoted to its historical products.



- **In 2003**, document process automation solutions accounted for 15% of Group sales, marking a successful beginning of the company's repositioning in this market. Esker completed its automation offering by adding document archiving and production functions. A services offering was also introduced to provide large customers with support when installing the Esker DeliveryWare solution
- **In 2004**, a return to growth highlighted the success of the Group's new strategy. In 2004, the contribution of automation solutions increased 80% over the prior period to account for 25% of total Esker sales. More than 900 customers including Microsoft Corp., Whirlpool, France-Telecom or Groupama use these services on a daily basis.
- **In 2005**, Esker completed its document process automation line with the addition of FlyDoc making the on-demand benefits of DeliveryWare available to smaller size companies and users that do not have special IT expertise. Following the major success of this launch, at the end of 2005 the company raised capital to finance hardware and software expenditures to assure the development of the new service. During this same year, Esker formed a joint venture with Lippo. Based in Singapore, this entity covers all of the Chinese market in Asia. In 2005, document process automation accounted for 35% of Group sales.
- **In 2006**, the return to profitability marked the end of the strategic reorganisation of the Group. Version 4.0 of Esker DeliveryWare was launched, adding value of with enhanced inbound document capture capabilities (fax and scan). This version represents the culmination of a project launched in 2000 to provide fully integrated document process automation solutions. Through this approach, sales were multiplied 1.5 times. In 2006, the Group's different document automation solutions (DeliveryWare and FlyDoc) registered combined growth of 59% to account for 51% of the total sales mix.
- **In 2007**, Group sales grew 8% at constant exchange rates, a marginal deceleration in relation to 2006. This result reflects a 4% decline in US sales as large customers adopt a wait-and-see approach in the wake of the country's credit crisis. In contrast, sales in Europe and Australia that benefited from normal economic conditions expanded 21%. Document process automation increased its share of total revenue to 64% on robust growth in the period (+31%). Strong expansion of this segment again this year was fueled by a 50% increase in the average value of transactions and sustained growth of on-demand document process automation solutions such as FlyDoc.
- **In 2008**, Group sales grew 7% at constant exchange rates. This performance highlights the Group's ability to maintain steady growth in sales even in an environment of global economic crisis. Esker's document process automation solutions provide companies tools to strengthen their competitiveness while reducing operating costs. Through its new functionalities, Version 5.0 of Esker DeliveryWare launched in September 2008 further reduces the time and cost of processing customer orders and supplier invoices. In addition, the Esker "on-demand" service offering (SaaS: Software as a Service) facilitate access to the solutions by reducing investments required for their implementation. Revenue from on-demand services expanded 66% in consequence over the period and currently accounts for 25% of total Group revenue.



### 3. BUSINESS OVERVIEW

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#### 3.1. Principal activities

Esker designs and produces software application for companies and is a worldwide provider of document management solutions. Esker software products are sold in the form of user licenses or on-demand online services. In 2006, sales of software licenses and on-demand services accounted for 34% of revenue. The balance represented revenue from services (training and installation assistance, outsourced mailings, re-invoicing of transport, etc.), maintenance and product upgrades, and hardware parts (fax boards) associated with these products.

The company has three main product families:

**■ Document process automation solutions**

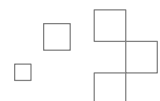
- > Esker DeliveryWare,
- > Esker on Demand,
- > FlyDoc.

**■ Fax Server products**

- > Esker Fax,
- > VSI-Fax.

**■ Host Access products**

- > Tun,
- > SmarTerm.



## DOCUMENT PROCESS AUTOMATION SOLUTIONS

### Overview

Document process automation contributes to eliminating use of or manual handling of paper in business processes such as invoicing, collection, order management simply sending a letter from a workstation.

### Functionalities and benefits

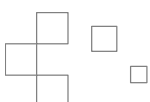
To achieve ongoing productivity gains, over the last 20 years companies have integrated management software applications. The purpose of these applications was to automate administrative processes such as accounting, order-taking, production runs, and even human resource management. However, whenever these processes need to communicate with the outside world (customers, suppliers, public sector) or with other departments within the company, obstacles are generally encountered requiring reverting to a printed document (invoice, reminder, purchase order, etc.). Handling such printed documents involves numerous manual operations such as printing, folding, stamping, faxing, archiving, photocopying, distributing to internal departments and even telephone calls. These manual operations contribute both to a loss in productivity and the risk of frequent errors.

Esker considers that only a part of the productivity gains related to automated management processes have been obtained through the implementation of computerised management applications (ERP, CRM, etc.). The DeliveryWare application developed by Esker makes it possible to fully automate the processes by taking over all tasks connected with document delivery inside or outside companies. The DeliveryWare application replaces traditional printers and sends management documents through modern delivery channels that have been made accessible by the Internet (e-mail, Web publishing, mail on demand, SMS, electronic archiving, automatic faxing, etc.).

Automating processes linked to paper contribute to significant savings in working capital requirements, productivity gains by administrative departments, fewer errors, reduced costs (paper, ink, postage, telephone) and improved customer service (responsiveness, customisation). Esker believes that customers recoup their investment in the DeliveryWare application on average within six months through savings on consumables and time.

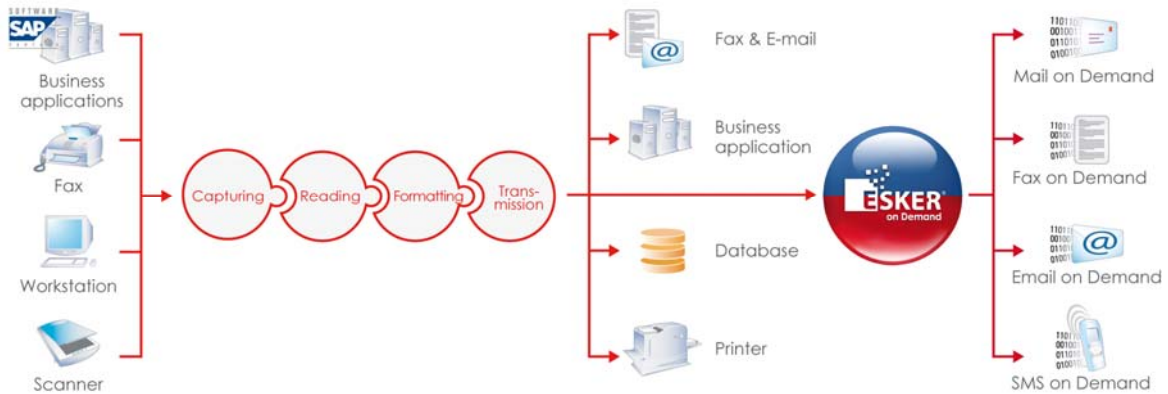
Moreover, companies have progressively implemented a number of one-off solutions to partially support the manual document processing tasks. These include equipment such as folder-inserters, photocopiers, printers, stamping machines, fax machines, filing cabinets, staplers, carbon paper, etc., that take up space in company offices and often represent costly, cumbersome, and relatively high-maintenance investments.

Esker believes that the DeliveryWare application can eliminate all or part of these systems while at the same time streamlining technical infrastructure.



## Esker automation technologies

To respond to the document automation needs, Esker's technologies are deployed as follows:



- Our software products can capture documents regardless of their source (any company application, workstation, fax connection or a scanner).
- Our applications then "read" the documents, extracting the content and converting it into a format able to be exploited by the computer.
- The document and its content are then enhanced by the inclusion of data or images that can be added as a background object, an enclosure or data originally omitted.
- Depending on the content and routing procedures, the documents are then delivered to one or more electronic media such as a fax or e-mail device, printers or business application.
- Eliminating the requirement to use printers, folding inserting machines or costly telecommunications systems, documents can be delivered through "Esker on Demand" that assures the delivery of the documents through the selected media (mail, fax, SMS or e-mail).

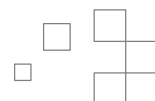
The first four points constitute the heart of the Esker technology. This solution has been patented by the USPTO (United States Patent and Trademark Office) under number 6 906 817. In 2005, on-demand document delivery services by par mail, fax, SMS or e-mail were recognised as among the top eight "coolest" solutions of the year by the Gartner Group.

### Example: Purchase order processing

> **Today:** A company receives purchase orders from customers by fax. They are then printed on a fax machine and company personnel enter the data included in the order on the ERP. An order confirmation is then sent by fax or e-mail to the customer before copying the purchase order several times to be archived in different files. When the shipment of goods has been completed, company personnel request the printout of an invoice that is then folded inserted in an envelope mailed to the customer. Several copies of the invoice are issued for archiving purposes.

> **The Esker solution:** Our applications electronically receive the customer purchase orders sent by fax. The information included in the orders is automatically extracted to be presented to an operator for validation. After being confirmed, information is transformed to be automatically and directly integrated in the management application. At the same time, the purchase order is electronically stored and confirmation of the order automatically sent to the customers by fax or e-mail. When the shipment is completed, company personnel request issuance of an invoice to be transmitted to "Esker on Demand" to be converted in the form of a letter and mailed. A copy of this invoice will also be stored electronically.

In this example, with the Esker document process automation solution, all manipulation of paper is eliminated even if the customer continues to manually fax and receive invoices by mail.



## The Esker document process automation

The Esker document process automation offering is organised as follows:

### Document process automation



The Esker DeliveryWare solution is installed by our large customers behind major enterprise applications (ERP) and captures inbound and outbound documents on the basis of recognition and routing rules. Esker DeliveryWare is sold in a traditional manner. The package includes a software license installed by the user customer and sold in conjunction with the service, training, a contract for product maintenance and upgrades and in some cases hardware (fax boards).

Esker on Demand offers virtually the same possibilities as Esker DeliveryWare. However, instead of being installed at the customer site, it is hosted and managed directly by Esker. Customers use the service on a remote basis through a secure Internet connection and are not required to install software at their site. Esker on Demand is sold in the form of a monthly subscription at times associated with the provision of services (consulting, installation, formation). The monthly charge is based on the volume of transactions per month.

Esker DeliveryWare permits the outsourcing of certain operations to the Esker on Demand platform such as sending of mail and faxes.

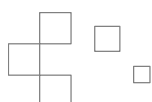
For the time being, the more advanced functions of Esker DeliveryWare are not yet available on an on-demand basis with the latter product though will be progressively introduced over the next three years.

Esker FlyDoc is a simplified version of Esker on Demand. It is destined for users that do not have special IT expertise or small companies that simply wish to send mail or fax from their workstation or small business applications. It represents an electronic post office.

## The Esker DeliveryWare platform

Esker DeliveryWare is the first automated solution for company processes associated with the delivery of documents (invoicing, reminders, sales administration). It offers companies with a means to eliminate or reduce use of paper.

DeliveryWare captures documents regardless of their source. These documents may originate from an enterprise application, workstation, fax connection or be simply digitized by a scanner. DeliveryWare then "reads" the document, extracting the content and converting it into a format able to be directly manipulated by the computer. The document and its content are then enhanced by the inclusion of data or images that can be added as a background object, an enclosure or data originally omitted. Depending on the content and routing procedures, the documents are then delivered to one or more electronic media such as a fax or e-mail device, printers or business application.



When the appropriate channel of delivery of the document has been determined, Esker DeliveryWare then routes it to one of the following electronic media:



**Business application** through file transfer mechanisms or special connectors. This channel is adapted for inserting content into inbound documents (invoices, purchase orders) in the enterprise system.



**Mail on demand** sends the letters to Esker on Demand in the form of an e-mail. Depending on their destination, they are forwarded to the most appropriate mail centre, which prints, folds, inserts, stamps and mails them in real time. This media enables users to send and automate the management of their documents (invoices, contracts, reminders) without requiring users to change their working practices. This service is included under Esker on Demand



**Fax on demand** which sends an electronic message by Internet to a faxing centre. This service is provided by Esker on Demand and allows companies that use it to avoid the need to invest in telephone equipment (lines, modem).



**Automatic faxing:** for transmitting management-type documents (purchase orders, quotes) in fax format without pre-printing.



**Electronic mail (email)**, with or without electronic signatures, for sending copies of management documents to other company departments. Since reforms adopted in 2003, it has been possible to send electronic invoices in Europe.



**Messages for mobile phones via SMS** to forward alerts or notifications.



**Electronic archiving:** for saving copies of documents sent.



**XML:** standard global format for data presentation in a B-to-B environment for the exchange of management information between companies either directly or through a market platform.



**Uploading web content:** Esker DeliveryWare provides a simple way to automatically publish data originating from information systems, formatted and published for private or public consultation.



**Local or remote printing** when the existence of hard copies is mandatory.

**Any other electronic media** can be integrated and used by DeliveryWare by means of a specific programming interface.

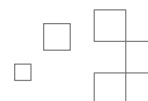
DeliveryWare currently operates on Windows Server 2000, XP and 2008 operating systems.

## The Esker on Demand platform

The “Esker on Demand” service offering provides a platform to access automated document process solutions on an “on-demand” basis. This platform provides outsourcing solutions to send mail or faxes or process supplier invoices. Sold as a complementary service of DeliveryWare, Esker on Demand sends documents in mail and fax format without the need for printers, stamping machines or fax servers.

The main services offered by Esker on Demand include:

- **Processing supplier invoices:** Invoices are scanned by an accountant and sent in digital format to the “Esker on Demand” platform that then reads their content and presents useful data on a webpage. The accountant then approves, corrects or modifies the data that was automatically inputted. The same webpage is circulated from one user to the next to obtain authorisation for payment or recognition in the accounts. Data that has been validated is then inputted directly in the company's management system.



- **Outbound Mail on Demand:** The DeliveryWare or FlyDoc applications send letters to Esker on Demand in the form of an e-mail. Depending on their destination, they are forwarded to the most appropriate mail centre, which prints, folds, stamps and mails them in real time.
- **Outbound Fax on Demand:** The DeliveryWare or FlyDoc applications transmit faxes to be sent to Esker on Demand in the form of an e-mail. Depending on their destination, they are forwarded to the nearest fax server that completes the delivery in real-time.
- **Inbound Fax on Demand:** A telephone number is assigned to each user. Every fax received at this number is automatically transferred by e-mail to the inbox of the user.
- **Automatic document archiving:** Documents submitted to the platform to be sent by fax or mail can be archived for up to eleven years.
- **Outbound SMS on Demand**
- **Mass email sending on Demand**

The Esker on Demand architecture consists of a cluster of secure servers located in Lyon (France), Madison (United States) and Sydney (Australia). These resources are housed in clean rooms monitored 24/7 and equipped with redundant electronic power supplies, telephone feed and Internet access. The network is managed on a remote basis by Esker personnel 24 hours a day (with the United States and Australia assuring the relay when the working day in France is completed).

To send and receive faxes, Esker on Demand is supported by a platform with several hundred telephone lines.

For sending mail, Esker on Demand is linked to several mailing centres located in France, the U.S. and Australia. These centres have significant print capacity, folding machines and automatic postage systems.

Esker on Demand is entirely based on the Esker DeliveryWare technology.

### The FlyDoc service

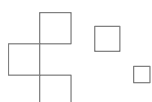
FlyDoc is the world's first online private mail service providing a complete range of delivery solutions from the user's desktop and enterprise applications via e-mail, fax, postal mail or SMS.

FlyDoc is accessible from any workstation with an Internet connection. Through a Web interface, it is possible to download of a document (Microsoft Word for example), indicate a fax number or postal address, select certain options (colour/black-and-white, recto-verso, postal rate category, priority) and then send the document with the simple click of a button. The document received by the FlyDoc is converted into the appropriate format and then routed to the Esker on Demand platform that assures the actual delivery (by mail or fax).

In the more advanced mode, FlyDoc provides for a specific print driver. When the user requests a print job for a document on this virtual printer a Web page is displayed to select the document delivery options. When this information has been provided, the user can then request delivery by clicking on a special button. The FlyDoc provides for the delivery of documents in any application operating under Windows. It can consequently be used by a word processor or a small business application.

No software needs to be installed to use the FlyDoc service. The only component (optional) to be installed is the print driver for users wishing to take advantage of the advanced functions.

FlyDoc is based entirely on the Esker DeliveryWare technology.



## FAX SERVER PRODUCTS

### Functionalities and benefits

At the end of the 1980s, the fax had become one of the most widely used means of business communication. Since then, the volume of pages that companies send via fax has been regularly increasing. Today, and despite the emergence of electronic mail, the fax remains along with traditional mail one of the most reliable and the most legally accepted means for the exchange of business documents.

With the development of the PC, word processing tools, and local networks, users wanted to be able to avoid printing documents before faxing them and to send faxes directly from their workstations. The concept of the fax server was born. Software products today, such as Esker Fax, enable users to send faxes without interrupting their work by standing in line at the fax machine or performing other actions related to manual faxing. With a fax server, the facsimile is sent directly via a word processing program simply by using the program's "Print" command. For incoming traffic, fax servers receive facsimiles automatically transmitted to the inbox of the recipient according to the number of the caller or called party. This technology consequently contributes to very significant gains in employee productivity.

The development of Internet has been accompanied by increasing use of the transmission by fax of documents originating from business applications (purchase orders, delivery slips, quotations, invoices, contracts, reminders, etc.). The fax thus offers indisputable advantages over other means of communications:

- Instantaneous transmission;
- Universal application (usable in virtually all environments around the world);
- Confirmation of documentary delivery (transmission receipt);
- Accurate presentation of the documents transmitted (page formatting is not modified by fax transmission);
- Confidentiality of document transmission through a proprietary network (the telecommunications network) and not through the Internet;
- Integrity of document content because a fax is not easily modified;
- Less expensive than mail.

These benefits constitute important factors for the selection of the fax to transmit of company documents of a confidential or critical nature.

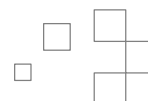
Companies seek fax server solutions offering a direct connection to the company's main information system (ERP, IBM major systems, CRM applications, etc.) to improve company response times with customers and reduce total expenses. With the growing use of internal messaging systems (Lotus Notes, Microsoft Exchange, Novell Groupwise), demand is increasing to move away from multiple messaging sources (faxes and email) to a single integrated messaging tool. Users want send faxes the same way they send e-mails directly from their messaging application. Similarly, they want to be able to receive and read faxes through their messaging applications. This function provides enhanced user-friendly features and improved personnel productivity.

### The Esker Fax product

Esker Fax is a versatile fax server that works on Microsoft Windows 2000/2003 or XP operating systems. Esker Fax is destined principally for large companies.

In a production environment, Esker Fax provides several specific connection solutions (SAP, LPD, LPR, APPC, RJE, etc.) for most major applications used by businesses. It is certified by SAP. In the absence of a specific connector for a given environment or application, Esker Fax behaves as a printer, using GDR recognition technology specially developed by Esker. This technology enables routing information such as the fax number or the recipient's name to be recognised and extracted directly from the document to be transmitted.

Esker Fax is compatible with the main electronic messaging systems currently used by companies such as Microsoft Exchange, IBM Lotus Notes (Esker Fax for Notes) or SMTP (Internet Messaging). Moreover, Esker Fax is directly accessible from the main office automation tools such as Microsoft Word, Microsoft Excel and, in general terms, any tool that can print directly from a workstation.. At present, and following the withdrawal in December 2000 of Lotus' fax server application, Esker Fax for Notes is the only fax solution in the world that offers a fully-integrated user and administrator interface in IBM Lotus Notes.



Esker Fax was specially designed to manage large volumes of faxes, integrating numerous optimised functionalities and load balancing functions. Esker Fax supports intelligent multi-channel fax boards (manufactured by Brooktrout or Eicon) able to manage up to 120 lines per server. Esker considers Esker Fax to be one of the best products in its class for managing large volumes of faxes.

## VSI-Fax

This fax server was developed by US company VSI acquired by Esker in October 2000.

VSI-Fax is a production fax server operating under UNIX and Linux offering approximately the same features as the Esker Fax product for these environments. VSI-Fax is very frequently integrated into vertical applications (i.e. destined for a specific division or economic sector). The majority of VSI-Fax product customers are companies creating management software for small- and medium-sized firms.

## HOST ACCESS SERVERS

### Functionalities and specifications

Most management applications (accounting, inventory management, sales management, etc.) developed in the 1970s and 1980s are centralised on servers. They run on multi-station computers (IBM, UNIX, HP, SUN) and communicate with passive terminals (keyboard + screen) which enable dialog with users.

With the massive influx of PCs into the office environment in the early 1990s, companies progressively began replacing passive terminals with PCs running under Windows operating systems. To continue using legacy applications on these new workstations, businesses were required to install applications that imitated the older passive terminals. Such applications called "terminal emulators" constitute the primary function of the host access product line.

In addition to providing workstation access to host-based applications, host access products also permit:

- File Exchange with host systems (FTP client and host protocol);
- Sharing of disks or portions of disks with host systems (NFS client and host protocol);
- Use of the host system printers (LPR protocol);
- Host system access to workstation printers (LPD protocol);
- Remote execution of commands on the host system (RSH/REXEC).

## Tun PLUS

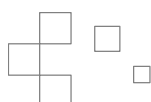
The Tun Plus product line is marketed mainly for SCO Unix, Linux, IBM AIX, HP-UX, IBM 390 and IBM AS/400 servers. Traditional clients of this line are large accounts equipped with IBM systems and software editors offering management solutions running on UNIX or Linux.

The attractiveness of this product line is based on the rich offering of emulations proposed (more than 20 today) and its flexibility and ability to incorporate global solutions developed by integrators, value-added retailers, other software companies, etc.

## SmarTerm

SmarTerm was developed by Persoft (acquired in 1999). This product has leadership positions in US administrations and the health service and industrial sectors.

SmarTerm products are marketed primarily for Digital (VAX Open VMS), Data General and IBM servers. Traditional users of this line include companies and administrations of all sizes equipped with these servers. Compared to Tun Plus, advantages of this product line include its ability to provide solutions adapted to large accounts and, in particular, its integration with Digital VT environments.



## 3.2. Principal markets

### ■ 3.2.1. Sales mix

#### Sales by product segment

| <i>In thousands of euros</i> | 2008          |                | 2007          |                |
|------------------------------|---------------|----------------|---------------|----------------|
|                              | Amount        | %              | Amount        | %              |
| Document automation          | 17,784        | 66.87%         | 15,816        | 61.13%         |
| Fax servers                  | 5,787         | 21.76%         | 6,290         | 24.31%         |
| Host Access                  | 3,022         | 11.36%         | 3,767         | 14.56%         |
| <b>TOTAL</b>                 | <b>26,593</b> | <b>100.00%</b> | <b>25,873</b> | <b>100.00%</b> |

#### Sales by product sub-segment

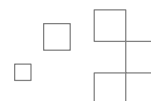
| <i>In thousands of euros</i> | 2008          |             | 2007          |             |
|------------------------------|---------------|-------------|---------------|-------------|
|                              | Amount        | %           | Amount        | %           |
| Licenses                     | 6,949         | 26%         | 8,925         | 34%         |
| Maintenance                  | 7,947         | 30%         | 7,747         | 30%         |
| Hardware                     | 1,076         | 4%          | 1,186         | 5%          |
| Traffic                      | 6,132         | 23%         | 3,786         | 15%         |
| Service                      | 4,489         | 17%         | 4,229         | 16%         |
| <b>TOTAL</b>                 | <b>26,593</b> | <b>100%</b> | <b>25,873</b> | <b>100%</b> |

As document process automation solutions are more widely adopted, service sales should pursue sustained growth over the coming years. Sales from traffic correspond to the on-demand delivery of outbound documents by FlyDoc and Esker on Demand.

#### Sales by country

| <i>In thousands of euros</i> | 2008          |               | 2007          |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | Amount        | %             | Amount        | %             |
| France                       | 7,506         | 28.2%         | 5,869         | 22.7%         |
| UK                           | 2,345         | 8.8%          | 2,597         | 10.0%         |
| Germany                      | 1,199         | 4.5%          | 1,876         | 7.3%          |
| Italy                        | 1,554         | 5.8%          | 1,584         | 6.1%          |
| Spain                        | 778           | 2.9%          | 700           | 2.7%          |
| Australia                    | 1,414         | 5.3%          | 1,536         | 5.9%          |
| Asia                         | 367           | 1.4%          | 0             | 0.0%          |
| USA                          | 11,429        | 43.0%         | 11,711        | 45.3%         |
| <b>TOTAL</b>                 | <b>26,593</b> | <b>100.0%</b> | <b>25,873</b> | <b>100.0%</b> |

With a geographical mix reflecting the overall breakdown of world information technology markets, international sales account for 72 % of Esker revenue. According to different market studies, the United States alone represents more than half the global market for professional software. The US is also a market of reference where the major alliances are formed.



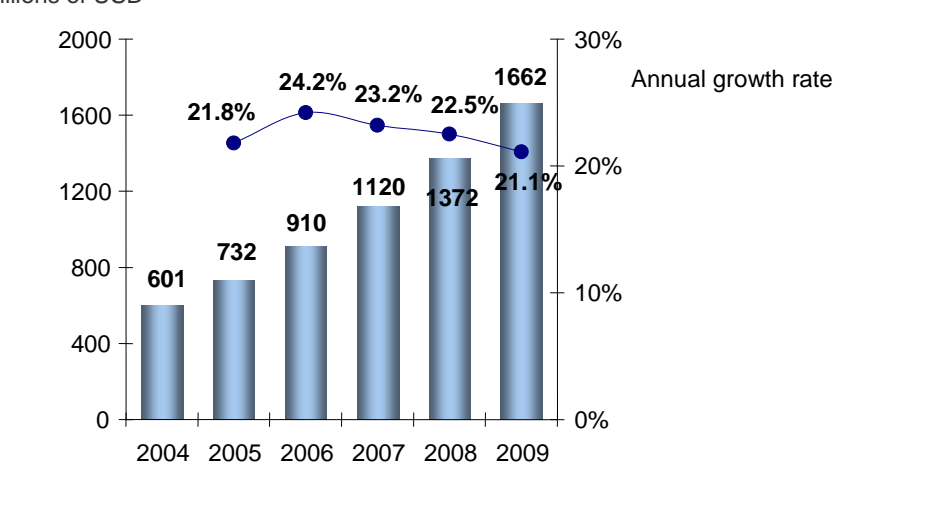
With this market accounting for 43% of total revenue in 2007, Esker now has a balanced geographical sales mix between Europe and the American continent. The contribution of the US market to total Group sales nevertheless declined 2 points (45 % in 2007) partly in response to the dollar's sharp depreciation partially offset by renewed growth in the US of 3.6% in 2008 compared with a 4.6 % decline in 2007.

### ■ 3.2.2. Document process automation

Document process automation solutions represent an emerging market for which few technology research firms have produced studies. Electronic document delivery is still largely based on non-integrated processes covering only a single channel (for example, fax or traditional printing). Nevertheless, data provided by different studies offer initial indications concerning the size of this market.

For example, the IDC study that Esker commissioned in March 2006 highlighted the following trends:

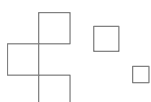
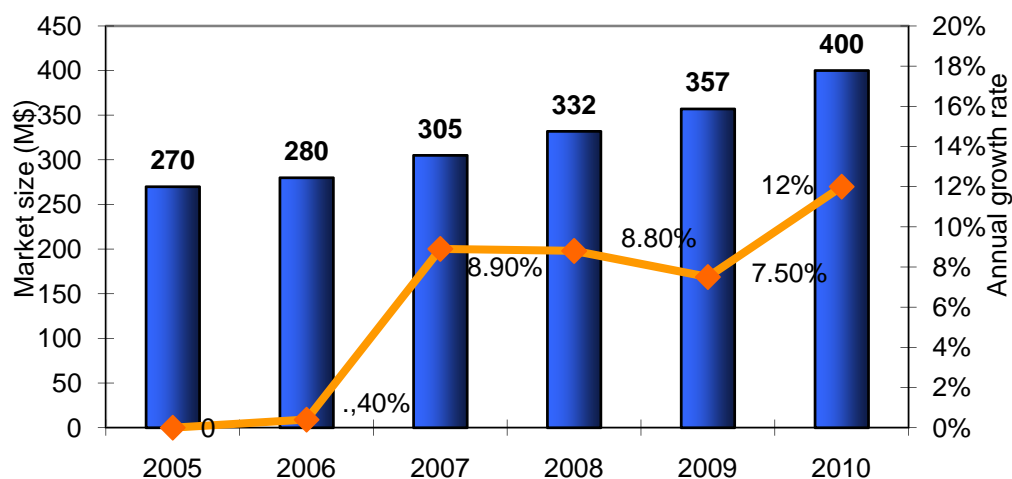
Millions of USD



The worldwide market is expected to represent €1.6 billion in 2009 with average annual growth of 23%. According to IDC, average growth in the document process automation market in Europe will exceed the worldwide rate. Accordingly, the average annual rate of growth in Europe would be 23.1% between 2006 and 2009 and the market for licenses and maintenance will increase from \$196 million in 2005 to \$519 million in 2009.

### ■ 3.2.3. Fax servers

According to the research firm Peter Davidson, the market for fax servers represented \$270 million in 2005, remaining stable in relation to 2004. Up until 2010, this market is expected to pursue marginal growth of 8%.



However, these figures mask contrasting trends for the different types of fax servers. In effect, according to the study by Peter Davidson, while production servers in 2005 accounted for 67% of worldwide sales, this percentage is expected to increase to 76% in 2010. These positive trends for production servers suggest that fax servers are being used as e-business tools to deliver documents and information originating from the company's critical information systems to outside recipients.

This trend has been reinforced by new regulations governing disclosures such as the Sarbanes-Oxley Act in United States or the Financial Security Act (*loi sur la sécurité financière*) in France.

■ **3.2.4. The “Host Access” market**

The Company has drawn upon the study by the research firm IDC published in June 2003. The total market of host access applications in 2002, including PC-to-Host and Web-to-Host applications, is estimated in this study at US\$1.044 billion. IDC forecasts average annual growth for these markets of approximately 1.4%.

Esker has for its part noted a trend it expects to continue of an average annual decline in the host access markets of between 20% and 25%.

**3.3. Competitive position**

■ **Document process automation**

**DeliveryWare**

Competitors in the DeliveryWare product segment include:

| Companies   | 2008 sales <sup>(1)</sup> | Products or product families |
|-------------|---------------------------|------------------------------|
| Readsoft    | €56m                      | Documents                    |
| Basware     | €73m                      |                              |
| Streamserve | N.C.                      |                              |

(1): Total company sales rather than the product line in question

In its opinion, Esker is the only provider in this segment offering solutions both for inbound and outbound document delivery and through such an extensive range of channels. Esker is unique in proposing a comprehensive on-demand offering for products in this category. On this basis, it is able to propose solutions covering the full range of needs of large groups to the smallest companies.

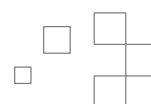
**FlyDoc**

Only Maileva (a subsidiary of La Poste) proposes a viable alternative to the FlyDoc service for the delivery of mail on demand. According to Esker, FlyDoc offers better integration with Windows applications than its French competitor. FlyDoc is also less expensive and does not impose an annual fee.

In the market for inbound and outbound fax on demand, there are a number of competitors, primarily North American. These include J2 Global Communication, Xpedite and Graphnet. Only J2 is publicly traded and in 2007 reported sales of \$221 million.

■ **The fax server market**

The fax server market is a very fragmented. With the exception of the world leader Captaris, with 24.3%, no other company has a market share of more than 8%. According to Esker, the main competitors include:



| Companies | 2007 Sales <sup>(1)</sup> | Products or product families |
|-----------|---------------------------|------------------------------|
| Captaris  | \$95m*                    | RightFax                     |
| Omtool    | \$16m                     | Fax Sr.                      |
| TopCall   | N.C.                      | Vienna, Communication One    |
| Equisys   | N.C.                      | Zetafax                      |
| SAGEM     | N.C.                      |                              |

\*: Estimated sales

(1): Total company sales rather than the product line in question

According to the research firm Peter Davidson, in this segment Esker ranks third worldwide after Captaris and Sagem.

Esker considers that one of the competitive advantages of Esker Fax is its capacity as a production fax to handle significant volumes and connect to any computer environment, including SAP systems, IBM S/390 mainframes and AS/400. Another exclusive feature of this product line is its compatibility with the IBM Lotus Notes messaging application.

The acquisition of VSI in October 2000 provided Esker with extensive expertise and a significant installed base in the segment of production fax servers running on UNIX and Linux.

Having focused on developing a coherent and effective range of production fax servers to process data flows regardless of their volume and origin, Esker believes that it is among the companies best positioned in the fax server market today to take advantage of the trends forecasted by market analysts.

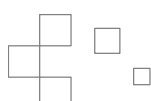
## ■ Host Access

Major competitors identified by Esker in the host access market are:

| Companies         | 2006 sales <sup>(1)</sup> | Products or product families       |
|-------------------|---------------------------|------------------------------------|
| NetManage         | \$36m                     | View / Now, Rumba, Salvo           |
| Attachmate + WRQ  | N.C.                      | Irma 3270, 5250, Extral, e-Vantage |
| Century Software  | N.C.                      | Term, Tiny Term                    |
| ICOM Informatique | €1m                       | Winsurf                            |

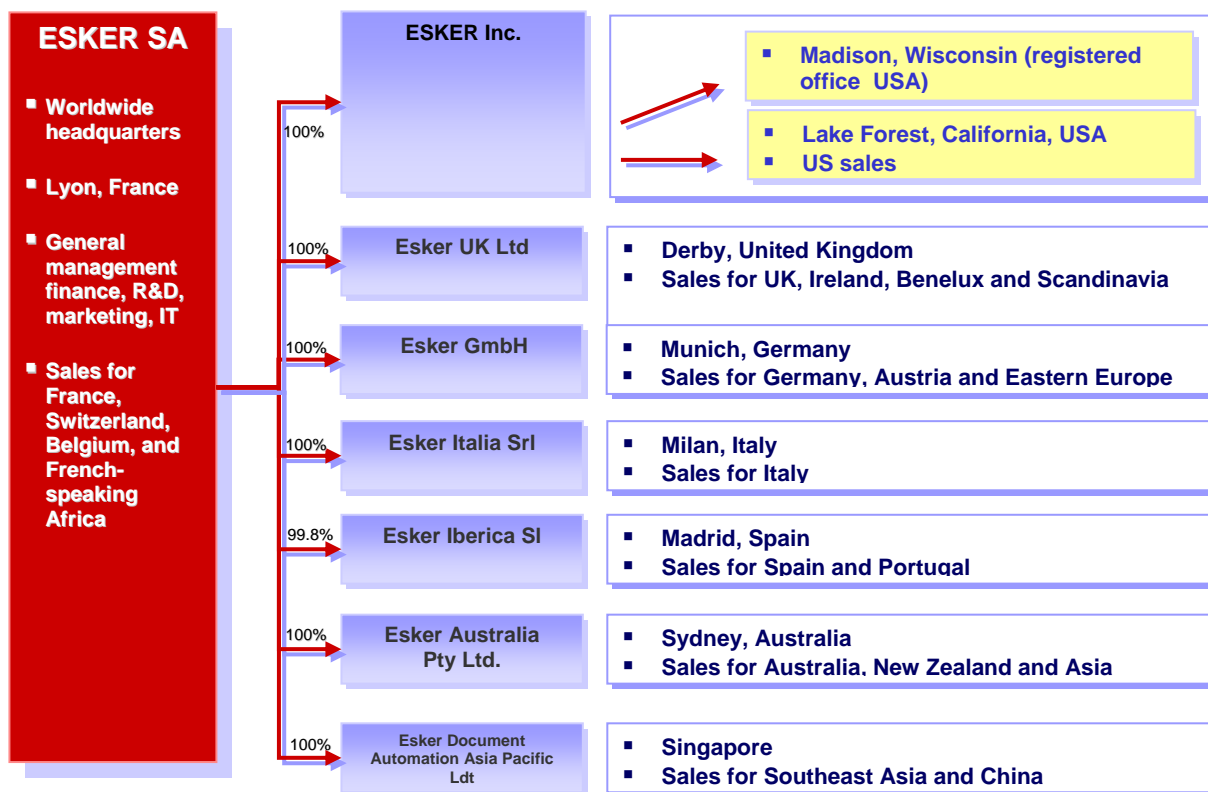
(1): Total company sales rather than the product line in question

With the exception of NetManage and Icom that are publicly traded, the above companies do not publish their figures.



## 4. ORGANISATIONAL STRUCTURE

### Legal structure of the Esker Group as of 31 December 2008



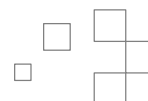
All subsidiaries are wholly-owned and fully controlled by Esker SA, with the exception of the 99.80%-controlled Spanish subsidiary.

### Business relations between Esker Group companies

Business relations between Esker Group companies are defined in the list of freely contracted agreements (transactions relating to ordinary operating activities concluded under normal conditions) for fiscal 2008, established by the Supervisory Board. Amounts invoiced by the Group consisted of the following:

- Sales of products by the parent company to its subsidiaries;
- Royalties;
- Re-invoicing of marketing expenses;
- Re-invoicing of staff costs;
- Interest on advances.

In fiscal 2008, Esker S.A. invoiced on this basis to all subsidiaries a total of €6,561,000 (€6,149,000 in 2007). These subsidiaries in their turn invoiced the parent company €282,000 (€368,000 in 2007). Income and expenses relating to intercompany billings are eliminated in consolidation. As such, they have no financial impact on the Group's consolidated financial statements.



## 5. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

### 5.1. Research and development expenses

Esker has historically devoted significant resources to research and development. In 2008, the R&D budget represented 12% of total Group sales. This policy ensures that Esker maintains its technological advance, the only effective means of meeting challenges from competitors. At 31 December 2008 at the site located in Lyon, a team of 25 computer engineers work on developing Esker software programs. 25 additional engineers are devoted to quality control, producing documentation and providing second line technical support.

The following table provides a breakdown of R&D expenses by major product lines before and after the capitalisation of development expenditures:

| <i>In thousands of euros</i>                         | <b>31/12/2008</b> | <b>31/12/2007</b> | <b>31/12/2006</b> |
|--|-------------------|-------------------|-------------------|
| R&D expenses of the period                           | -3,724            | -3,702            | -3,416            |
| Capitalised development expenditures                 | 1,181             | 1,016             | 870               |
| Amortisation of capitalised development expenditures | -547              | -380              | -210              |
| <b>R&amp;D EXPENSED IN THE PERIOD</b>                | <b>-3,090</b>     | <b>-3,066</b>     | <b>-2,756</b>     |

Research and development expenditures are focused primarily on the fax and document process automation lines. Amounts devoted to R&D for the mature products in the host access segment have been in contrast progressively reduced over time.

The main development projects recorded as intangible assets in fiscal 2008 concerned:

- Development expenditures for new functionalities for the 2007 version of the FlyDoc service capitalised each six-month period as they are progressively put into service,
- The development of version 5.0 of the DeliveryWare application launched in September 2008, the starting date for the amortisation period for the associated capitalised costs,
- Developments undertaken on the next version of DeliveryWare and new functionalities for the FlyDoc service (fixed assets in progress).

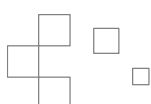
### 5.2. Patents

Technologies for GDR (general document recognition), analysis and routing are protected by a patent with the USPTO since 2005 (United States Patent and Trademark Office) under number 6 906 817. This technology represents a cornerstone of the company's automation solutions. In 2007 Esker filed two new patents with the USPTO.

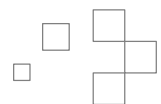
### 5.3. Trademarks

The following trademarks and domain names have been registered by Esker in France and other countries

- Esker
- FlyDoc
- VSI-FAX
- FaxGate
- General Document Recognition
- Smarterm
- Smartmouse
- Tun
- Tun Emul
- Tun Kernel
- Tun Mail



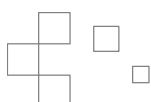
- Tun Plus
- Tun TCP
- Persona
- Pulse



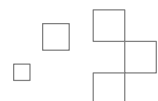
## 6. CORPORATE GOVERNANCE

The company is managed by an Executive Board that exercises its functions under the control of a **Supervisory Board**.

| Name                  | Appointment or position exercised in Esker S.A. | APPOINTMENTS EXERCISED IN OTHER COMPANIES |             |   |                             |  |  |
|-----------------------|---|---|-------------|---|-----------------------------|--|--|
|                       |   | Company                                   | Nationality | Appointment / Position  | Year of initial appointment | Expiration of appointment: General Meeting ruling on the financial statements for the fiscal year ending | Professional address (primary position)                                |
| <b>M.C. Bernal</b>    | Chairman of the Supervisory Board               | • ESKER SA                                | French      | Chairman of the Supervisory Board   | 2001                        | 2012   |  |
|                       |   | • ILOG S.A.                               | French      | Director, Chairman of the audit committee                                       | 2000                        | 2008   | 9 rue de Verdun 94253 Gentilly   |
|                       |   | • Potentia Pharmaceuticals                | US          | Director  | 2005                        | N/A  | 201 E. Jefferson Louisville, KY 40202                                  |
| <b>K. Beauvillain</b> | Vice Chairman of the Supervisory Board          | • ESKER SA                                | French      | Vice Chairman of the Supervisory Board  | 1999                        | 2010   | -  |
|                       |   | • CAPORMAK                                | French      | Managing Partner  | 2008                        | N/A  | 68 Rue Pernety 75014 Paris   |
|                       |   | • ALPHA MOS SA                            | French      | Director  | 1998                        | 2011   |  |
|                       |   | • OREGÉ SA                                | French      | Chairman of the Supervisory Board   | 2008                        | 2010   |  |
|                       |   | • LAFAYETTE INT SA                        | French      | Director  | 1997                        | 2011   |  |
| <b>R.Teubner</b>      | Member of the Supervisory Board                 | • ESKER SA                                | French      | Member of the Supervisory Board   | 2000                        | 2008   | -  |
|                       |   | • Hostbridge Technology                   | US          | Chief Executive Officer, Director   | 2000                        | N/A  | HostBridge Technology - 100 E. 7th Avenue - Stillwater, OK 74074 - USA |
|                       |   | • Southwest Bancorp                       | US          | Director, Member of the Audit Committee, Chairman of the Compensation Committee | 2000                        | 2008   | Southwest Bancorp, PO Box 1988, Stillwater, OK 74076                   |
| <b>T. Wolfe</b>       | Member of the Supervisory Board                 | • ESKER SA                                | French      | Member of the Supervisory Board   | 1999                        | 2010   | Esker Inc. - 1212 Deming Way, Suite 350 - Madison, WI 53717 - USA      |
| <b>J.M. Bérard</b>    | Chairman of the Supervisory Board               | • ESKER SA                                | French      | Chairman of the Executive Board   | 2000                        | 2008   | 10 Rue des Emeraudes 69006 Lyon  |
| <b>E. Olivier</b>     | Member of the Supervisory Board                 | • ESKER SA                                | French      | Member of the Executive Board   | 2003                        | 2008   | 10 Rue des Emeraudes 69006 Lyon  |



- **Marie-Claude Bernal** has served as Chairman of the Supervisory Board of Esker since 2000. Graduated from the HECJF School of Management in 1967, followed by an MBA from the University of Chicago in 1971, she joined the Banque de Neuflyze where she became one of the first women in France to manage a mutual fund. In 1977, she joined Wellington Management in Boston, one of America's oldest and largest independent investment management firms, where she helped launch and grow the international investment department, becoming a partner in 1994. She pursued her collaboration with this company until 2000. Marie-Claude Bernal is also a member of the Board of Directors of Ilog S.A., a French software development company listed on NASDAQ and Eurolist.
- **Kléber Beauvillain** served as Vice Chairman of the Supervisory Board since 2000. He was Managing Director of Hewlett Packard France for more than 20 years before becoming the Chairman of the Supervisory Board. He currently serves on the boards of several public companies including Ares and Alpha Mos, both listed on the Paris stock exchange.
- **Russ Teubner**, member of the Supervisory Board, is founder and former Chief Executive Officer of Teubner & Associates Inc, acquired by Esker in 1998.
- **Tom Wolfe**, member of the Supervisory Board is the founder of Persoft Inc, acquired by Esker in 1999.



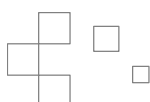
## 7. MANAGEMENT

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### Executive Board

Esker's management team progressively assembled under the leadership of one of the company's founders, Jean-Michel Bérard today includes seven members:

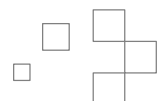
- **Jean-Michel Bérard,**  
**47, Chairman of the Executive Board**  
 Jean-Michel Bérard received his computer engineering degree in 1984 from the Lyon Institut National des Sciences Appliquées. Shortly thereafter, he co-founded Esker. Since the founding, he has been primarily responsible for product strategy, implementing development programs that respond quickly to changing technology trends and creating comprehensive, market-ready products. In his current role as president of the board of directors and Worldwide Chief Executive Officer, Jean-Michel is responsible for defining and executing Esker's business plan. He also represents Esker to the potential partners, the European technological community, IT analysts, and the trade press. Ernst & Young named Jean-Michel Bérard European Entrepreneur of the Year in 2000. He was named as one of the Top Technology Visionaries by Start magazine in 2002.
- **Emmanuel Olivier,**  
**41, Chief Operating Officer and Member of the Executive Board**  
 Emmanuel is leading Esker's operations worldwide, covering sales, marketing and consulting activities. He also supervises Esker finances and is in charge of the company's financial communication and investor relations. Emmanuel joined Esker in 1999 as Chief Financial Officer and was promoted to his current role in 2003. Prior to joining Esker, he worked as an audit manager for the international firm Ernst & Young for seven years, including two years in Philadelphia, PA, USA. Emmanuel was awarded a Master's degree in Business Administration in 1991 from the Ecole Supérieure de Commerce of Nice Sophia Antipolis, and earned the CPA (Certified Public Accountant) qualification from the state of Pennsylvania.
- **Jean-Jacques Bérard,**  
**43, Executive Vice President, Research and Development and invited member of the Executive Board**  
 Jean-Jacques Bérard received his engineer's degree in 1988 from Lyon Institut National des Sciences Appliquées. Before coming to Esker, he was research and development (R&D) team manager at Andersen Consulting in Lyon. He joined Esker in 1995, first as project leader for the SQL team and then advancing to R&D manager in 1997. In 1998, he was named Executive Vice President, Research and Development. In this capacity, Jean-Jacques implements product strategy and oversees product planning and development.
- **Eric Bussy,**  
**34, Director of Marketing and Product Management and invited member of the Executive Board**  
 Eric Bussy received his master's degree in business administration from the Ecole Supérieure de Commerce IDRAC Lyon, France. Before joining Esker, he spent 3 years as an International Product Manager working on projects for France Air and Melink Corporation in Cincinnati, OH, USA. He then served as Field Marketing Manager for Seal's and Cdtel in France during 2 years. He joined Esker in 2002 as the Director of Marketing and Communication. His current activities include development of strategic products, services and solutions. In 2005, his responsibilities were expanded as Director of Product Management.
- **Steve Smith,**  
**46, US Chief Operating Officer and invited member of the Executive Board**  
 Steve Smith joined Esker in 2003 as the Director of Sales, and is currently responsible for all operations in North and Central America. Upon graduating in 1984 from the University of Wisconsin - Whitewater with bachelor's degrees in Marketing and in Finance, Steve spent 2 years in sales at Pitney Bowes, and 17 years at Equitrac Corporation where he was the Senior Vice President of Worldwide Sales.
- **Eric Thomas,**  
**42, Vice President of Business Development and invited member of the Executive Board**  
 Eric Thomas joined Esker in 1997 and started as Managing Director for France and then South European Director during 3 years. When Esker launched DeliveryWare, Eric's mission changed to Director of European Business Development. In this position, Eric actively participates to the successful launch of Esker SaaS offer today called FlyDoc / Esker on Demand. After Business Administration



studies in USA (BA), Eric started his career at France Telecom EGT where he successfully held various positions in sales and sales management.

■ **Renee Thomas,**  
**41, Director of Field Marketing, Americas, and invited member of the Executive Board**

Renee Thomas joined Esker in 1998 and became the Director of Americas Field Marketing in 2001 after holding positions in Channel Sales and Marketing. Current responsibilities include lead generation strategies, lead qualification processes, customer development programs, customer service and press/analyst relations for the Americas. Previous to Esker, Renee held a Corporate Communications role at Westinghouse where she was responsible for employee and management communications, events, PR, and collateral development for one of its divisions. Renee graduated from the University of Missouri with a degree in Communications and she received her MBA from the University of South Carolina in 2000.



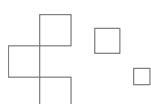
## 8. MAJOR SHAREHOLDERS

### Share capital and voting rights as of 31 December 2008

| Shareholders            | Status     | As of 31/12/2008 |               |                    | As of 31/12/2007 |               |                    | As of 31/12/2006 |               |                    |
|-------------------------|------------|------------------|---------------|--------------------|------------------|---------------|--------------------|------------------|---------------|--------------------|
|                         |            | Number of shares | % of capital  | % of voting rights | Number of shares | % of capital  | % of voting rights | Number of shares | % of capital  | % of voting rights |
| Jean-Michel Bérard      | Registered | 318,182          | 7.2%          | 12.7%              | 318,182          | 7.2%          | 7.3%               | 318,182          | 7.4%          | 7.4%               |
| Thomas Wolfe            | Registered | 270,895          | 6.1%          | 10.8%              | 270,895          | 6.2%          | 6.2%               | 270,895          | 6.3%          | 6.3%               |
| Russell Teubner         | Bearer     |                  | 0.0%          | 0.0%               | 77,851           | 1.8%          | 1.8%               | 93,661           | 2.2%          | 2.2%               |
| Marie Claude Bernal     | Registered | 3,769            | 0.1%          | 0.2%               | 3,769            | 0.1%          | 0.1%               | 3,769            | 0.1%          | 0.1%               |
| <b>TOTAL MANAGEMENT</b> |            | <b>592,846</b>   | <b>13.5%</b>  | <b>23.7%</b>       | <b>670 697</b>   | <b>15.3%</b>  | <b>15.3%</b>       | <b>686,507</b>   | <b>16.0%</b>  | <b>16.0%</b>       |
| Odyssee Venture         | Bearer     | 436,298          | 9.9%          | 8.7%               | 436,298          | 9.9%          | 10.0%              | 446,298          | 10.4%         | 10.4%              |
| Treasury shares         | Bearer     | 37,326           | 0.8%          |                    | 14,765           | 0.3%          |                    | 16,289           | 0.4%          |                    |
| Registered shares       | Registered | 63,602           | 1.4%          | 2.0%               | 56,252           | 1.3%          | 1.3%               | 81,481           | 1.9%          | 1.9%               |
| Free float              | Bearer     | 3,276,193        | 74.4%         | 65.5%              | 3,215,875        | 73.2%         | 73.4%              | 3,068,623        | 71.4%         | 71.6%              |
| <b>TOTAL</b>            |            | <b>4,406,265</b> | <b>100.0%</b> | <b>100.0%</b>      | <b>4,393,887</b> | <b>100.0%</b> | <b>100.0%</b>      | <b>4,299,198</b> | <b>100.0%</b> | <b>100.0%</b>      |

To the best of the company's knowledge, there are no other shareholders other than those mentioned above that held directly or indirectly or in concert more than 5% of the share capital or voting rights at 31 December 2008.

Different classes of voting rights do not exist. Double voting rights are not granted to shareholders of Esker. Finally, to the best of the company's knowledge, no shareholder agreements exist.



## 9. OPERATING AND FINANCIAL REVIEW

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The operating and financial review is presented in the management discussion and analysis of the Executive Board summarised below. This information concerns the consolidated financial statements as presented in paragraph 10.1 of this document. The reader is also invited to consult the information provided on trends in section 12 and the notes to the consolidated financial statements in paragraph 10.1.

### Fiscal 2008 / 2007 highlights

Group sales grew 7% at constant exchange rates in fiscal 2008, representing a marginal deceleration in relation to 8% growth registered in 2007.

This performance was driven by sustained expansion of document process automation sales that increased 12% in the period and accounted for 67% of total Group sales. Growth in Europe was particularly robust for these products, advancing 15% over 2007. In September 2008, the Group launched the new version of DeliveryWare that includes exclusive functionalities for automating Order-to-Cash and Procure-to-Pay processes.

On-demand document process automation services, FlyDoc and Esker On Demand, also registered excellent performances, advancing 66% in the period. On-demand mail and fax solutions for SAP environments, launched in the 2007 first half met with very rapid success in all world markets. As a result, the percentage of sales from this segment in total Group revenue in 2008 increased to 20%.

Growth of Host Access and Fax Service products, that represent more mature markets, has continued to decelerate though at a reduced pace compared with 2007.

### Operating profit adversely affected by the weak dollar and the US economic slowdown

Current operating income of the Group ended the year with a loss of €1,097,000 compared with €896,000 in 2007.

The economic crisis that began in the United States at the end of 2007 spread to Europe in 2008. This environment resulted in postponements or delays of a number of traditional document process automation projects that require significant capital expenditures. Combined with the significant decline in the US dollar, this trend adversely affected Group results. While not offsetting the loss incurred in the first quarter, the cost reduction plan launched in the second quarter of 2008 nevertheless contributed to a profit in the second half, reducing the operating loss for the full year to €1,033,000.

In addition, the level of development expenditures presented in the income statement was also impacted by the capitalisation of a portion of these expenditures and their amortisation. In the fiscal year, development expenditures of €1,181,000, were recognised under intangible assets (€1,015,000 in 2007), relating to the following projects:

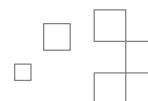
- Development expenditures for new functionalities of Version 2007 of the service FlyDoc capitalised each six-month period as they are progressively put into service.
- The development of version 5.0 of the DeliveryWare application launched in September 2008, the starting date for the amortisation period for the associated capitalised costs.
- Developments undertaken on the next version of DeliveryWare and new functionalities for the FlyDoc and Esker On Demand services (fixed assets in progress).

The net impact of these fixed assets in the period, after deducting amortisation expenses, was €634,000 (versus €635,000 at 31 December 2007)

After taking into account non-current items including notably unrealised foreign exchange losses of €120,000 (versus - €120,000 in 2007), the Group recorded an operating loss of €1,033,000 compared with a loss of €980,000 in 2007.

Group foreign exchange risk concerns primarily inter-company transactions in USD, GBP and AUD.

In the absence of borrowings (with the exception of interest expense on debt in connection with the restatement of finance leases agreements of €70,000), net finance costs of the period resulted in a profit of €63,000 compared with €296,000 in 2007. The Group's significant cash balance generated income of €134,000 (compared with €275,000 in 2007).



On this basis, the Group ended the year with a net loss of €1,112,000 compared with a loss of €1,044,000 in 2007.

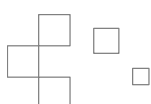
### **Operating cash flows largely positive**

Group cash and cash equivalents declined marginally at constant exchange rates to €5,726,000 at year-end. Cash flows from operating activities at year-end totalled €1,627,000, an increase of €237,000 over 2007. As a result, 90% of cash flows from investing activities concerning primarily major investments in the period for development projects as well as capital expenditures for computer hardware in connection with the development of outsourcing of on-demand mail services (servers, fax boards) were covered by operating cash flow.

### **Other financial indicators remain stable**

Group borrowings totalled €2,028,000 compared with €1,368,000 in 2007 and consisted exclusively of an Anvar advance of €690,000 and borrowings of €1,338,000 in connection with finance leases capitalised in the period concerning a print machine and two inserting machines for outsourcing of on-demand mail services used in connection with the FlyDoc and Esker On Demand services.

The financial structure of the Group consisted primarily of shareholders' equity of €7,853,000 at December 31, 2008.

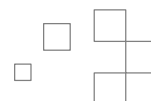


## 10. FINANCIAL INFORMATION

### 10.1. Consolidated financial statements

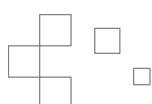
#### CONSOLIDATED BALANCE SHEET

| ASSETS (in thousands of euros)                                      | Notes                     | 31/12/2008        | 31/12/2007        |
|---|---------------------------|-------------------|-------------------|
| Goodwill  | 3                         | 358               | 358               |
| Intangible assets   | 2                         | 2,897             | 2,298             |
| Property, plant and equipment                                       | 4 / 5                     | 2,728             | 2,084             |
| Equity-accounted investments  |                           | 0                 | 0                 |
| Other non-current investments                                       | 15                        | 188               | 279               |
| Deferred tax assets   | 21                        | 1,244             | 1,195             |
| Other non-current assets  | 6                         | 143               | 104               |
| <b>Total non-current assets</b>                                     |                           | <b>7,558</b>      | <b>6,318</b>      |
| Inventories   |                           | 130               | 118               |
| Trade receivables   | 15                        | 6,902             | 6,642             |
| Other current assets  | 7                         | 634               | 1,017             |
| Cash and cash equivalents   | 15                        | 5,726             | 6,068             |
| <b>Total current assets</b>   |                           | <b>13,392</b>     | <b>13,845</b>     |
| <b>TOTAL ASSETS</b>   |                           | <b>20,950</b>     | <b>20,163</b>     |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES (in thousands of euros)</b> | <b>Notes</b>              | <b>31/12/2008</b> | <b>31/12/2007</b> |
| Capital stock   |                           | 8,813             | 8,788             |
| Additional paid-in capital  |                           | 17,190            | 17,168            |
| Reserves and retained earnings                                      |                           | -18,150           | -17,497           |
| <b>Shareholders' equity</b>   | <b>8</b>                  | <b>7,853</b>      | <b>8,459</b>      |
|   | <i>Group share</i>        | <i>7,853</i>      | <i>8,459</i>      |
|   | <i>Minority interests</i> | <i>0</i>          | <i>0</i>          |
| Non-current provisions  | 11                        | 0                 | 0                 |
| Non-current borrowings  | 13                        | 1,565             | 1,145             |
| Other non-current liabilities                                       | 12                        | 163               | 134               |
| <b>Total non-current liabilities</b>                                |                           | <b>1,728</b>      | <b>1,279</b>      |
| Current borrowings  | 13                        | 463               | 223               |
| Trade payables  | 15                        | 1,989             | 1,549             |
| Tax and employee-related payables                                   |                           | 3,114             | 3,057             |
| Other current liabilities   | 14                        | 5,803             | 5,596             |
| <b>Total current liabilities</b>                                    |                           | <b>11,369</b>     | <b>10,425</b>     |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>                   |                           | <b>20,950</b>     | <b>20,163</b>     |



**CONSOLIDATED INCOME STATEMENT**

| <i>(in thousands of euros)</i>                   | Note | 2008          | % of sales    | 2007          | % of sales    |
|--|------|---------------|---------------|---------------|---------------|
| <b>Net sales</b>                                 | 17   | <b>26,593</b> | <b>100.0%</b> | <b>25,873</b> | <b>100.0%</b> |
| Cost of sales                                    |      | -4,302        | -16.2%        | -2,975        | -11.5%        |
| Research and development expenses                | 18   | -3,090        | -11.6%        | -3,066        | -11.9%        |
| Selling expenses                                 |      | -12,572       | -47.3%        | -13,125       | -50.7%        |
| Marketing expenses                               |      | -4,532        | -17.0%        | -4,381        | -16.9%        |
| General and administrative expenses              |      | -3,194        | -12.0%        | -3,222        | -12.5%        |
| <b>Current operating income</b>                  |      | <b>-1,097</b> | <b>-4.1%</b>  | <b>-896</b>   | <b>-3.5%</b>  |
| Other operating income and expenses              | 20   | 64            | 0.2%          | -84           | -0.3%         |
| <b>OPERATING PROFIT</b>                          |      | <b>-1,033</b> | <b>-3.9%</b>  | <b>-980</b>   | <b>-3.8%</b>  |
| Income from cash and cash equivalents            |      | 162           | 0.6%          | 335           | 1.3%          |
| Borrowing costs                                  |      | -99           | -0.4%         | -39           | -0.2%         |
| <b>Net finance costs</b>                         |      | <b>63</b>     | <b>0.2%</b>   | <b>296</b>    | <b>1.1%</b>   |
| Tax  | 21   | -142          | -0.5%         | -84           | -0.3%         |
| Share of income from equity-accounted associates |      | 0             | 0.0%          | -276          | -1.1%         |
| <b>NET INCOME</b>                                |      | <b>-1,112</b> | <b>-4.2%</b>  | <b>-1,044</b> | <b>-4.0%</b>  |
| Basic earnings per share in euros                | 22   | -0.24         |               | -0.24         |               |
| Diluted earnings per share in euros              | 22   | -0.24         |               | -0.24         |               |



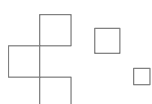
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| <i>(in thousands of euros)</i>        | Capital stock and additional paid-in capital | Translation reserve | Net income and retained earnings | Shareholders' equity - Group | Minority interests | Consolidated shareholders' equity |
|---------------------------------------|--|---------------------|----------------------------------|------------------------------|--------------------|-----------------------------------|
| <b>Balance as of 31 December 2006</b> | <b>25,627</b>                                | <b>-80</b>          | <b>-16,386</b>                   | <b>9,161</b>                 | <b>-1</b>          | <b>9,160</b>                      |
| Capital increases                     |  |                     |                                  | 0                            |                    | 0                                 |
| Stock options                         | 330  |                     |                                  | 330                          |                    | 330                               |
| Translation adjustments               |  | -289                |                                  | -289                         |                    | -289                              |
| Treasury shares                       |  |                     | 17                               | 17                           |                    | 17                                |
| Other changes                         |  |                     | 285                              | 285                          | 1                  | 286                               |
| 2007 annual profit / (loss)           |  |                     | -1,045                           | -1,045                       |                    | -1,045                            |
| <b>Balance as of 31 December 2007</b> | <b>25,957</b>                                | <b>-369</b>         | <b>-17,129</b>                   | <b>8,459</b>                 | <b>0</b>           | <b>8,459</b>                      |
| Capital increases                     |  |                     |                                  | 0                            |                    | 0                                 |
| Stock options                         | 47   |                     |                                  | 47                           |                    | 47                                |
| Translation adjustments               |  | 86                  |                                  | 86                           |                    | 86                                |
| Treasury shares                       |  |                     | -46                              | -46                          |                    | -46                               |
| Other changes                         |  |                     | 419                              | 419                          | 0                  | 419                               |
| 2008 annual profit / (loss)           |  |                     | -1,112                           | -1,112                       |                    | -1,112                            |
| <b>Balance as of 31 December 2008</b> | <b>26,004</b>                                | <b>-283</b>         | <b>-17,868</b>                   | <b>7,853</b>                 | <b>0</b>           | <b>7,853</b>                      |



**CONSOLIDATED STATEMENT OF CASH FLOWS**

| <i>(in thousands of euros)</i>                                      | <b>31/12/2008</b> | <b>31/12/2007</b> |
|---|-------------------|-------------------|
| <b>Consolidated net income (loss)</b>                               | <b>-1,112</b>     | <b>-1,044</b>     |
| Share in income from associates, net of dividends received          | 0                 | 276               |
| Net allowances for depreciation and provisions                      | 1,445             | 1,074             |
| Calculated expenses and income related to share-based compensation  | 383               | 397               |
| Gains and losses on disposals of fixed assets                       | -14               | 3                 |
| <b>Cash flows after net financial expense</b>                       | <b>702</b>        | <b>706</b>        |
| Interest expense and income   | 70                | 35                |
| Income tax expense of the period including deferred tax liabilities | 142               | 83                |
| Taxes paid  | -150              | -92               |
| <b>Change in operating working capital</b>                          | <b>863</b>        | <b>658</b>        |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                    | <b>1,627</b>      | <b>1,390</b>      |
| Acquisition of intangible assets                                    | -1,935            | -1,891            |
| Acquisition of property, plant and equipment                        | 20                | 19                |
| Proceeds from the disposal of PPE and intangible assets             | 92                | -9                |
| Change in non-current investments                                   | ,                 |                   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                        | <b>-1,823</b>     | <b>-1,881</b>     |
| Capital increases or contributions                                  |                   |                   |
| Issuance costs for capital increases                                |                   |                   |
| Amount received from the exercise of stock options                  | 47                | 330               |
| Change in treasury shares   |                   |                   |
| Repayment of borrowings – finance leases                            | -416              | -199              |
| Change in borrowings  | 300               | 230               |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                    | <b>-69</b>        | <b>361</b>        |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                      | <b>-265</b>       | <b>-130</b>       |
| Effect of exchange rate changes on cash                             | -77               | -316              |
| <b>Cash and cash equivalents at beginning of year</b>               | <b>6,068</b>      | <b>6,514</b>      |
| <b>Cash and cash equivalents at end of year</b>                     | <b>5,726</b>      | <b>6,068</b>      |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Esker Group at 31 December 2008 were prepared by the Executive Board and submitted for approval to the Supervisory Board on 09 March 2009.

### SIGNIFICANT ACCOUNTING POLICIES, BASIS OF CONSOLIDATION

#### ■ Statement of compliance

In compliance with EC regulation 1606/2002 of 19 July 2002, the consolidated financial statements of Esker Group published for fiscal 2008 were prepared on the basis of (IFRS) International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as adopted by the regulation published in the Official Journal of the European Union on the closing date.

#### Application of new standards and interpretations

New standards and interpretations subject to mandatory application for the first time in 2008 already adopted by the European Union on the closing date and listed below have been applied. The impact of these new standards on the Group's financial statements of 31 December 2008 was not significant.

| New standards and interpretations applicable as of 31 December 2008 |   | Effective date |
|---|---|----------------|
| IFRIC 14  | Defined benefit assets and minimum funding requirements | 01/01/2008     |
| IFRIC 12  | Service concession arrangements                         | 01/01/2008     |
| IFRIC 11  | Group cash-settled share-based payment                  | 01/03/2007     |

In addition, standards and interpretations that have been published but whose application was optional in 2008, listed below were not applied advance by the Group.

| New standards or interpretations whose application is optional in advance as of 31 December 2008 |  | Effective date |
|--|--|----------------|
| IAS 1 (revised)  | Presentation of financial statements   | 01/01/2009     |
| IAS 23   | Amendment of IAS 23 — Borrowing costs  | 01/01/2009     |
| IFRS 8   | Operating segments   | 01/01/2009     |
| IFRS 3 (revised)   | Business combinations (phase 2)  | 01/07/2009     |
| IAS 27 (revised)   | Consolidated and separate financial statements   | 01/07/2009     |
| Amendments IFRS 2  | Vesting conditions and cancellations   | 01/01/2009     |
| Amendments IAS 32  | Financial Instruments - puttable instruments and instruments with obligations arising on liquidation | 01/01/2009     |
| IFRIC 13   | Customer loyalty programs  | 01/07/2008     |



## Transition to IFRS

The financial statements of Esker Group were prepared according to IFRS for the first time for fiscal 2005 with a transition date of 1 January 2004. In consequence, the specific rules for first-time adoption of IFRS 1 were applied.

IFRSs that entered into force at 31 December 2005 were applied on a retrospective basis in accordance with the mandatory exceptions and the following optional exceptions:

- Business combinations before 1 January 2004 were not restated (IFRS 3);
- Cumulative actuarial gains and losses on the transition date have been recorded under equity (IAS 19);
- The cancellation of cumulative translation differences on 1 January 2004 resulting from the translation of the financial statements of foreign subsidiaries (IAS 21);
- Under IFRS 2 share-based payment of equity instruments granted before 7 November 2002 and instruments fully vested on 1 January 2005 are not recognised.

## Presentation of the income statement

In the 2008 income statement, charges of €851,000 for services were reclassified from selling expenses to cost of sales. These expenses concerned primarily costs incurred by our customers for the installation our solutions and training. This transfer was not carried out in the income statement of the previous year. The corresponding amount that should have been transferred at 31 December 2007 to ensure the comparability of the financial periods is €873,000.

This transfer had no impact at the level of current operating income.

## ■ Basis of consolidation

Companies in which the Group directly or indirectly exercises exclusive control are fully consolidated. Exclusive control is defined as an ability to exercise directly or indirectly authority in managing the financial and operating policies of a company so as to obtain benefits from its activities.

Equity interests in companies in which Esker Group does not have a controlling interest but exercises a material influence are recognised according to the equity method.

Intercompany receivables, payables, income and expenses of fully consolidated subsidiaries are eliminated.

The list of subsidiaries and associates included in the consolidation scope is presented in section 2 of these notes

## ■ Translation of financial statements and transactions in foreign currency

### Translation of the financial statements of foreign subsidiaries

Financial statements of foreign subsidiaries are established on the basis of their functional currency, i.e. the local currency.

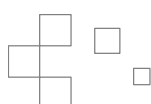
Exchange rates on the balance sheet date are applied for the translation of the accounts of foreign subsidiaries:

- Assets and liabilities for which the functioning currency is not the euro are translated at the year-end exchange rate;
- Income statement items are translated according to the average exchange rate of the period;
- The resulting translation differences are recognised under equity.

### Translation of transactions in foreign currency

The rules for recognising and measuring foreign currency transactions are those defined under IAS 21 "The effects of changes in foreign exchange rates".

Transactions in currencies other than the functional currency are translated on the basis of the exchange rate in force on the transaction date or, as applicable, the hedge rate. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the balance sheet date or the hedge rate that may be assigned to them. Resulting currency gains and losses are recorded in the income statement of the period under "other operating income and expenses".



Non-monetary assets and liabilities in foreign currencies are as a general rule translated at the spot rate on the transaction date except those measured at fair value and those covered by a hedge.

Currency gains or losses resulting from the translation of net investments in foreign subsidiaries are recognised directly under equity.

### ■ Use of estimates

In preparing financial statements in accordance with IFRS, management has recourse to estimates and assumptions that have an impact on the financial statements.

The main Group estimations concern assumptions relating to:

- The measurement and depreciation of property, plant and equipment and intangible assets (notes 2, 3)
- The calculation of deferred taxes (note 21)
- The measurement of retirement commitments (note 12)
- The measurement of provisions (note 11)
- The measurement of share-based payment (note 10).

These estimations are based on the best information available to management on the closing date. They may be revised if circumstances on which they were based change or new information is received. Actual results may in consequence differ from those resulting from these assumptions and estimations.

### ■ Intangible assets

#### Development expenditures

In compliance with IAS 38 "Intangible assets" research costs are expensed when incurred and development expenditures recorded as intangible assets when the company can demonstrate that the following criteria have been met:

- Intention by the company and technical and financial feasibility of completing the asset;
- The asset will generate probable future economic benefits for the company;
- The cost of the asset thus created can be reliably measured.

Development expenditures incurred by Esker Group concern two types of applications and are destined to be tracked on an individual basis. These expenditures consist primarily of staff costs.

Group development activities are divided into two categories:

- **Development to create new products or introduce new functionalities to existing products.** Criteria for capitalising expenditures under IAS 38 are determined by the marketing and R&D teams when the these projects are launched;
- **Development to extend the life of existing products** (adaptation to new operating systems corrective measures, etc.). Such expenditures do not meet the criteria of the standard and are consequently not capitalised.

Development expenditures recorded as intangible assets are amortised over useful lives of one to five years. The corresponding expenditures of projects not yet completed on the closing date are recorded as intangible assets and tested for impairment (see below the note on the impairment of fixed assets).

#### Other intangible assets

Software acquired is recognised as intangible assets and amortised on a straight-line basis over useful lives ranging between three and five years.

#### Goodwill

All identifiable assets, liabilities, and contingent liabilities are measured initially by the acquirer at their fair values on the date of transfer of control in favour of the Group (acquisition date) irrespective of the extent of any minority interest.

The cost of a business combination equals the purchase price, plus directly attributable acquisition costs. Any difference in the acquisition cost at fair value of acquired assets and assumed liabilities and contingent liabilities is recognised in the balance sheet under assets as goodwill.



Goodwill is not amortised but is tested for impairment when there exists an indication of impairment and at least once a year (see below the note on the impairment of fixed assets).

## ■ Property, plant and equipment

### Property, plant and equipment

The gross value of property, plant and equipment represents the historical acquisition cost. This cost comprises directly attributable costs of transferring the asset to its place of operation and bringing the asset to working condition for its intended use.

Depreciation of property, plant and equipment reflects the pattern of consumption of the expected economic benefits on the basis of the acquisition cost, after deducting when applicable the residual value (as a general rule considered as zero). The straight-line method is applied over the following useful lives

- General installations: 5 - 8 years
- Transportation equipment: 3 - 5 years
- Office and computer equipment: 2.5 - 8 years
- Furniture: 5 years

### Leases

In compliance with IAS 17, leases that transfer to Esker the risks and rewards incidental to ownership (finance leases) are recorded as fixed assets with the corresponding financial liability recognised at fair value or, if lower, the present value of the minimum lease payments.

The corresponding fixed assets are depreciated according to the procedures described above.

The cost of repairs and maintenance are expensed when incurred except where they serve to increase productivity or to prolong the asset's useful life.

## ■ Impairment of fixed assets

In accordance with IAS 36 "Impairment of assets", property, plant and equipment and intangible assets are tested for impairment when there are indications of impairment and at least once a year. Indefinite life fixed assets (goodwill) and intangible assets in progress (development projects) are tested for impairment at least once a year.

Intangible assets and property, plant and equipment are tested for impairment when, in connection with events or circumstances occurring in the period, it is considered that the recoverable amount over a sustained period will remain lower than the carrying value.

The recoverable amount of an asset is measured at the higher of its fair value less costs to sell and value in use. Value in use is the present value of estimated operating cash flows expected to arise from continuing use over five years and the terminal value according to the perpetual growth rate of the future cash flows.

For the purpose of this test, the values of assets are aggregated on the basis of Cash-Generating Units (CGU). CGUs represent profit centres providing the basis of the organisation of Group operations and the analysis of results for internal reporting purposes. As a general rule, these profit centres represent legal entities.

When the recoverable value of CGU is lower than the carrying value, an impairment loss is recognised in the income statement under "other operating income and expenses".

## ■ Inventory and work in progress

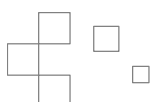
Inventory is measured at the lower of acquisition cost determined according to the method of weighted average cost per unit or the net realisable value.

## ■ Other non-current investments

Other non-current investments are recognised at amortised cost.

## ■ Treasury shares

Shares of the parent company held directly or indirectly through consolidated subsidiaries are deducted from shareholders' equity at their purchase price, after deducting acquisition expenses. Changes in fair value during



the period treasury shares are held are not recognised. Gains and losses from the disposal of the shares are recognised directly under equity and do not impact profit or loss.

## ■ Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand and marketable securities.

These investments have short-term maturities, are readily convertible to cash and subject to an insignificant risk to changes in value.

Securities held for trading are measured at fair value and resulting losses and gains recognised in the income statement.

Changes in cash and cash equivalents are analyzed in the statement of cash flow presented on the basis of the indirect method.

## ■ Provisions

In compliance with IAS 37 "provisions, contingent liabilities and contingent assets", provisions are recorded when Group management considers that it has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation without receiving equivalent consideration in exchange and the amount of the obligation can be reliably measured.

Provisions for lawsuit contingencies may be recorded notably in connection with litigation known to the Group to which it is a party. A review of this litigation is undertaken on the balance sheet date by management and outside counsel to determine the amount required to cover these estimated risks.

Provisions are divided into current and non-current liabilities according to the estimated maturity of the risk. Provisions with estimated maturities exceeding one year are adjusted to reflect their potential significant impact.

## ■ Employee benefits

### Retirement plans

In most subsidiaries, the Group has an obligation to finance employee pensions through the payment of contributions calculated on the basis of salaries to pension fund entities. Such contributions are expensed when incurred. No other commitments exist related to these contributions.

In addition, under French law, the Group is required to pay employees on retirement an end-of-career severance benefit. The corresponding commitments are calculated annually using the projected unit credit method. This calculation is made in accordance with the provisions provided for under the applicable collective bargaining agreement (SYNTEC) according to the following criteria:

- Estimated age of retirement;
- Seniority of personnel on retirement date;
- Probability of remaining in service at the retirement age;
- Rate of salary increases;
- A discount rate.

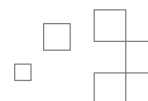
This commitment is recognised in the balance sheet under current operating expenses and non-current liabilities.

No other commitments have been recognised for retirement benefits for other subsidiaries of the Group because they are not material or there does not exist a legal obligation.

### Other long-term benefits

In accordance with local laws and regulations, the Italian subsidiary must pay employees a severance benefit when leaving the company regardless of the reason (resignation, retirement, etc.). This benefit is calculated on the basis of annual salary and seniority and subject to annual increases indexed on the rate of inflation issued by the Italian government.

This commitment is recognised in the balance sheet under current operating expenses and non-current liabilities.



## ■ Share-based payment

In compliance with IFRS 2 "share-based payment", stock options and stock purchase options of the Group are recognised at fair value of the grant date.

Fair value is calculated according to the Black & Scholes method. Changes in value after the grant date have no impact on this valuation. Changes in value are recognised under current operating income with a reverse entry under reserves on a straight-line basis over the vesting period.

In compliance with the optional exemptions provided for under IFRS 1 and as indicated in the notes under the "statement of compliance", Esker Group has not opted to apply IFRS 2 on a retrospective basis. In consequence, only plans involving share-based transactions granted after 7 November 2002 but not yet vested on 1 January 2005 have been measured and recognised under staff costs.

## ■ Income taxes and deferred taxes

In compliance with IAS 12 "Income Taxes", temporary differences between the tax base of consolidated tax assets and liabilities are recognised as deferred taxes according to the liability method.

Deferred taxes are recognised when recovery is considered probable within a reasonable period. Reductions in future taxes resulting from the use of tax loss carryforwards (including amounts that can be carried forward indefinitely) are recognised only if their recovery is considered probable.

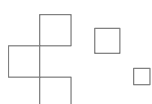
Deferred tax assets and liabilities are not discounted and are offset within the same tax entity. Deferred taxes calculated allocated to equity items are recognised under shareholders' equity.

## ■ Revenue recognition

In compliance with IAS 18, as a general rule revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably, notably on the date the significant risks and rewards of ownership of the goods are transferred to the buyer.

Group sales originate primarily from the sale of licenses, maintenance associated services (training and installation assistance), on-demand services available online (outsourcing of fax and mail services) and equipment (fax boards).

- Sales of licenses and hardware are recognised on the date of delivery;
- Income from maintenance contracts is recognised on a straight-line basis over the term of the contract; For contracts concerning the period in progress and future periods, deferred revenue is recognised at year-end for the portion of contracts corresponding to future periods;
- Services related to software sales are recognised according to the percentage-of-completion method;
- Other services are recognised on the date of performance.

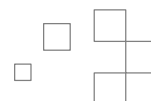


**SCOPE OF CONSOLIDATION**

There were no changes in the scope of consolidation in fiscal 2008.

| Company                                 | Head office                 | 2008                     |                        | 2007                     |                        | Consolidation method <sup>(1)</sup> |
|---|-----------------------------|--------------------------|------------------------|--------------------------|------------------------|-------------------------------------|
|   |                             | Controlling interest (%) | Ownership interest (%) | Controlling interest (%) | Ownership interest (%) |                                     |
| Esker                                   | Lyon (France)               | <b>Parent company</b>    |                        |                          |                        |                                     |
| Esker GmbH                              | Essen (Germany)             | 100.0%                   | 100.0%                 | 100.0%                   | 100.0%                 | F                                   |
| Esker Ltd                               | Derbyshire (United Kingdom) | 100.0%                   | 100.0%                 | 100.0%                   | 100.0%                 | F                                   |
| Esker Srl                               | Milan (Italy)               | 100.0%                   | 100.0%                 | 100.0%                   | 100.0%                 | F                                   |
| Esker Iberica SI                        | Madrid (Spain)              | 99.8%                    | 99.8%                  | 99.8%                    | 99.8%                  | F                                   |
| Esker Inc                               | Madison (United States)     | 100.0%                   | 100.0%                 | 100.0%                   | 100.0%                 | F                                   |
| Esker Australia Pty Ltd                 | Sydney (Australia)          | 100.0%                   | 100.0%                 | 100.0%                   | 100.0%                 | F                                   |
| Esker Documents Automation Asia Pte Ltd | Singapore                   | 100.0%                   | 100.0%                 | 100.0%                   | 100.0%                 | F                                   |

(1): F.: Full consolidation



**NOTES TO THE BALANCE SHEET, INCOME STATEMENT AND STATEMENT OF CASH FLOWS****NOTE 1: Segment reporting****Primary segment information: geographical area**

The primary segment for Esker Group reporting by geographical area breaks down as follows:

- France
- Germany
- United Kingdom
- Southern Europe (subsidiaries Esker Spain and Esker Italy)
- Australia and Asia
- United States.

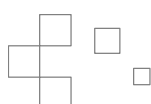
The Group is organised on the basis of regional profit centres that distribute its products in France and other countries. Each profit centre incurs all direct expenses from its activities and assures the main sales and marketing costs associated with these activities. There are no "inter-sector" external invoicing and invoicing for each sector concerns only its specific geographical area.

This provides the basis for the Group internal management reporting model and analysis of profitability and risk factors depends primarily on the geographical area of the activity.

| <b>As of 31 December 2008</b><br><i>In thousands of euros</i> | France       | Germany     | United Kingdom | Southern Europe | Australia, Asia | USA          | Eliminations | Other         | <b>Total Group</b> |
|---|--------------|-------------|----------------|-----------------|-----------------|--------------|--------------|---------------|--------------------|
| External sales  | 7,506        | 1,199       | 2,346          | 2,332           | 1,781           | 11,429       |              |               | <b>26,593</b>      |
| Intra-Group sales   | 6,534        |             |                | 34              | 169             | 210          | -6,947       |               |                    |
| Segment income outside of Group                               | 2,165        | -274        | 639            | -243            | 67              | 3,097        |              |               | <b>5,451</b>       |
| Unallocated corporate expenses                                |              |             |                |                 |                 |              |              | -6,548        | <b>-6,548</b>      |
| <b>Current operating income</b>                               | <b>2,165</b> | <b>-274</b> | <b>639</b>     | <b>-243</b>     | <b>67</b>       | <b>3,097</b> |              | <b>-6,548</b> | <b>-1,097</b>      |
| Other operating income and expenses                           | -169         | 21          | 199            | 31              | 9               | -27          |              | 0             | <b>64</b>          |
| <b>Operating profit</b>                                       | <b>1,996</b> | <b>-253</b> | <b>838</b>     | <b>-212</b>     | <b>76</b>       | <b>3,070</b> |              | <b>-6,548</b> | <b>-1,033</b>      |
| Net financial income (expense)                                |              |             |                |                 |                 |              |              | 63            | <b>63</b>          |
| Income from equity-accounted investments                      |              |             |                |                 |                 |              |              |               |                    |
| Pre-tax income  |              |             |                |                 |                 |              |              |               | <b>-970</b>        |
| Taxes   |              |             |                |                 |                 |              |              | -142          | <b>-142</b>        |
| <b>NET INCOME</b>   |              |             |                |                 |                 |              |              |               | <b>-1,112</b>      |
| Other non-cash expenses and income                            | -517         | 15          | 108            | 19              | -1              |              |              |               | <b>-376</b>        |
| Allowances for depreciation and reserves                      | -1,091       | -98         | -21            | -60             | -30             | -262         |              |               | <b>-1,562</b>      |
| Acquisitions of assets <sup>(1)</sup>                         | 2,224        | 7           | 55             | 60              | 16              | 299          |              |               | <b>2,661</b>       |
| Property, plant and equipment and intangible assets           | 5,156        | 13          | 57             | 87              | 66              | 604          |              |               | <b>5,983</b>       |
| <b>Other segment assets</b>                                   | <b>5,973</b> | <b>511</b>  | <b>1,076</b>   | <b>1,761</b>    | <b>691</b>      | <b>4,955</b> |              |               | <b>14,967</b>      |
| <b>Other segment liabilities</b>                              | <b>6,734</b> | <b>674</b>  | <b>853</b>     | <b>1,078</b>    | <b>622</b>      | <b>3,136</b> |              |               | <b>13,097</b>      |

Unallocated corporate expenses €6,548,000 consisted primarily of the following expenses that are incurred by Esker France on behalf of the entire Group:

- R&D expenses: €3,338,000;
- Selling and marketing expenses: €2,166,000;
- Administrative expenses: €1,044,000.



| <b>As of 31 December 2007</b><br><i>In thousands of euros</i> | France       | Germany    | United Kingdom | Southern Europe | Australia, Asia | USA          | Eliminations | Other         | <b>Total Group</b> |
|---|--------------|------------|----------------|-----------------|-----------------|--------------|--------------|---------------|--------------------|
| External sales  | 5,869        | 1,876      | 2,597          | 2,284           | 1,536           | 11,711       |              |               | <b>25,873</b>      |
| Intra-Group sales   | 6,134        | 3          | 10             | 29              | 12              | 440          | -6,628       |               | <b>5,260</b>       |
| Segment income outside of Group                               | 1,467        | 180        | 749            | -12             | 153             | 2,723        |              |               | <b>-6,156</b>      |
| Unallocated corporate expenses                                |              |            |                |                 |                 |              |              | -6,156        | <b>-6,156</b>      |
| <b>Current operating income</b>                               | <b>1,467</b> | <b>180</b> | <b>749</b>     | <b>-12</b>      | <b>153</b>      | <b>2,723</b> |              | <b>-6,156</b> | <b>-896</b>        |
| Other operating income and expenses                           | -177         |            | 25             | 10              | 8               | 51           |              | 0             | <b>-84</b>         |
| <b>Operating profit</b>                                       | <b>1,290</b> | <b>180</b> | <b>774</b>     | <b>-2</b>       | <b>161</b>      | <b>2,774</b> |              | <b>-6,156</b> | <b>-980</b>        |
| Net financial income (expense)                                |              |            |                |                 |                 |              |              | 296           | <b>296</b>         |
| Income from equity-accounted investments                      |              |            |                |                 | -276            |              |              |               | <b>-276</b>        |
| Pre-tax income  |              |            |                |                 |                 |              |              |               | <b>-960</b>        |
| Taxes   |              |            |                |                 |                 |              |              | -84           | <b>-84</b>         |
| <b>NET INCOME</b>   |              |            |                |                 |                 |              |              |               | <b>-1,044</b>      |
| Other non-cash expenses and income                            | -409         |            | -1             | 9               | 4               |              |              |               | <b>-397</b>        |
| Allowances for depreciation and reserves                      | -753         | -10        | -16            | -69             | -28             | -197         |              |               | <b>-1,074</b>      |
| Acquisitions of assets <sup>(1)</sup>                         | 1,835        | 8          | 32             | 26              | 319             |              |              |               | <b>2,220</b>       |
| Property, plant and equipment and intangible assets           | 4,046        | 20         | 38             | 62              | 93              | 481          |              |               | <b>4,740</b>       |
| Value of shareholdings in affiliated undertakings             |              |            |                |                 |                 |              |              |               |                    |
| <b>Other segment assets</b>                                   | <b>5,072</b> | <b>745</b> | <b>1,615</b>   | <b>1,733</b>    | <b>508</b>      | <b>5,750</b> |              |               | <b>15,423</b>      |
| <b>Other segment liabilities</b>                              | <b>5,311</b> | <b>696</b> | <b>1,169</b>   | <b>1,020</b>    | <b>728</b>      | <b>2,780</b> |              |               | <b>11,704</b>      |

Unallocated corporate expenses of €6,156,000 consisted primarily of the following expenses that are incurred by Esker France on behalf of the entire Group:

- R&D expenses: €3,306,000;
- Selling and marketing expenses: €1,828,000;
- Administrative expenses: €1,022,000.

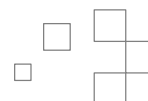
### Secondary segment information: business line

For internal Group reporting purposes secondary segment information is provided by business lines that include:

- **DeliveryWare solutions:** automation of business document processes;
- **Fax server solutions:** automation of outbound and inbound fax delivery from business applications;
- **Host access connectivity solutions:** terminal emulators providing access through desktop computers to enterprise computer systems.

Given the Group's geographical organisation, the major share of assets cannot be directly allocated to product line. In consequence, only development expenditures and finance leases recognised as intangible assets have been allocated to the DeliveryWare business line.

| <i>In thousands of euros</i> | <b>As of 31 December 2008</b> |                                  |                             | <b>As of 31 December 2007</b> |                                  |                             |
|------------------------------|-------------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------------------|-----------------------------|
|                              | Sales                         | Carrying value of segment assets | Acquisition of fixed assets | Sales                         | Carrying value of segment assets | Acquisition of fixed assets |
| Host access                  | 3,022                         |                                  |                             | 3,767                         |                                  |                             |
| Fax servers                  | 5,787                         | 0                                |                             | 6,290                         | 0                                |                             |
| Deliveryware                 | 17,784                        | 4,110                            | 1,907                       | 15,816                        | 3,014                            | 1,347                       |
| Total sectors                |                               | 16,840                           | 1,841                       |                               | 17,149                           | 873                         |
| <b>Total Group</b>           | <b>26,593</b>                 | <b>20,950</b>                    | <b>3,748</b>                | <b>25,873</b>                 | <b>20,163</b>                    | <b>2,220</b>                |



**NOTE 2: Intangible assets**

| <i>In thousands of euros</i>   | 31/12/2008   |              |              | 31/12/2007   |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | Cost         | Amortisation | Net          | Net          |
| Software and other             | 853          | 733          | 120          | 156          |
| Development expenditures       | 3,537        | 1,273        | 2,264        | 1,576        |
| Intangible assets in progress  | 512          |              | 512          | 566          |
| <b>TOTAL INTANGIBLE ASSETS</b> | <b>4,903</b> | <b>2,006</b> | <b>2,897</b> | <b>2,298</b> |

Development expenditures recorded under intangible assets include:

- Costs incurred for the development of document process automation applications;
- Costs for the development of On Demand services and notably FlyDoc, the mail and fax outsourcing platform.

**Changes in the fiscal year ended 31 December 2008**

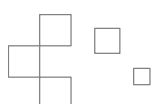
| <i>As of 31/12/2008</i><br><i>In thousands of euros</i> | Opening balance | Increases    | Decreases  | Transfers | Currency effect | Closing balance |
|---|-----------------|--------------|------------|-----------|-----------------|-----------------|
| Software and other                                      | 907             | 24           | -91        |           | 13              | 853             |
| Development expenditures                                | 2,302           | 148          |            | 1,087     |                 | 3,537           |
| Intangible assets in progress                           | 566             | 1,033        |            | -1,087    |                 | 512             |
| <b>INTANGIBLE ASSETS – GROSS VALUE</b>                  | <b>3,776</b>    | <b>1,205</b> | <b>-91</b> | <b>0</b>  | <b>13</b>       | <b>4,903</b>    |
| Software  | 752             | 62           | -91        |           | 10              | 733             |
| Development expenditures                                | 726             | 547          |            |           |                 | 1,273           |
| <b>INTANGIBLE ASSETS – AMORTISATION</b>                 | <b>1,478</b>    | <b>609</b>   | <b>-91</b> | <b>0</b>  | <b>10</b>       | <b>2,006</b>    |
| <b>INTANGIBLE ASSETS – NET VALUE</b>                    | <b>2,298</b>    | <b>596</b>   | <b>0</b>   | <b>0</b>  | <b>3</b>        | <b>2,897</b>    |

Changes concern primarily development expenditures recognised under intangible fixed assets in the period concerning notably:

- Development expenditures for new functionalities of Version 2007 of the service FlyDoc capitalised each six-month period as they are progressively put into service.
- The development of version 5.0 of the DeliveryWare application launched in September 2008, the starting date for the amortisation period for the associated capitalised costs.
- Developments undertaken on the next version of DeliveryWare and new functionalities for the FlyDoc and Esker On Demand services (fixed assets in progress).

**Changes in the fiscal year ended 31 December 2007**

| <i>As of 31/12/2007</i><br><i>In thousands of euros</i> | Opening balance | Increases    | Decreases  | Transfers | Currency effect | Closing balance |
|---|-----------------|--------------|------------|-----------|-----------------|-----------------|
| Software and other                                      | 882             | 115          | -60        |           | -30             | 907             |
| Development expenditures                                | 1,500           | 500          |            | 302       |                 | 2,302           |
| Intangible assets in progress                           | 302             | 566          |            | -302      |                 | 566             |
| <b>INTANGIBLE ASSETS – GROSS VALUE</b>                  | <b>2,685</b>    | <b>1,181</b> | <b>-60</b> | <b>0</b>  | <b>-30</b>      | <b>3,776</b>    |
| Software and other                                      | 709             | 126          | -60        |           | -23             | 752             |
| Development expenditures                                | 346             | 380          |            |           |                 | 726             |
| <b>INTANGIBLE ASSETS – AMORTISATION</b>                 | <b>1,055</b>    | <b>506</b>   | <b>-60</b> | <b>0</b>  | <b>-23</b>      | <b>1,478</b>    |
| <b>INTANGIBLE ASSETS – NET VALUE</b>                    | <b>1,630</b>    | <b>675</b>   | <b>0</b>   | <b>0</b>  | <b>-7</b>       | <b>2,298</b>    |



**NOTE 3: Goodwill**

The net value of goodwill of €358,000 at 31 December 2008 concerned Esker Inc. As an indefinite life fixed asset, this goodwill was tested for impairment according to the method described in the note "Impairment of fixed assets" under significant accounting policies

For this purpose, a discount rate of 12.8% and a perpetual growth rate of 3% were retained.

This test did not result in the recognition of an impairment loss on 31 December 2008. Impairment tests performed in the previous periods produced the same results. The one point increase in the discount rate did not result in impairment.

**NOTE 4: Property, plant and equipment**

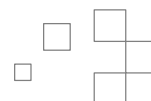
| <i>In thousands of euros</i>               | 31/12/2008   |              |              | 31/12/2007   |
|--|--------------|--------------|--------------|--------------|
|  | Gross        | Depreciation | Net          | Net          |
| Office and computer equipment              | 2,055        | 1,347        | 708          | 582          |
| Fixtures and improvements                  | 610          | 228          | 381          | 277          |
| Equipment and tooling                      | 2,033        | 577          | 1,456        | 1,028        |
| Transportation equipment                   | 68           | 54           | 14           | 20           |
| Furniture                                  | 361          | 192          | 169          | 177          |
| <b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b> | <b>5,125</b> | <b>2,397</b> | <b>2,728</b> | <b>2,084</b> |

**Changes in the fiscal year ended 31 December 2008**

| <b>As of 31/12/2008</b><br><i>In thousands of euros</i> | Opening balance | Increases    | Decreases   | Transfers | Currency effect | Closing balance |
|---|-----------------|--------------|-------------|-----------|-----------------|-----------------|
| Office and computer equipment                           | 1,781           | 475          | -215        |           | 14              | 2,055           |
| Fixtures and improvements                               | 443             | 193          | -29         |           | 3               | 610             |
| Equipment and tooling                                   | 1,293           | 735          |             |           | 5               | 2,033           |
| Transportation equipment                                | 192             | 6            | -130        |           |                 | 68              |
| Furniture   | 333             | 33           | -18         |           | 13              | 361             |
| <b>PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE</b>      | <b>4,040</b>    | <b>1,442</b> | <b>-392</b> |           | <b>35</b>       | <b>5,125</b>    |
| Office and computer equipment                           | 1,199           | 349          | -215        |           | 14              | 1,347           |
| Fixtures and improvements                               | 165             | 90           | -26         |           | -1              | 228             |
| Equipment and tooling                                   | 265             | 314          |             |           | -2              | 577             |
| Transportation equipment                                | 172             | 11           | -129        |           |                 | 54              |
| Furniture   | 156             | 46           | -17         |           | 7               | 192             |
| <b>PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION</b>     | <b>1,956</b>    | <b>810</b>   | <b>-387</b> |           | <b>18</b>       | <b>2,397</b>    |
| <b>PROPERTY, PLANT AND EQUIPMENT – NET VALUE</b>        | <b>2,084</b>    | <b>632</b>   | <b>-5</b>   |           | <b>17</b>       | <b>2,728</b>    |

Significant changes in the period concerned notably

- Capital expenditures for computer equipment in connection with the development of outsourcing mail delivery solutions (servers, fax boards) and the renewal of computer equipment used in connection with the ordinary operations of the company
- Finance leases recorded under intangible assets (acquisition of €726,000 in the period) concerning equipment required for the Group mail facilities: printing and folding inserting machines (see below note 5).



**Changes in the fiscal year ended 31 December 2007**

| <b>As of 31/12/2007</b><br><i>In thousands of euros</i> | <b>Opening balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Transfers</b> | <b>Currency effect</b> | <b>Closing balance</b> |
|---|------------------------|------------------|------------------|------------------|------------------------|------------------------|
| Office and computer equipment                           | 1,668                  | 411              | -212             |                  | -85                    | 1,781                  |
| Fixtures and improvements                               | 346                    | 172              | -68              |                  | -8                     | 443                    |
| Equipment and tooling                                   | 977                    | 331              |                  |                  | -16                    | 1,293                  |
| Transportation equipment                                | 259                    |                  | -67              |                  |                        | 192                    |
| Furniture   | 261                    | 127              | -32              |                  | -23                    | 333                    |
| <b>PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE</b>      | <b>3,511</b>           | <b>1,041</b>     | <b>-380</b>      |                  | <b>-132</b>            | <b>4,040</b>           |
| Office and computer equipment                           | 1,181                  | 291              | -207             |                  | -66                    | 1,199                  |
| Fixtures and improvements                               | 171                    | 53               | -55              |                  | -4                     | 165                    |
| Equipment and tooling                                   | 85                     | 184              |                  |                  | -4                     | 265                    |
| Transportation equipment                                | 208                    | 31               | -67              |                  |                        | 172                    |
| Furniture   | 162                    | 35               | -29              |                  | -12                    | 156                    |
| <b>PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION</b>     | <b>1,807</b>           | <b>594</b>       | <b>-358</b>      |                  | <b>-86</b>             | <b>1,956</b>           |
| <b>PROPERTY, PLANT AND EQUIPMENT – NET VALUE</b>        | <b>1,704</b>           | <b>447</b>       | <b>-21</b>       |                  | <b>-46</b>             | <b>2,084</b>           |

**NOTE 5: Finance leases**

Finance leases recognised under equipment and tooling in the period concerned printing machines and inserting machines for on-demand mail delivery services.

Changes in the period concerned to new finance leases concluded in 2007 concerning respectively a printing machine and an inserting machine destined to increase production capacity of the mail processing platform located in France.

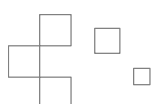
| <i>In thousands of euros</i> | <b>Gross</b> | <b>Accumulated amortisation</b> | <b>Net</b>   |
|------------------------------|--------------|---------------------------------|--------------|
| <b>01/01/2007</b>            | <b>831</b>   | <b>-48</b>                      | <b>783</b>   |
| Increase                     | 331          | -164                            | 167          |
| Decrease                     |              |                                 |              |
| <b>31/12/2007</b>            | <b>1,162</b> | <b>-212</b>                     | <b>950</b>   |
| Increase                     | 726          | -332                            | 394          |
| Decrease                     |              |                                 | 0            |
| Translation difference       | -13          | 3                               | -10          |
| <b>31/12/2008</b>            | <b>1,875</b> | <b>-541</b>                     | <b>1,334</b> |

Finance lease commitments for the periods ended 31 December 2007 and 2008 break down as follows

| <i>In thousands of euros</i>                      | <b>31/12/2008</b>       |                    |                          |              | <b>31/12/2007</b>       |                    |                          |              |
|---|-------------------------|--------------------|--------------------------|--------------|-------------------------|--------------------|--------------------------|--------------|
|   | <b>Less than 1 year</b> | <b>2 - 5 years</b> | <b>More than 5 years</b> | <b>TOTAL</b> | <b>Less than 1 year</b> | <b>2 - 5 years</b> | <b>More than 5 years</b> | <b>TOTAL</b> |
| Total value of future minimum lease payments      | 442                     | 1,020              | 0                        | <b>1,462</b> | 263                     | 799                | 0                        | <b>1,062</b> |
| Discounted value of future minimum lease payments | 393                     | 882                | 0                        | <b>1,275</b> | 248                     | 690                | 0                        | <b>938</b>   |

**NOTE 6: Other non-current assets**

Other non-current assets consist of Group research tax credits.



**NOTE 7: Other current assets**

| <i>In thousands of euros</i>      | <b>Net<br/>31/12/08</b> | <b>Net<br/>31/12/07</b> |
|-----------------------------------|-------------------------|-------------------------|
| Tax receivables                   | 0                       | 0                       |
| Other tax receivables             | 190                     | 155                     |
| Other receivables                 | 75                      | 101                     |
| Prepaid expenses                  | 369                     | 761                     |
| <b>TOTAL OTHER CURRENT ASSETS</b> | <b>634</b>              | <b>1,017</b>            |

**NOTE 8: Shareholders' equity**

|  | <b>Amount<br/>(in thousands of euros)</b> | <b>Number of shares</b> |
|--|---|-------------------------|
| <b>Capital stock at 31/12/2006</b>     | <b>8,598</b>                              | <b>4,299,198</b>        |
| Capital increase                       | 0   | 0                       |
| Exercise of stock options and warrants | 189                                       | 94,689                  |
| <b>Capital stock at 31/12/2007</b>     | <b>8,787</b>                              | <b>4,393,887</b>        |
| Exercise of stock options and warrants | 25  | 12,378                  |
| <b>CAPITAL STOCK AT 31/12/2008</b>     | <b>8,813</b>                              | <b>4,406,265</b>        |

The Company is subject to no specific regulatory or contractual obligations in respect to the share capital. The Group does not have a specific policy concerning share capital. The balance between recourse to external financing and financing through capital increases by the issue of new shares is assured on a case-by-case basis according to the transactions under consideration. Share capital monitored by the Group includes the same components as consolidated shareholders' equity.

**NOTE 9: Treasury shares**

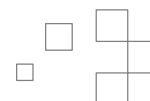
Changes in treasury shares held by the Group in fiscal 2008:

|  | <b>2008</b>   | <b>2007</b>   |
|--|---------------|---------------|
| <b>Opening balance</b>                       | <b>14,765</b> | <b>16,289</b> |
| Purchase of own shares (liquidity agreement) | 238,031       | 174,994       |
| Sale of own shares (liquidity agreement)     | -215,470      | -176,518      |
| Exercise of options                          | 0             | 0             |
| <b>Closing balance</b>                       | <b>37,326</b> | <b>14,765</b> |

Capital losses from disposals in connection with the purchase and sale of treasury shares under the liquidity agreement totalling €40,000 in 2008 were charged directly to shareholders' equity and had no impact on the income statement of the period.

**NOTE 10: Stock option and warrants plans**

Highlights of plans for stock options, stock purchase options and warrants outstanding at 31 December 2008 are presented below



| Type                            | Dates    |          | Exercise price in euros | Number of options |                |                      | Balance        |
|---------------------------------|----------|----------|-------------------------|-------------------|----------------|----------------------|----------------|
|                                 | Grant    | Expiry   |                         | granted           | exercised      | Matured or forfeited |                |
| Stock option plan               | 03/01/03 | 03/01/08 | 2.51                    | 41,592            | 31,725         | 9,867                | 0              |
| Stock option plan               | 01/07/03 | 30/06/08 | 3.74                    | 45,652            | 16,644         | 29,008               | 0              |
| Stock option plan               | 02/01/04 | 01/01/09 | 3.20                    | 27,746            | 13,107         | 13,183               | 1,456          |
| Stock option plan               | 30/06/04 | 29/06/09 | 2.90                    | 81,444            | 27,480         | 38,120               | 15,844         |
| Stock option plan               | 04/01/05 | 03/01/10 | 3.10                    | 80,529            | 23,885         | 28,389               | 28,255         |
| Stock option plan               | 04/07/05 | 03/07/10 | 4.89                    | 37,380            | 2,946          | 17,904               | 16,530         |
| Stock option plan               | 09/01/06 | 08/01/11 | 4.96                    | 128,524           | 9,823          | 22,425               | 96,276         |
| Stock option plan               | 04/07/06 | 03/07/11 | 5.58                    | 99,630            | 128            | 3,944                | 95,558         |
| Stock option plan               | 02/01/07 | 01/01/12 | 7.21                    | 88,796            |                | 27,312               | 61,484         |
| Stock option plan               | 02/07/07 | 01/07/12 | 10.12                   | 69,606            |                | 6,592                | 63,014         |
| Stock option plan               | 08/07/08 | 07/07/13 | 4.07                    | 68,600            |                |                      | 68,600         |
| <b>TOTAL STOCK OPTION PLANS</b> |          |          |                         | <b>769,499</b>    | <b>125,738</b> | <b>196,744</b>       | <b>447,017</b> |
| Stock warrants                  | 23/06/04 | 22/06/09 | 3.88                    | 169,700           |                |                      | 169,700        |
| <b>TOTAL STOCK WARRANTS</b>     |          |          |                         | <b>169,700</b>    |                |                      | <b>169,700</b> |
| Bonus share issues              | 02/07/07 | 01/07/09 |                         | 48,000            |                | 4,000                | 44,000         |
| Bonus share issues              | 03/11/08 | 02/11/10 |                         | 10,000            |                |                      | 10,000         |
| <b>TOTAL BONUS SHARES</b>       |          |          |                         | <b>58,000</b>     |                | <b>4,000</b>         | <b>54,000</b>  |

|  | Stock options  |                                      | Stock warrants |                                      | Bonus shares granted, not issued |                                      |
|--|----------------|--------------------------------------|----------------|--------------------------------------|----------------------------------|--------------------------------------|
|  | Quantity       | Weighted average exercise price in € | Quantity       | Weighted average exercise price in € | Quantity                         | Weighted average exercise price in € |
| <b>Balance exercisable at 31/12/2007</b>     | 419,615        | 6.08                                 | 169,700        | 3.88                                 | 48,000                           | 2.00                                 |
| Granted                                      | 68,600         | 4.07                                 |                |                                      | 10,000                           | 2.79                                 |
| Exercised                                    | -12,378        | 3.80                                 |                |                                      |                                  |                                      |
| Matured or forfeited for reason of departure | -28,820        | 6.81                                 |                |                                      | -4,000                           | 2.00                                 |
| <b>Balance exercisable at 31/12/2008</b>     | <b>447,017</b> | <b>5.79</b>                          | <b>169,700</b> | <b>3.88</b>                          | <b>54,000</b>                    | <b>2.15</b>                          |

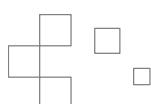
### Share-based payments

In accordance with IFRS 2 grants of stock options and warrants represent share-based payments. The estimated cost of these share-based payments is €416,000 for exercise rights vested in fiscal 2008 versus €278,000 for 2007.

### Valuation of stock options

Options were measured at fair value according to the accounting method described herein. This method is based notably on the following data and assumptions.

| Grant date | Expected volatility | Risk-free rate | Option life | Dividend yield | Subscription price | Fair value of the option |
|------------|---------------------|----------------|-------------|----------------|--------------------|--------------------------|
| 02/01/2004 | 25%                 | 3.00%          | 5 years     | 0.00%          | 3.20               | 0.87                     |
| 30/06/2004 | 25%                 | 3.00%          | 5 years     | 0.00%          | 2.90               | 0.82                     |
| 04/01/2005 | 25%                 | 3.00%          | 5 years     | 0.00%          | 3.10               | 0.89                     |
| 04/07/2005 | 25%                 | 3.00%          | 5 years     | 0.00%          | 4.89               | 1.78                     |
| 09/01/2006 | 25%                 | 3.00%          | 5 years     | 0.00%          | 4.96               | 1.66                     |
| 04/07/2006 | 25%                 | 3.00%          | 5 years     | 0.00%          | 5.58               | 1.75                     |
| 02/01/2007 | 25%                 | 3.00%          | 5 years     | 0.00%          | 7.21               | 2.17                     |
| 02/07/2007 | 25%                 | 3.00%          | 5 years     | 0.00%          | 10.12              | 3.31                     |



**Valuation of bonus shares**

Bonus shares granted in 2007 and 2008 were measured at fair value according to the following assumptions:

| Bonus share grant date | Share price on the grant date | Vesting period | Probability of attaining the condition of presence at the end of the vesting period |
|------------------------|-------------------------------|----------------|---|
| 02/07/2007             | 10.76                         | 2 years        | 86.96%  |
| 03/11/2008             | 2.79                          | 2 years        | 86.96%  |

The maximum expense representing the fair value of shares takes into account the probability of presence at the end of the vesting period and is amortised over a two-year period. For 2008, the expense thus calculated totalled of €200,000. It will be subsequently adjusted on the basis of the actual ratio of employees leaving the company during this period.

**NOTE 11: Provisions**

| <i>In thousands of euros</i>            | 1/01/08 | Increases, Allowances of the period | Provisions used in the period | Reversals of provisions unused in the period | Other changes | 31/12/08 |
|---|---------|-------------------------------------|-------------------------------|--|---------------|----------|
| Provisions for contingencies            | 0       |                                     |                               |  |               | 0        |
| <i>Of which the current portion</i>     |         |                                     |                               |  |               |          |
| <i>Of which the non-current portion</i> | 0       |                                     |                               |  |               | 0        |

**Status of litigation at 31/12/2008**

On 29 August 2006 the company was served a writ of summons in a suit filed with the Regional Court of Lyon (*Tribunal de Grande Instance*) by a mail carrier involving multiple claims including unfair competition and use of registered trademarks representing a total claim of damages for €185,000. Group management, after consulting with its legal counsel, considered that at this stage it was not possible to evaluate the risk that was expected to remain limited. In consequence, no provision was recorded at 31/12/2008.

**NOTE 12: Employee benefits**

Commitments concerning retirement indemnities for employees of Esker France have been measured according to the method described under significant accounting policies. At 31 December 2008 this liability represented €28,000 and was calculated on the basis of the following assumptions:

**Assumptions for the measurement of retirement commitments in France**

|                            |          |
|----------------------------|----------|
| • Discount rate            | 5.20%    |
| • Rate of salary increases | 2.50%    |
| • Retirement age           | 65 years |
| • Employee turnover rate   | 11.89%   |

In addition, severance benefits payable to employees of the subsidiary Esker Italy totalled €124,000 at 31 December 2008 and break down as follows:

| <i>In thousands of euros</i>     | 31/12/2007 | Increases in the period | Payments in the period | Other changes | 31/12/08 |
|----------------------------------|------------|-------------------------|------------------------|---------------|----------|
| Severance benefits – Esker Italy | 106        | 18                      |                        |               | 124      |



**NOTE 13: Borrowings**

| <i>In thousands of euros</i> | <b>31/12/08</b> | <b>31/12/07</b> |
|------------------------------|-----------------|-----------------|
| OSEO Anvar loan              | 690             | 400             |
| Finance leases               | 1,338           | 968             |
| <b>TOTAL BORROWINGS</b>      | <b>2,028</b>    | <b>1,368</b>    |
| <i>Current portion</i>       | 463             | 223             |
| <i>Non-current portion</i>   | 1,565           | 1,145           |

**OSEO Anvar debt**

In fiscal 2006, OSEO Anvar granted Esker France funding for innovation of €580,000 for its development project for automation infrastructure for on-demand mail delivery. OSEO Anvar provided funding of €230,000 in the second half of 2006 followed by an additional payment of €230,000 in May 2007. The balance of €120,000 was paid by OSEO Anvar in March 2008.

Except if the program is technically or commercially unsuccessful, the funding granted must be reimbursed over a four-year period starting from 30/09/2009.

In fiscal 2008, OSEO Anvar provided Esker France two innovation funding for a total amount of €995,000

The first for €450,000 concerned the project to develop a fully parameterizable automated mail platform. Of this amount, €180,000 on this amount was paid by OSEO Anvar and the balance will be paid no later than 28/02/2011.

The second amount for €545,000 concerned the product to develop document process automation solutions on a (Software as a Service) SaaS basis. Of this amount, €218,000 was already paid in early 2009 by OSEO Anvar and the balance will be paid no later than 28/02/2011.

Except if the program is technically or commercially unsuccessful, the funding granted must be reimbursed over a four-year period starting from 31/03/2012.

This debt that is not subject to interest or a predefined date of repayment, was subject to a discount rate over the period based on 5-year French treasury notes (OAT). At 31 December 2008, the discounted value totalled 690 K€ and the difference of €69,000 was recognised under financial income for the period.

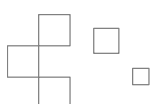
**Finance leases**

Borrowings recognised represent the reverse entry of capitalised finance leases as described above in note 5.

**NOTE 14: Other current liabilities**

| <i>In thousands of euros</i>                 | <b>31/12/08</b> | <b>31/12/07</b> |
|--|-----------------|-----------------|
| Deferred revenue                             | 5,230           | 5,196           |
| Customer deposits and guarantees             | 536             | 293             |
| Other payables                               | 37              | 107             |
| <b>TOTAL OTHER CURRENT LIABILITIES</b>       | <b>5,803</b>    | <b>5,596</b>    |
| <i>Of which deferred revenue &gt; 1 year</i> | 316             | 235             |

Deferred revenue concerns primarily maintenance contracts for which sales are recognised on a straight-line basis over the duration of the contract.



**NOTE 15: Financial instruments****Financial assets**

Presentation of different categories of financial assets at 31/12/2008.

| <b>As of 31 December 2008</b><br><i>(In thousands of euros)</i> | <b>Available-for-sale securities</b> | <b>Loans and receivables</b> | <b>Financial assets at fair value through profit or loss</b> | <b>Total balance sheet</b> |
|---|--------------------------------------|------------------------------|--|----------------------------|
| Other non-current financial assets                              |                                      | 187                          |  | 187                        |
| Trade and other receivables                                     |                                      | 7,080                        |  | 7,080                      |
| Cash and cash equivalents                                       |                                      |                              | 5,726  | 5,726                      |
| <b>TOTAL FINANCIAL ASSETS</b>                                   | <b>0</b>                             | <b>7,267</b>                 | <b>5,726</b>   | <b>12,993</b>              |

Other non-current assets consist primarily of deposits and guarantees paid by the Group.

| <b>As of 31 December 2007</b><br><i>(in thousands of euros)</i> | <b>Available-for-sale securities</b> | <b>Loans and receivables</b> | <b>Financial assets at fair value through profit or loss</b> | <b>Total balance sheet</b> |
|---|--------------------------------------|------------------------------|--|----------------------------|
| Other non-current financial assets                              |                                      | 279                          |  | 279                        |
| Trade and other receivables                                     |                                      | 6,841                        |  | 6,841                      |
| Cash and cash equivalents                                       |                                      |                              | 6,068  | 6,068                      |
| <b>TOTAL FINANCIAL ASSETS</b>                                   | <b>0</b>                             | <b>7,120</b>                 | <b>6,068</b>   | <b>13,188</b>              |

**Loans and receivables at amortised cost**

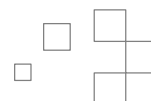
*In thousands of euros*

|  | <b>31/12/08</b> |                     |              | <b>31/12/07</b> |                     |              |
|--|-----------------|---------------------|--------------|-----------------|---------------------|--------------|
|  | <b>Gross</b>    | <b>Depreciation</b> | <b>Net</b>   | <b>Gross</b>    | <b>Depreciation</b> | <b>Net</b>   |
| Deposits and guarantees                | 154             |                     | 154          | 198             |                     | 198          |
| Other receivables and fixed securities | 33              |                     | 33           | 81              |                     | 81           |
| Loans to personnel                     | 0               |                     | 0            | 0               |                     | 0            |
| Trade receivables                      | 7,040           | -138                | 6,902        | 6,693           | -51                 | 6,642        |
| Advances and instalments paid          | 0               |                     | 0            | 50              |                     | 50           |
| Credits receivable                     | 23              |                     | 23           | 33              |                     | 33           |
| Research tax credit                    | 143             |                     | 143          | 104             |                     | 104          |
| Other receivables                      | 12              |                     | 12           | 12              |                     | 12           |
| <b>TOTAL LOANS AND RECEIVABLES</b>     | <b>7,405</b>    | <b>-138</b>         | <b>7,267</b> | <b>7,171</b>    | <b>-51</b>          | <b>7,120</b> |

**Financial assets measured at fair value through profit or loss**

*In thousands of euros*

|   | <b>31/12/08</b> |                    |              | <b>31/12/07</b> |
|---|-----------------|--------------------|--------------|-----------------|
|   | <b>Current</b>  | <b>Non-current</b> | <b>Total</b> | <b>Total</b>    |
| Derivative financial instruments  |                 |                    |              |                 |
| Financial instruments measured at fair value through profit or loss excluding derivatives | 2,153           |                    | 2,153        | 2,645           |
| Cash and cash equivalents   | 3,573           |                    | 3,573        | 3,423           |
| <b>TOTAL</b>  | <b>5,726</b>    |                    | <b>5,726</b> | <b>6,068</b>    |



Financial assets measured at fair value through profit or loss correspond to cash and cash equivalents recognised in the balance sheet for €5,726,000 at 31 December 2008. Marketable securities held for trading, held for sale within the near future and recognised in the balance sheet under "Cash and cash equivalents" totalled €2,153,000 at 31 December 2008 and were recognised at market value in accordance with the methods described under significant accounting policies.

Income from financial assets held for trading at 31 December 2008 totalled €282,000 versus €276,000 at the end of 2007.

The financial risk management policy is presented in note 17 of the financial statements.

The fair value of all these financial assets equals their balance sheet value.

### Financial liabilities

Different categories of financial liabilities at 31 December 2008.

| <i>In thousands of euros</i>       | 31/12/08     |              |              | 31/12/07     |
|------------------------------------|--------------|--------------|--------------|--------------|
|                                    | Current      | Non-current  | Total        | Total        |
| Borrowings                         | 463          | 1,565        | 2,028        | 1,368        |
| Trade and other payables           | 2,058        |              | 2,058        | 1,886        |
| <b>TOTAL FINANCIAL LIABILITIES</b> | <b>2,521</b> | <b>1,565</b> | <b>4,086</b> | <b>3,254</b> |

### Borrowings

Borrowings are analyzed in note 13.

### Trade and other payables

| <i>In thousands of euros</i>          | 31/12/08     | 31/12/07     |
|---------------------------------------|--------------|--------------|
| Trade payables                        | 1,989        | 1,549        |
| Advances and down payments received   | 41           | 37           |
| Credits to be issued                  | 8            | 10           |
| Salaried suppliers                    | 20           | 290          |
| <b>TOTAL TRADE AND OTHER PAYABLES</b> | <b>2,058</b> | <b>1,886</b> |

The fair value of financial liabilities equals their balance sheet value. The discounted amount of the OSEO Anvar loan is disclosed in note 18 of the financial statements.

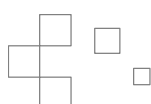
## NOTE 16: Management of risks associated with financial instruments

### Credit risk

Esker sells products to customers from a diversified range of sectors in a number of countries. This reduces its exposure to credit risk. The Company regularly evaluates trade receivable risks and permanently monitors outstanding trade receivables in relation to the maximum authorised amount.

Presentation of trade receivables due by date at 31/12/2008 and 31/12/2007:

| <i>In thousands of euros</i> | Receivable due on the closing date |            |             |          |       | Receivables depreciated | Receivables not depreciated or due | Total |
|------------------------------|------------------------------------|------------|-------------|----------|-------|-------------------------|------------------------------------|-------|
|                              | 0-3 months                         | 3-6 months | 6-12 months | > 1 year | Total |                         |                                    |       |
|                              |                                    |            |             |          |       |                         |                                    |       |
| Receivables at 31/12/2008    | 1,945                              | 133        | 58          | 0        | 2,136 | 138                     | 4,766                              | 7,040 |
| Receivables at 12/2007       | 2,128                              | 474        | 118         | 0        | 2,720 | 51                      | 3,922                              | 6,693 |



## Liquidity risk

At the end of 2008, Esker Group had no financial debt with the exception of the OSEO Anvar loan and debt associated with the restatement of finance leases. The Group also has a significant cash surplus providing adequate resources to finance operations.

The non-discounted contractual flows (principal) of outstanding financial liabilities by maturity date are presented as follows at 31/12/2008 and 31/12/2007::

| <b>As of 31 December 2008</b><br><i>In thousands of euros</i> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>&gt; 5 years</b> | <b>Total</b> | <b>Total<br/>balance<br/>sheet value</b> |
|---|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|--|
| OSEO Anvar loan   | 100         | 130         | 150         | 280         | 100         | 0                   | 760          | 690                                      |
| Finance lease debt  | 368         | 383         | 356         | 229         | 2           |                     | 1,338        | 1,338                                    |
| <b>TOTAL FINANCIAL LIABILITIES</b>                            | <b>468</b>  | <b>513</b>  | <b>506</b>  | <b>509</b>  | <b>102</b>  | <b>0</b>            | <b>2,098</b> | <b>2,028</b>                             |

| <b>As of 31 December 2007</b><br><i>In thousands of euros</i> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>&gt; 5 years</b> | <b>Total</b> | <b>Total<br/>carrying<br/>value</b> |
|---|-------------|-------------|-------------|-------------|-------------|---------------------|--------------|-------------------------------------|
| OSEO Anvar loan   |             | 100         | 130         | 150         | 80          | 0                   | 460          | 400                                 |
| Finance lease debt  | 224         | 234         | 244         | 195         | 71          | 0                   | 968          | 968                                 |
| <b>TOTAL FINANCIAL LIABILITIES</b>                            | <b>224</b>  | <b>334</b>  | <b>374</b>  | <b>345</b>  | <b>151</b>  | <b>0</b>            | <b>1,428</b> | <b>1,368</b>                        |

## Foreign exchange risk and analysis of sensitivity

The Group's foreign subsidiaries invoice customers in their local currency. In consequence, 30% of Group sales are in euros. Foreign exchange risks incurred by Esker concern primarily intercompany transactions (invoicing of products, services, royalties) in USD, GBP and AUD. Most of the transactions between subsidiaries are carried out with the parent company that in consequence does not incur the foreign exchange risk.

The existing procedure for hedging foreign exchange risks is based on the analysis and monitoring of:

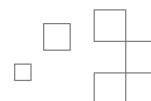
- Medium-term currency and economic trends;
- Existence of an established date for the collection of receivables and settlement of payables;
- The volatility of the relevant currencies.

An estimation of foreign exchange risk from an unfavourable increase of one cent of euros (the currency used for the preparation of financial statements) against the USD, GBP and AUD (for example with the exchange risk for USD determined on the basis of an increase in the exchange rate of €1.147 for one dollar to €1.48) is provided below:

| <b>As of 31/12/08</b><br><i>In foreign currency</i>                            | <b>USD</b>     | <b>GBP</b>     | <b>AUD</b>     | <b>SGD</b>     |
|--|----------------|----------------|----------------|----------------|
| Assets   | 1,317,645      | 825,837        | 972,976        | 496,680        |
| Liabilities  | -462,246       | -575,348       |                | -154,467       |
| <b>Position before hedging</b>   | <b>855,399</b> | <b>250,489</b> | <b>972,976</b> | <b>342,213</b> |
| Hedging instruments  | None           | None           | None           | None           |
| <b>Net position after hedging</b>  | <b>855,399</b> | <b>250,489</b> | <b>972,976</b> | <b>342,213</b> |
| <b>Foreign exchange risk on the basis of an increase of 1 centime in euros</b> | <b>-3,918</b>  | <b>-3,841</b>  | <b>-3,164</b>  | <b>-793</b>    |

In compliance with AMF Interpretation 2 on risk factors, foreign exchange risks are calculated for the total net position of foreign currencies in the balance sheet. However, sales in the US account for close to 43% of total revenue and generated a contribution to Group current operating income before corporate expenses incurred by France of approximately €3,070,000 (based on data for the primary segment disclosed in note 1).

The main foreign exchange risk of the Group in consequence concerns this contribution. Any significant change in the US dollar reduces the US contribution for the coverage of corporate expenses stated in euros. In fiscal 2008, the negative impact on Group operating profit of a decline of 10 cents of the US dollar in relation to the euro would be €195,000. At constant exchange rates in relation to 2007, the contribution margin generated by the US would have exceeded €207,000.



### Interest-rate risks

At the end of 2008, Esker Group did not hold any significant interest-bearing financial instruments. In consequence, the interest rate risk can be considered as nonexistent.

### Equity risks

Investment securities held by the Group consist exclusively of capital guaranteed products and consequently do not result in any risks for the Group. The amounts in the closing balance are presented in note 16 of this document.

The Group also has a portfolio of treasury shares destined notably for the following purposes (note 9):

- Ensuring the orderly trading of the company's share through a liquidity agreement concluded with an investment service provider acting on an independent basis;
- Granting stock purchase options to Group employees.

As described in the section on significant accounting policies, treasury shares are recognised as a deduction from shareholders' equity and gains and losses that may arise on transactions are recognised directly in reserves without impacting consolidated Group earnings.

### NOTE 17: Net sales

| <i>In thousands of euros</i>                  | <b>31/12/2008</b> | <b>31/12/2007</b> |
|---|-------------------|-------------------|
| Software sales                                | 6,949             | 8,925             |
| Fax card sales                                | 1,076             | 1,186             |
| Contracts for product updates and maintenance | 7,947             | 7,747             |
| Services                                      | 4,489             | 4,229             |
| Traffic                                       | 6,132             | 3,786             |
| <b>NET SALES</b>                              | <b>26,593</b>     | <b>25,873</b>     |

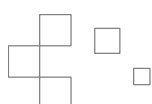
### NOTE 18: Research and development expenses

| <i>In thousands of euros</i>                             | <b>31/12/2008</b> | <b>31/12/2007</b> |
|--|-------------------|-------------------|
| R&D expenses for the period                              | -3,724            | -3,702            |
| Capitalised development expenditures                     | 1,181             | 1,016             |
| Amortisation of capitalised development expenditures     | -547              | -380              |
| <b>Research and development expenses not capitalised</b> | <b>-3,090</b>     | <b>-3,066</b>     |

An analysis of development expenditures recorded under intangible assets in fiscal 2008 is presented in note 2.

### NOTE 19: Staff costs

| <i>In thousands of euros</i>             | <b>31/12/2008</b> | <b>31/12/2007</b> |
|--|-------------------|-------------------|
| Employee compensation                    | 13,349            | 12,773            |
| Social security expenses                 | 4,023             | 3,722             |
| Expenses related to share-based payments | 416               | 278               |
| <b>STAFF COSTS</b>                       | <b>17,788</b>     | <b>16,773</b>     |



Breakdown of personnel by country:

|                         | France | Germany | United Kingdom | Southern Europe | Australia, Asia | USA | TOTAL |
|-------------------------|--------|---------|----------------|-----------------|-----------------|-----|-------|
| Headcount at 31/12/2008 | 127    | 8       | 17             | 18              | 13              | 88  | 271   |
| Headcount at 31/12/2007 | 120    | 9       | 17             | 15              | 8               | 88  | 257   |
| Headcount at 31/12/2006 | 108    | 9       | 17             | 11              | 9               | 80  | 227   |

## NOTE 20: Other operating income and expenses

| <i>In thousands of euros</i>                       | 31/12/2008 | 31/12/2007 |
|--|------------|------------|
| Employee-related litigation, legal and other costs | -56        | 36         |
| Realised/unrealised currency gains and losses      | 120        | -120       |
| <b>OTHER OPERATING INCOME AND EXPENSES</b>         | <b>64</b>  | <b>-84</b> |

In fiscal 2008, a net currency gain of €120,000 was recorded consisting of a foreign exchange gain of €97,000 and unrealised foreign exchange loss of €23,000.

Foreign exchange risks of the Group concerned primarily inter-company transactions in USD, GBP and AUD (see note 16 concerning the management of risks associated with financial instruments). Unrealised currency losses were adversely impacted notably by very unfavourable foreign exchange trends of the US dollar.

## NOTE 21: Income taxes

### Analysis of tax expenses

| <i>In thousands of euros</i>     | 31/12/08    | 31/12/07   |
|----------------------------------|-------------|------------|
| Current tax income / (expense)   | -142        | -84        |
| Deferred tax income / (expense)  | 0           | 0          |
| <b>TOTAL TAX EXPENSES/INCOME</b> | <b>-142</b> | <b>-84</b> |

### Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities break down as follows:

| <i>In thousands of euros</i>                                 | DEFERRED TAX ASSETS | DEFERRED TAX LIABILITIES |
|--|---------------------|--------------------------|
| <b>BALANCE AT 31/12/2006</b>                                 | 1,295               | 0                        |
| Deferred taxes in the period recognised under profit or loss | 0                   | 0                        |
| Effect of exchange rate fluctuations                         | -100                | 0                        |
| <b>BALANCE AT 31/12/2007</b>                                 | <b>1,195</b>        | <b>0</b>                 |
| Deferred taxes in the period recognised under profit or loss | 0                   | 0                        |
| Effect of exchange rate fluctuations                         | 49                  | 0                        |
| <b>BALANCE AT 31/12/2008</b>                                 | <b>1,244</b>        | <b>0</b>                 |



As of 31 December 2008, the Group had tax loss carryforwards not resulting in the recognition of deferred tax assets for the following amounts presented by date of expiration:

| <i>In thousands of euros</i>             | <b>31/12/2008</b> | <b>31/12/2007</b> |
|--|-------------------|-------------------|
| 2008                                     | ,                 | 202               |
| 2009                                     | 276               | 276               |
| 2010                                     | 171               | 171               |
| 2011                                     | 50                | 50                |
| > 2011                                   | 13,515            | 12,942            |
| <b>TOTAL</b>                             | <b>14,012</b>     | <b>13,641</b>     |
| <i>Of which indefinite carryforwards</i> | <b>10,710</b>     | <b>11,048</b>     |

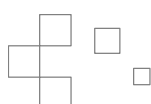
### Reconciliation of tax

| <i>In thousands of euros</i>                                  | <b>31/12/08</b> | <b>31/12/07</b> |
|---|-----------------|-----------------|
| Net income  | -1,112          | -1,045          |
| - Share of income in equity-accounted Associates              | 0               | 276             |
| - Tax expense/income recognised (-/+)                         | 142             | 82              |
| <b>Net income before tax</b>                                  | <b>-970</b>     | <b>-687</b>     |
| Ordinary tax rate of the parent company                       | 33.33%          | 33.33%          |
| <b>Theoretical tax expense/income (-/+)</b>                   | <b>323</b>      | <b>229</b>      |
| <b>Tax base differences</b>                                   |                 |                 |
| • Utilisation of tax loss carryforwards not recognised        | 0               | 118             |
| • Consolidation adjustments not giving rise to deferred taxes | 109             | 73              |
| • Permanent tax differences                                   | 148             | -50             |
| • Losses of prior periods recognised                          | 0               | 0               |
| • Losses of the period not recognised                         | -658            | -389            |
| <b>Tax rate differences (foreign subsidiaries)</b>            | <b>-50</b>      | <b>-31</b>      |
| <b>Differences in applicable taxes</b>                        |                 |                 |
| • Standard flat rate taxes and research tax credits           | -14             | -33             |
| <b>TAX EXPENSE/INCOME RECOGNISED (-/+)</b>                    | <b>-142</b>     | <b>-83</b>      |

### NOTE 22: Earnings per share

|  | <b>31/12/2008</b>       |                                   | <b>31/12/2007</b>       |                                   |
|--|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
|  | Net earnings (in euros) | Weighted average number of shares | Net earnings (in euros) | Weighted average number of shares |
| <b>Basis of calculation for basic earnings per share</b>   | <b>-1,112,000</b>       | <b>4,379,419</b>                  | <b>-1,044,000</b>       | <b>4,341,615</b>                  |
| Dilutive stock options                                     | N/A                     | N/A                               | N/A                     | N/A                               |
| Dilutive warrants  | N/A                     | N/A                               | N/A                     | N/A                               |
| <b>Basis of calculation for diluted earnings per share</b> | <b>-1,112,000</b>       | <b>4,379,419</b>                  | <b>-1,044,000</b>       | <b>4,341,615</b>                  |
| <b>Basic earnings per share</b>                            | <b>-0.24</b>            |                                   | <b>-0.24</b>            |                                   |
| <b>Diluted earnings per share</b>                          | <b>-0.24</b>            |                                   | <b>-0.24</b>            |                                   |

Basic net earnings per share and diluted net earnings per share are calculated by dividing the portion of net income reverting to the Group by the appropriate number of shares. For basic net earnings per share, this is the weighted average number of ordinary shares outstanding after excluding treasury shares held by the company.



For diluted net earnings per share, the calculation is based on the weighted average number of potential shares outstanding in the period. This includes notably shares taken into account to calculate basic net earnings per share plus dilutive stock options, warrants and bonus shares.

At 31 December 2008, in light of the recognition of a loss, financial instruments issued by the company did not have a dilutive effect. As a result, diluted earnings per share equalled basic earnings per share.

## NOTE 23: Transactions with related parties

### Commercial relations between majority-owned Esker Group companies

In connection with commercial relations between Esker Group member companies, amounts are invoiced for the following:

- Sales of products by the parent company to subsidiaries;
- Royalties;
- Marketing expenses re-invoiced;
- Staff costs re-invoiced;
- Interest on advances.

All these transactions are carried out under normal business conditions and fully eliminated in the consolidated financial statements.

### Other transactions with related par

- Compensation and benefits of any nature payable to corporate officers considered as related parties are presented below.

| As of 31/12/2008<br>In thousands of euros | Compensation paid (gross) | Nature of compensation paid |                       |                   |                 |
|---|---------------------------|-----------------------------|-----------------------|-------------------|-----------------|
|   |                           | Fixed salary, fees          | Variable compensation | Benefits in kinds | Attendance fees |
| Members of the Executive Board            | 278                       | 251                         | 20                    | 6                 | 0               |
| Members of the Supervisory Board          | 56                        | 45                          |                       | 0                 | 11              |
| <b>TOTAL</b>                              | <b>334</b>                | <b>296</b>                  | <b>20</b>             | <b>6</b>          | <b>11</b>       |

## NOTE 24 Off-balance-sheet commitments and contingent liabilities

Off-balance sheet commitments and contingent liabilities are presented below.

| Contractual obligations<br>(in thousands of euros) | TOTAL                           | Payables by maturity |              |                   | Expense of the period |
|--|---------------------------------|----------------------|--------------|-------------------|-----------------------|
|  |                                 | Less than 1 year     | 1 - 5 years  | More than 5 years |                       |
| Long-term debt                                     | -                               |                      |              |                   |                       |
| Lease finance obligations                          | Information disclosed in note 5 |                      |              |                   |                       |
| Operating leases                                   | 5,275                           | 1,327                | 3,499        | 450               | 1,349                 |
| Irrevocable purchase obligations                   | -                               |                      |              |                   |                       |
| Other long-term obligations                        | -                               |                      |              |                   |                       |
| <b>TOTAL</b>                                       | <b>5,275</b>                    | <b>1,327</b>         | <b>3,499</b> | <b>450</b>        | <b>1,349</b>          |

Most lease agreements concern premises occupied by Group companies. Lease terms (from three to five years), price index clauses and renewal conditions are specific for each country.

Other leases concern inserting and postage machines in France and a fleet of vehicles.



| Other commitments given and received<br>(in thousands of euros) | TOTAL | Commitments by period |             |                     |
|---|-------|-----------------------|-------------|---------------------|
|   |       | Less than<br>1 year   | 1 - 5 years | More than<br>1 year |
| Credit lines*   | 0     |                       |             |                     |
| Letters of credit   | -     |                       |             |                     |
| Guarantees  | -     |                       |             |                     |
| Repurchase obligation   | -     |                       |             |                     |
| Pledges, mortgages and collateral                               | -     |                       |             |                     |
| Other commitments given   | -     |                       |             |                     |
| <b>TOTAL COMMITMENTS GIVEN</b>                                  |       |                       |             |                     |
| Other commitments received                                      |       |                       |             |                     |
| <b>TOTAL COMMITMENTS RECEIVED</b>                               |       |                       |             |                     |

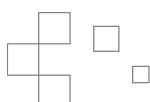
(\*) Undrawn authorised credit lines: €200,000

## NOTE 25: Fees paid to auditors and members of their network incurred by the Group

|  | Deloitte & Associés |            |               |            | Cabinet Fournand |           |               |           | Others        |             |               |             |
|--|---------------------|------------|---------------|------------|------------------|-----------|---------------|-----------|---------------|-------------|---------------|-------------|
|  | 2008                |            | 2007          |            | 2008             |           | 2007          |           | 2008          |             | 2007          |             |
|  | €ex-VAT             | %          | €ex-VAT       | %          | €ex-VAT          | %         | €ex-VAT       | %         | €ex-VAT       | %           | €ex-VAT       | %           |
| <b>AUDIT</b>   |                     |            |               |            |                  |           |               |           |               |             |               |             |
| Work as statutory auditors and certification of individual and consolidated financial statements |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for the Issuer   | 63,100              | 86%        | 57,500        | 85%        | 10,350           | 14%       | 10 000        | 15%       |               |             |               |             |
| - for fully consolidated subsidiaries  | 30,185              | 69%        | 30,985        | 69%        |                  |           |               |           | 13,256        | 31%         | 14,171        | 31%         |
| Accessory assignments  |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for the Issuer   |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for fully consolidated subsidiaries  |                     |            |               |            |                  |           |               |           |               |             |               |             |
| <b>Subtotal / Audit Services</b>   | <b>93,285</b>       | <b>80%</b> | <b>88,485</b> | <b>79%</b> | <b>10,350</b>    | <b>9%</b> | <b>10,000</b> | <b>9%</b> | <b>13,256</b> | <b>11%</b>  | <b>14,171</b> | <b>13%</b>  |
| <b>OTHER SERVICES</b>  |                     |            |               |            |                  |           |               |           |               |             |               |             |
| Legal, tax and employee-related services   |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for the Issuer   |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for fully consolidated subsidiaries  |                     |            |               |            |                  |           |               |           | 6 012         | 100%        | 6 933         | 100%        |
| Other  |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for the Issuer   |                     |            |               |            |                  |           |               |           |               |             |               |             |
| - for fully consolidated subsidiaries  |                     |            |               |            |                  |           |               |           |               |             |               |             |
| <b>Subtotal / Other Services</b>   | <b>0</b>            |            | <b>0</b>      |            | <b>0</b>         |           | <b>0</b>      |           | <b>6,012</b>  | <b>100%</b> | <b>6,933</b>  | <b>100%</b> |
| <b>TOTAL</b>   | <b>93,285</b>       | <b>72%</b> | <b>88,485</b> | <b>74%</b> | <b>10,350</b>    | <b>8%</b> | <b>10,000</b> | <b>8%</b> | <b>19,268</b> | <b>16%</b>  | <b>21,104</b> | <b>18%</b>  |

## NOTE 26: Post-closing events

No significant events have been identified.



## 10.2. Report of the statutory auditors

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69100 VILLEURBANNE

### ESKER

Société Anonyme  
Immeuble GEO CHAVEZ  
10 rue des Emeraudes  
69006 LYON

## Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2008

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether modified or not. This information presents below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report on the consolidated financial statements should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

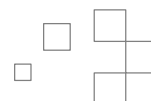
In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended 31 December 2008 on:

- the audit of the accompanying consolidated financial statements of Esker SA,
- the justification of our assessments;
- the specific verification required by law.
- 

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.

### I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining,



using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2008 and of the results of its operations for the year then ended in accordance with the IFRSs as adopted by the European Union.

## **II. Justification of our assessments**

The accounting estimates adopted for the consolidated financial statements for the year ended 31 December 2008 were prepared in a context of heavy market volatility and a certain difficulty to understand economic outlooks, as mentioned in Note 1 to the consolidated financial statements in the paragraph on "Use of Estimates". It is in this context and in accordance with Article L. 823-9 of the French Commercial Code (*Code de commerce*) that we conducted our own assessments, which we bring to your attention:

- The "Intangible assets" paragraph in Note 1 describes the accounting rules and methods relating to the recognition, amortisation and measurement of development costs. With respect to our assessment of the accounting policies adopted by the company, we analysed the appropriateness of these rules and methods and their implementation and have satisfied ourselves that the note provides an appropriate disclosure.
- The "Income taxes and deferred taxes" paragraph in Note 1 describes the accounting rules and methods relating to the recognition of deferred tax assets arising from tax loss carry-forwards. We analysed the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

## **III. Specific procedure**

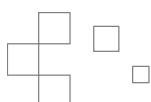
We have also verified the information provided in the Group's management report. We have no comment to make as to its fair presentation and consistency with the consolidated financial statements.

Lyon and Villeurbanne, 28 April 2009  
The Statutory Auditors

**Yves FOURNAND**

**DELOITTE & ASSOCIES**

Alain Descoins





**ESKER FRANCE ■ HEADQUARTERS**

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