

Esker 2005 financial statements

*Document automation solutions continue to grow rapidly
Current operating income positive for H2*

In '000€	2005	H1 2005	H2 2005 ¹	2004
Sales	22,917	10,796	12,121	22,641
Current operating result	-651	-982	331	-1,618
Operating result	-1,735	-1,128	-607	-2,192
Net result	-1,636	-1,049	-587	-2,205
Shareholders' equity ²	3,850	3,623	3,850	4,535
Cash ²	3,270	2,880	3,270	4,278

Document automation solutions fuel company growth

Sales of Esker document automation solutions (Esfer DeliveryWare and FlyDoc) reached 8.1M€ in 2005, representing a 37% increase from the prior year and more than 35% of Esfer sales. In the fourth quarter of 2005, these solutions accounted for 44% of Esfer sales. This rapid growth has allowed Esfer to offset the expected decline of its traditional Host Access product line which decreased by 23% in 2005. Taking into account the stability of the Fax Server product line (-1%), total Esfer sales in 2005 grew by approximately 1% in comparison to the 2004 fiscal year.

Esfer DeliveryWare, the Esfer flagship product, is consistently gaining world-wide market recognition as the first integrated document process automation solution for the enterprise. Over the course of 2005, major organizations such as Whirlpool, Flammarion, Samsung, Adecco and Vodafone, have put Esfer DeliveryWare at the core of their corporate-wide document automation strategies. Esfer DeliveryWare solutions are available in both a traditional software model as well as an on demand service to better respond to our enterprise customers' needs and requirements. For smaller businesses, FlyDoc, an Esfer on line service provides innovative document delivery in a purely hosted model. In all, Esfer on demand document delivery services processed nearly 10 million pages worldwide in 2005.

Positive current operating income for H2 2005

Consistent with Esfer's earlier predictions³, favorable sales performance combined with cost reduction plans defined in H2 2004 have allowed the company to show positive current operating results for the second half of the 2005 fiscal year. For the period, current operating profit amounts to 331 K€ (before unrecuring items), therefore setting the stage for future improved financial performance.

Comment [RT1]: I don't understand this.

Operating results in 2005 also show significant progress over 2004 with a 460K€ improvement despite unrecuring expenses being incurred for 2005 as detailed below. Esfer was recently approached by a US company alleging that Esfer's sale in the U.S. of fax server products infringes certain patents owned by this company. After a careful review of said patents and a comparison with Esfer's products, Esfer has determined that it does not infringe on any of the patents owned by this company and therefore, the allegations and threats being made by the patent holding company are without merit. Consequently, in order to resolve the issue in a timely manner, Esfer decided to commence suit in the federal court in the Western District of Wisconsin where it is seeking a declaration that it does not infringe the company's patents and that such patents are invalid and unenforceable under US federal law.

¹ Defined as 2005 FY minus H1 2005

² Before increase is share capital executed on January 6, 2006

³ January 25, 2006 press release

In addition, Esker continued to work toward the reduction of its fixed operating expenses to strengthen future financial performance. Those efforts led to projects expensed in 2005 but intended to reduce recurring expenses going forward. Total unrecurring expenses uncured in 2005 amount to 1.1M€.

Comment [RT2]: Not sure why this paragraph is here – it doesn't seem to fit – should it be a separate area?

Taking into account interest income and expenses, income taxes, etc., Esker's net loss improves by 570K€ compared with 2004, despite significant unrecurring expenses describe above.

Successful fund raising

In order to finance the success and growth of its new hosted document automation solutions, Esker launched a fund raising initiative in December of 2005. Directed primarily to existing shareholders, it allowed the company to raise a total of 3.28 M€ . As this was concluded in January of 2006, the company financial statements as of December 31, 2005 do not reflect the newly raised funds.

2006 Outlook

Esker recently published a white paper studying the worldwide market for document automation solutions with a major industry research firm. According to this survey, this market will experience very healthy growth of 22.7% annually on average for the next 3 years, reaching a worldwide value of \$1,662 million US dollars by 2009.

Esker's recent sales performance confirms this positive trend in the market. Esker intends to continue to outperform its sector thanks to innovative solutions that are unique in the market. This positive top line trend will also contribute positively to the company financial performance in 2006.

About Esker

Esker is a recognized leader in helping organizations streamline manual, paper-intensive processes and reduce the use of paper by automating the flow of documents into, within and outside the organization. With patented document delivery automation software and hosted document delivery services, Esker offers a total solution to automate every phase and every type of business information exchange. Customers gain significant and immediate operational efficiencies, cost savings and measurable ROI in as little as three to six months. Founded in 1985, Esker operates globally and has over 70,000 customers and millions of licensed users worldwide. Esker has global headquarters in Lyon, France and U.S. headquarters in Madison, Wisconsin. For more information, visit www.esker.com or www.eskerondemand.com.

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Esker is a recognized leader in helping organizations eliminate manual paper processes with Esker DeliveryWare – the most comprehensive solution for automating every phase of document creation and delivery out of any application.

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