2011

ANNUAL REPORT

ESKER®

TABLE OF CONTENTS

1. SELECTED FINANCIAL INFORMATION

Net sales

Net sales (€ thousands)	
2011	36,278
2010	32,704
2009	27,481
2008	26,593

Operating profit

Operating profit (€ thousands)	
2011	3,810
2010	1,974
2009	NA
2008	NA

Net income

Net Income (€ thousands)	
2011	2,640
2010	1,881
2009	NA
2008	NA

Basic earnings per share

Earnings per Share (€)	
2011	0.58
2010	0.42
2009	NA
2008	NA

(in thousands of euros)	**2011**	**2010**
Cash flows after net financial expense	4,933	4,015
Change in operating working capital	-518	298
Net cash provided by operating activities	4,970	3,907
Net cash used in investing activities	-2,618	-2,201
Net cash used in investing activities	-1,028	-459
Net change in cash and cash equivalents	**1,324**	**1,247**

(in thousands of euros)	**2011**	**2010**
Non-current assets	7,667	6,190
Current assets	23,518	21,243
Shareholders' equity	**13,395**	**10,834**
Provisions for contingencies and expenses	248	196
Borrowings	2,321	1,935
Other payables	15,221	14,468

Comments on this data are provided in *Section 5 Operating and Financial Review*.

2. STATUTORY INFORMATION AND COMPANY MILESTONES

2.1. Statutory information

2.1. Legal and commercial name

Esker SA

2.2. Place of incorporation and registration number

Companies Register (RCS) No: The company is registered in Lyon under number B 331 518 498

APE code: 5829 C

2.3. 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.

2.4. 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

2.5. 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 specialized 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.

- **On 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. This was accompanied by significant measures to optimize its workforce and reduce investments devoted to its historical products in favor of this new project.

- **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 accounts 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 the Esker DeliveryWare platform 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 this new service. During this same year, Esker formed a joint venture with the Lippo Group. 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 reorganization 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, the average size for sales was multiplied 1.5 times. In 2006, the Group's different document automation solutions (Esker 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 accounts adopted 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) facilitates 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.

- **In 2009,** Group sales grew 2% at constant exchange rates representing a marginal decline on 2008. This growth was driven primarily by document process automation solutions that advanced 16 % in the period to account for 73% of total Group revenue. The slowdown in North America was offset by robust growth in the Asia-Pacific region that alone accounts for 8% of revenue and by sustained growth in Europe, particularly in France on gains of close to 20%. On-demand document process automation services, FlyDoc and Esker On Demand, also registered excellent performances, advancing 45% year-on-year on sales of €10 million or more than one third of total Group revenue.

- **En 2010,** the Group had sales of €32.7 million, up 19% (14% at constant exchange rates) over the previous year. This performance was largely driven by positive momentum for document process automation solutions that grew 21%, and particularly the "Cloud" offering that was up 36% on 2009 and now accounting for 41% of total revenue. This growth in revenue was accompanied by a twofold increase in operating income to €1.75 million. This performance is in line with the Group's plan for development that has been pursued for several years. Esker's focus from one year to the next is on achieving sustainable growth combined with control over operating costs while maintaining research and development investments adapted to its objectives.

- **In 2011,** the Group achieved record performances with its best results for revenue, operating income and net income in its history with net sales of €36.2 million, up 11 % (13% at constant exchange rates) over the previous year. On that basis, Esker had the best year since its creation driven by the success of document process automation solutions that grew 17% in the period to account for 82% of total Group revenue in 2011.

3. BUSINESS OVERVIEW

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 2011, sales of software licenses and on-demand services accounted for 55% 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 or 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. These manual operations contribute to a loss in productivity and the risk of frequent errors while excessively adding to processing time.

Esker considers that only a part of the productivity gains related to automated management processes have been obtained through the implementation of computerized management applications (ERP, CRM, etc.). The Esker 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. These document process automation solutions capable of reading and interpreting management documents replace traditional printers for delivery through modern delivery channels today 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, customization). Esker believes that customers recoup their investment in the Esker 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 Esker DeliveryWare application can eliminate all or part of these systems while at the same time streamlining technical infrastructure.

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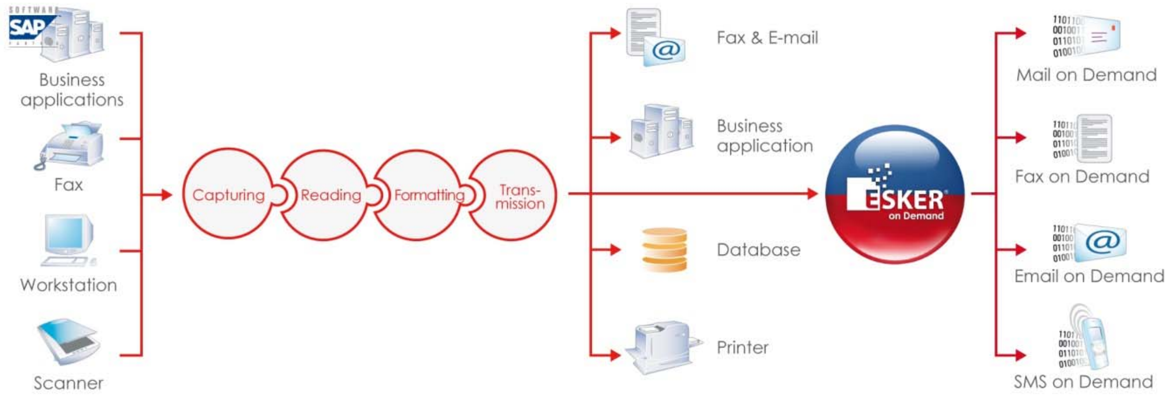
Esker automation technologies

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 document process automation 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 recognized 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 organized as follows:

"SaaS" or "Cloud" offering:
the application is executed on our servers, the customer pays.

Traditional offering:
the application is installed at the site of the customer who purchases a license.

The Esker DeliveryWare solution is installed by our large corporate 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 functionalities as Esker DeliveryWare. However, instead of being installed at the customer site, these applications are 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.

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.

Esker 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. Esker 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 the Esker on Demand platform in the form of an e-mail. Depending on their destination, they are forwarded to the most appropriate mail center, which prints, folds, inserts, stamps and mails them in real time. This media enables users to send and automate business documents (invoices, contracts, reminders) without requiring recipients 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 center. 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 July 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.

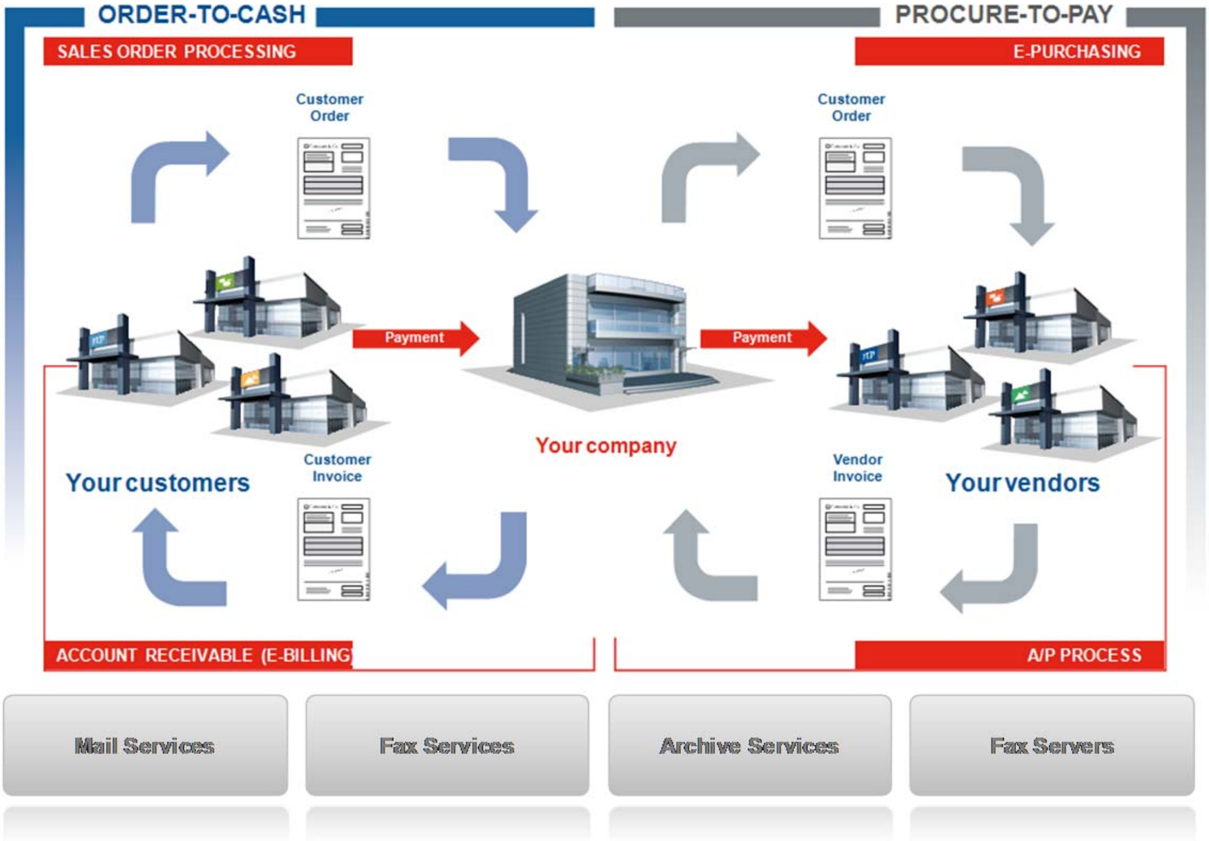
Any other electronic media can be integrated and used by Esker DeliveryWare by means of a specific programming interface.

Esker DeliveryWare currently operates on Windows Server 2000, XP, 2003 or 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" bases. This platform provides outsourcing solutions to send mail or faxes or process supplier invoices.) It offers companies a means to eliminate or reduce the use of paper.

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 authorization for payment or recognition in the accounts. Data that has been validated is then inputted directly in the company's management system.
- **Sales order processing:** Sales orders by the Esker on Demand platform are received by fax, email or XML that then reads their content and presents pertinent data on a webpage. The sales department then approves, corrects or modifies the data that was automatically inputted. The same webpage is circulated from one user to the next to obtain authorization to deliver the services or products. Data that has been validated is then inputted directly in the company's management system and the corresponding documents are automatically archived on the platform.
- **E-invoice services:** The Esker on Demand service replaces company's printers, capturing the flow of print jobs for invoices to be relayed to the Group's mail platforms where they are reconverted back to paper form and posted prior to transmission to the postal distribution network. For customers who want to receive their invoices in digital format, they are electronically signed (in compliance with the provisions of European tax laws) by the department and sent to the recipient through a portal that retains archived copies for 10 years.
- **Procurement-to-Pay processing:** The Esker on Demand service replaces the company's printer, capturing the flow of vendor invoices for transmission in the form of a fax or structured electronic

message. Purchase orders can be electronically signed and archived by our services for up to 10 years.

- **Outbound Mail on-demand:** The Esker 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 center, which prints, folds, stamps and mails them in real time.
- **Outbound Fax on-demand:** The Esker 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) accompanied by a system providing for a standby service for weekends and holidays

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 centers located in France, the U.S., UK and Australia. These centers 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 (color/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 specifications

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 recipient's inbox 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 fax transmission 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 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 recognized 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 IBM Lotus Notes (Esker Fax for Notes), Microsoft Exchange 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 optimized 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 the 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 centralized 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 software companies or other value-added retailers, 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 including, in particular, its high-quality integration with Digital VT environments.

3.2. Principal markets

Sales by product segment

	2011		2010	
In thousands of euros	**Amount**	**%**	**Amount**	**%**
Document automation	29,581	82%	25,178	77%
Fax servers	4,600	13%	5,238	16%
Host access	2,097	6%	2,288	7%
TOTAL	**36,278**	**100%**	**32,704**	**100%**

Sales by product sub-segment

	2011		2010	
In thousands of euros	**Amount**	**%**	**Amount**	**%**
Licenses	4,805	13%	4,678	14%
Maintenance	8,958	25%	9,049	28%
Hardware	936	3%	1,370	4%
Traffic	15,210	42%	12,597	39%
Service	6,369	18%	5,010	15%
TOTAL	**36,278**	**100%**	**32,704**	**100%**

As document process automation solutions are more widely adopted, traffic sales should continue to experience sustained growth over the coming years.

Sales by country

	2011		2010	
In thousands of euros	**Amount**	**%**	**Amount**	**%**
France	12,241	34%	10,592	32%
UK	2,464	7%	2,303	7%
Germany	1,931	5%	1,551	5%
Italy	1,195	3%	1,259	4%
Spain	1,035	3%	915	3%
Australia	1,994	5%	2,129	7%
Asia	375	1%	667	2%
USA	15,043	41%	13,288	41%
TOTAL	**36,278**	**100%**	**32,704**	**100%**

With a geographical mix reflecting the overall breakdown of world information technology markets, international sales account for 66 % 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.

The United States contributed significantly to the Group's the performance with growth of 19% in 2011 to account for more than 41% of total revenue. US companies are investing significantly in Esker solutions which provide means for improving margins, containing payroll costs while at the same time, improving the level of service provided to customers and partners.

Performances in Europe are driven by France where on-demand solutions are the major contributor to revenue (more than 80%) as well as Germany that benefited from a very positive economic environment.

3.3. Independence of the issuer

Esker products are generally sold without complementary third-party products, with the exception of fax server products and Esker DeliveryWare that incorporate document format conversion modules marketed by Esker in conjunction with an intelligent fax board.

3.4. Competitive position

Document process automation

Esker DeliveryWare

Competitors in the Esker DeliveryWare product segment include:

Company	2011 sales (1)	Products or product families
Readsoft	€75m	Documents
Basware	€107.8m	
Open Text	€738.1m	
ITESoft	€21.7m	

(1): Total sales of the company rather than for 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.

Esker on Demand

Competition in the SaaS segment for document process automation is still in a nascent stage. Companies operating in this sector, while not considered to represent real competitors, include SpringCM, Crossgate and Concur.

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.

The fax server market

The fax server market is a very fragmented. With the exception of the world leader Opentext with approximately 25%, no other company has a market share of more than 8%. According to Esker, the main competitors include Captaris/Opentext, Topcall/Kofax, Equisys, Sagem, Omtool.

According to the Peter Davidson research firm, Esker ranks third worldwide in this segment 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 2001 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.

4. ORGANIZATION

Legal structure of the Esker Group as of December 31, 2011

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 2011, established by the Supervisory Board. Amounts invoiced by the Group consisted of the following:

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

In fiscal 2011, Esker S.A. invoiced on this basis a total of €6,085,000 to all subsidiaries (€5,429,000 in 2010). These subsidiaries in turn invoiced the parent company €263,000 (€188,000 in 2010). 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.

Segment information is provided in *note 1 to the consolidated financial statements in Section 10. of this document* and information on related parties in *note 23 herein*.

5. OPERATING AND FINANCIAL REVIEW

The operating and financial review is presented in the management discussion and analysis of the Executive Board summarized 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 in the consolidated financial statements in paragraph 10.1.

Fiscal 2011 / 2010 highlights

In 2011, Esker had sales of more than €36 million on growth of 13% at constant exchange rates and 11% at current exchange rates. This was Esker's best annual performance since its creation driven by continuing gains by document process automation solutions that grew 19% in the period to account for 82% of total Group revenue with nearly €30 million in sales.

Cloud-based solutions also maintained sustained growth (+29% for the year) representing 48% of revenue for 2011. Esker is among the first software companies to have successfully made the transition to cloud computing following strategic initiatives launched in 2005. Against a backdrop of more favorable economic trends, the Group's performance was not adversely impacted by the traditional businesses (Fax and Host Access) as was the case in 2010.

Very significant improvement in margins despite unfavorable currency effects

Operating profit nearly doubled for the second consecutive year to €3,810,000 from €1,974,000 in 2010.
On the combined effect of sustained growth and control over costs this twofold increase in value for operating profit represented a record performance for the company.

In addition, the level of development expenditures presented in the income statement was also impacted by the capitalization of a portion of these expenditures and their amortization. In the fiscal year, development expenditures of €1,843,000 were recognized under intangible assets (€1,631,000 in 2010) for the following projects:

- The next version of Esker DeliveryWare 6.0;
- Esker Software as a Service (SaaS) solutions (Esker on Demand and FlyDoc), capitalized every six-month period.

The net impact of capitalized development expenditures in the period, after deducting amortization expenses, was €636,000 (versus €639,000 at December 31, 2010).

Net financial income declined from €250,000 in 2010 to €96,000 in 2011 largely in response to net foreign exchange losses.

Group foreign exchange risks concern primarily inter-company transactions in USD, GDP and AUD (see analysis of market risks in note 4.4).

Income tax rose to €1,057,000 for the period.

On this basis, the Group had net income of €2,640,000, up from €1,881,000 in 2010.

Operating cash flows largely positive

Group cash and cash equivalents increased significantly at constant exchange rates to €10,847,000 at year-end (up from €9,213,000 at December 31, 2010). Cash flows from operating activities amounted to€4,970,000 compared with €3,907,000 in 2010. Cash flows used in investing activities consist mainly in significant capital expenditures for developments in the period.

Other financial indicators remained stable

Group borrowings totaled €2,321,000 compared with €1,935,000 in 2010 and consisted exclusively of an Anvar advance of €745,000, a €129,000 bank loan and borrowings of €1,445,000 in connection with finance leases capitalized in the period for printing and inserting machines for the outsourcing of on-demand mail services used in connection with the FlyDoc and Esker on Demand services.

The Group's balance sheet consists primarily of shareholders' equity of €13,395,000 at December 31, 2011.

6. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

6.1. Research and development expenses

Esker has historically devoted significant resources to research and development. In 2011, 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 December 31, 2011 at the site located in Lyon, a team of 30 computer engineers work on developing Esker software programs. Thirty 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 capitalization of development expenditures: (*additional information on this subject is provided in notes 2 and 14 to the consolidated financial statements presented in Section 20.1 of this document*):

In thousands of euros	**12/31/2011**	**12/31/2010**	**12/31/2009**
R&D expenses for the period	-4,318	-3,931	-3,336
Capitalized development expenditures	1,843	1,631	1,134
Amortization of capitalized development expenditures	-1,207	-992	-771
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-3,682**	**-3,292**	**-2,973**

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

The development expenditures recorded as intangible assets in fiscal 2010 concerned:

- The next version of Esker DeliveryWare 6.0;
- Esker Software as a Service (SaaS) solutions (Esker on Demand and FlyDoc).

6.2. 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 the period covering 2007, 2008 and 2009 Esker filed six new patents with the USPTO.

6.3. Trademarks

The following trademarks 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

7. CORPORATE GOVERNANCE

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

		APPOINTMENTS EXERCISED IN OTHER COMPANIES					
Name	**Appointment or position exercised in Esker S.A.**	Company	Nationality	Appointment / Position	Year of initial appointment	Expiration of appointment: General Meeting ruling on the financial statements for the fiscal year ending in	Professional address (primary position)
M.C. Bernal	Chairwoman of the Supervisory Board	• Esker SA	French	Chairwoman of the Supervisory Board	2001	2012	
		• Potentia Pharmaceuticals	US	Director, Member of the audit committee	2005	N/A	201 E. Jefferson Louisville, KY 40202
		• Apellis Pharmaceuticals	US	Director	2010	N/A	201 E. Jefferson Louisville, KY 40202
		• Gnubio	US	Director	2010	N/A	64 Sydney Street, Cambridge, MA 02139
		• Exel Industrie	French	Director	2012	N/A	54 rue Marcel Paul, 51200 Epernay
K. Beauvillain	Vice Chairman of the Supervisory Board	• Esker SA	French	Vice Chairman of the Supervisory Board	1999	2016	-
		• Capormak	French	Managing Partner	2008	N/A	68 Rue Pernety 75014 Paris
		• Alpha Mos SA	French	Director	1998	2011	Toulouse
		• Orege SA	French	Chairman of the Supervisory Board	2008	2012	Jouy en Josas
		• Lafayette INT SA	French	Director	1997	2011	Les Ulis/Villebon
T. Wolfe	Member of the Supervisory Board	• Esker SA	French	Member of the Supervisory Board	1999	2016	Esker Inc. - 1212 Deming Way, Suite 350 - Madison, WI 53717 - USA
J.M. Bérard	Chairman of the Executive Board	• Esker SA	French	Chairman of the Executive Board	2000	2012	10 Rue des Emeraudes 69006 Lyon
E. Olivier	Member of the Executive Board	• Esker SA	French	Member of the Executive Board	2003	2012	10 Rue des Emeraudes 69006 Lyon

- **Marie-Claude Bernal** has served as Chairwoman 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 Neuflize 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 and the Audit Committee of the US company, Potentia Pharmaceuticals.

- **Kléber Beauvillain** has 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 companies including the Alpha Mos group listed on the Paris stock exchange.

- **Tom Wolfe**, member of the Supervisory Board is the founder of Persoft Inc., acquired by Esker in 1999.

8. MANAGEMENT

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

- **Jean-Michel Bérard**,
  50, 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 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**,
  44, 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**,
  46, 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 November 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**,
  37, 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**,
  50, 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 Latin 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**,
  45, 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 Esker 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,**
  44, 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.

- **Anne Grand-Clément,**
  42, WW Vice President of Professional Services and Technical Support, and invited member of the Executive Board
  Holder of three undergraduate degrees (AES, MASS & LEA), Anne Grand-Clément received her Master's Degree in Computer Science Applied to Business Administration (MIAGE) in 1991. Before coming to Esker, she spent 5 years as a consultant at Arthur Andersen Consulting. Anne then worked for Cincom as a Major Accounts Manager for 4 years. She joined Esker in the year 2000, first as manager of the French Professional Services department, and then advancing to European Technical Support Manager. In 2007, Anne was named Worldwide Director of Professional Services and Technical Support.

9. MAJOR SHAREHOLDERS

Share capital and voting rights as of 12/31/2011

Shareholders	Status	As of 31/12/11			As of 31/12/10			As of 31/12/09		
		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	377,306	8.2%	14.3%	366,755	8.1%	13.4%	366,755	8.2%	13.4%
Thomas Wolfe	Registered	270,895	5.9%	10.3%	270,895	6.0%	10.6%	270,895	6.0%	10.6%
Marie-Claude Bernal	Registered	3,769	0.1%	0.1%	3,769	0.1%	0.1%	3,769	0.1%	0.2%
Emmanuel Olivier	Registered	20,000	0.4%	0.4%	10,000	0.2%	0.2%	10,000	0.2%	0.2%
Kleber Beauvillain	Registered	100	0.0%	0.0%	100	0.0%	0.0%	100	0.0%	0.0%
TOTAL MANAGEMENT		**672,070**	**14.7%**	**25.1%**	**651,519**	**14.4%**	**24.3%**	**651,519**	**14.5%**	**24.4%**
Odyssée Venture	Bearer	586,501	12.8%	11.1%	539,978	12.0%	10.6%	438,883	9.8%	8.6%
Treasury shares	Bearer	49,709	1.1%		55,516	1.2%		21,665	0.5%	
Registered shares	Registered	211,184	4.6%	5.9%	154,626	3.4%	4.1%	105,488	2.4%	3.2%
Free float	Bearer	3,062,193	66.8%	58.0%	3,112,836	69.0%	60.9%	3,265,871	72.8%	63.9%
Total		**4,581,657**	**100.0%**	**100.0%**	**4,514,475**	**100.0%**	**100.0%**	**4,483,426**	**100.0%**	**100.0%**

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 December 31, 2011.

Registered shares held in the name of the same shareholder for at least two years carry double voting rights. Finally, to the best of the company's knowledge, no shareholder agreements exist.

10. FINANCIALS

CONSOLIDATED BALANCE SHEET

ASSETS *(in thousands of euros)*	**Notes**	**12/31/2011**	**12/31/2010**
Goodwill		0	0
Intangible assets	2	4,501	3,892
Property, plant and equipment	3/4	2,769	2,017
Financial assets		397	281
Non-current assets		**7,667**	**6,190**
Inventories		89	88
Trade receivables		9,628	8,983
Deferred tax assets		1,552	1,782
Other receivables and accruals	5	1,402	1,177
Cash and marketable securities	6	10,847	9,213
Current assets		**23,518**	**21,243**
TOTAL ASSETS		**31,185**	**27,433**

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of euros)*	**Notes**	**12/31/2011**	**12/31/2010**
Capital stock		9,163	9,029
Additional paid-in capital		16,842	17,278
Consolidated income (loss)		2,640	1,882
Reserves and retained earnings		-15,250	-17,355
Shareholders' equity	7	**13,395**	**10,834**
- attributable to the parent		*13,395*	*10,834*
- attributable to non-controlling interests		*0*	*0*
Provisions for contingencies and expenses	10	**248**	**196**
Borrowings and financial liabilities	11	2,321	1,935
Trade payables		2,743	3,078
Tax and employee-related payables		5,077	4,480
Deferred tax liabilities		95	0
Other payables and accruals	12	7,306	6,910
Payables		**17,542**	**16,403**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**31,185**	**27,433**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Note	12/31/2011	% of sales	12/31/2010	% of sales
Sales	13	**36,278**	***100.0%***	**32,704**	***100.0%***
Own production of goods and services capitalized	14	1,843	*5.1%*	1,631	*5.0%*
Other operating income		405	*1.1%*	373	*1.1%*
Purchases and external costs		-11,387	*-31.4%*	-10,875	*-33.3%*
Staff costs		-20,474	*-56.4%*	-19,297	*-59.0%*
Tax and similar expenses		-582	*-1.6%*	-491	*-1.5%*
Net allowances for amortization and depreciation		-2,230	*-6.1%*	-1,864	*-5.7%*
Net allowances for provisions		-43	*-0.1%*	-208	*-0.6%*
Operating profit		**3,810**	***10.5%***	**1,973**	***6.0%***
Net financial income (expense)	16	**96**	***0.3%***	**250**	***0.8%***
Current operating income		**3,906**	***10.8%***	**2,223**	***6.8%***
Net exceptional items	17	**-209**	***-0.6%***	**-123**	***-0.4%***
Income taxes	18	-1,057	*-2.9%*	-219	*-0.7%*
Share of income from equity-accounted associates		0	*0.0%*	0	*0.0%*
Net income		**2,640**	***7.3%***	**1,881**	***5.8%***
Basic earnings per share in euros	19	*0.58*		*0.42*	
Diluted earnings per share in euros		*0.55*		*0.40*	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	Capital stock	Additional paid-in capital	Translation reserves	Annual profit/(loss)	Reserves and retained earnings	Equity attributable to the parent
Balance as of 31 December 2009	**8,967**	**17,226**	**-538**	**1,573**	**-18,308**	**8,920**
Retained earnings/(accumulated deficit)				-1,573	1,573	0
Annual profit/(loss)				1,882		1,882
Currency translation adjustments			208			208
Stock options	62	52				114
Treasury shares					-233	-233
Other changes					-57	-57
Balance as of December 31, 2010	**9,029**	**17,278**	**-330**	**1,882**	**-17,025**	**10,834**
Retained earnings/(accumulated deficit)				-1,517	1,517	0
Annual profit/(loss)				2,640		2,640
Currency translation adjustments			216			216
Stock options	134	36				170
Treasury shares						0
Dividends				-365		-365
Other changes		-472			372	-100
Balance as of December 31, 2011	**9,163**	**16,842**	**-114**	**2,640**	**-15,136**	**13,395**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	**12/31/2011**	**12/31/2010**
Consolidated net income (loss)	**2,640**	**1,882**
Adjustments to reconcile net income to net cash from operating activities:		
- Net allowances for depreciation, amortization and provisions	2,244	2,072
- Carrying value of assets sold	66	230
- Proceeds from the disposal of assets	-18	-169
Cash flows after net financial expense	**4,933**	**4,015**
Tax liabilities	1,057	-219
Taxes paid	-544	-232
Interest expense and income	42	45
Change in operating working capital	**-518**	**298**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**4,970**	**3,907**
Acquisition of intangible assets	-2,520	-2,159
Acquisition of property, plant and equipment	18	0
Proceeds from the disposal of PPE and intangible assets	-116	-42
Change in non-current investments		
NET CASH USED IN INVESTING ACTIVITIES	**-2,618**	**-2,201**
Dividends paid to shareholders of the parent company	-365	
Capital increases or contributions		
Issuance costs for capital increases		
Amount received from the exercise of stock options	68	115
Change in treasury shares		-240
Repayment of borrowings – finance leases	-955	-587
Change in borrowings	224	253
NET CASH USED IN INVESTING ACTIVITIES	**-1,028**	**-459**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**1,324**	**1,247**
Effect of exchange rate changes on cash	310	494
Cash and cash equivalents at beginning of year	**9,213**	**7,472**
Cash and cash equivalents at end of year	**10,847**	**9,213**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Esker Group at December 31, 2011 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 22, 2012.

1. Significant accounting policies, basis of consolidation

Statement of compliance

The consolidated financial statements were presented on the basis of French law and French GAAP and notably the accounting policies set out in Regulation 99-02 of April 29, 1999 on the French General Chart of Accounts (*Plan Comptable Général*) of France's Accounting Regulations Committee (*Comité de Reglementation Comptable* or "CRC") and the subsequent updates resulting from CRC Regulations 2005-05 and 2000-06

Also applied were CRC Regulation 2004-06 of November 23, 2004 on the definition, recognition and measurement of assets and CRC Regulation 2002-10 of December 12, 2002 on the depreciation, amortization and impairment of assets.

The consolidated financial statements of the previous year were prepared in accordance with IFRS as adopted by the European Union. These financial statements have in consequence been restated in accordance with CRC Regulation 99-02 for reasons of comparability (cf. note 24).

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 recognized 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

Foreign currency translation methods

Income statement items of foreign companies outside the euro zone are translated at the average rate for the period and balance sheet accounts are translated at the corresponding year-end rate. Currency translation differences are presented as a distinct line item under equity.

Preferred methods

The following preferred methods have been applied:

- Recognition of pension liabilities and other employee benefits;
- Restatement of finance leases;
- Capitalization of development expenditures;
- Recognition of unrealized losses and gains on foreign exchange under expenses and income of the period.

Use of estimates

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

The main Management 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 17);
- The measurement of retirement commitments (note 10);
- The measurement of provisions (note 10).

These estimations are based on the best information available to management on the closing date.

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 favor of the Group (acquisition date) irrespective of the extent of any minority (non-controlling) interests.

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 recognized in the balance sheet under assets as goodwill.

Goodwill is recorded under intangible assets and amortized according to a previously defined plan over a specific period according to the objectives adopted at the time of acquisition that may not exceed 10 years. Furthermore, if the objectives adopted at the time of acquisition are materially modified, an exceptional amortization expense or a modification of the amortization plan is recognized above the amortization amount applied.

Intangible assets

Development expenditures

Under the preferred method, development expenditures are 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:

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

Development expenditures recorded as intangible assets are amortized 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 research and development expenditures that not meet the criteria of the standard defined above are expensed in the period incurred.

Other intangible assets

Software acquired is recognized as intangible assets and amortized on a straight-line basis over useful lives defined as five years.

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 the preferred method, leases that transfer to Esker the risks and rewards incidental to ownership (finance leases) are recorded as fixed assets with the corresponding financial liability recognized 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

Intangible and tangible fixed assets are subject to impairment tests once there is an indication of loss in value. 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 determined on the basis of the present value of future operating cash flows expected over a five-year period and a terminal value based on a perpetuity growth rate for cash flow.

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

When the recoverable value of the CGU is lower than the carrying value an impairment loss is recognized in the income statement.

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 realizable value.

Trade receivables

Trade receivables are recognized on transfer of title that as a general rule corresponds to the delivery for the sale of goods and completion for services.

A provision for impairment is recognized when the carrying value of these trade receivables is subject to a risk of non-collection.

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 recognized. Gains and losses from the disposal of the shares are recognized directly under equity and do not impact profit or loss.

Cash and marketable securities

Cash comprises cash at banks and on hand.

Marketable securities 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 recognized 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

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.

Employee benefits

Retirement benefits

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 recognized in the balance sheet under current operating expenses and non-current liabilities.

No other commitments have been recognized 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.

Income taxes and deferred taxes

Temporary differences between the tax base of consolidated tax assets and liabilities are recognized as deferred taxes according to the liability method.

Deferred taxes are recognized 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 recognized 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 from items allocated to equity are recognized under shareholders' equity.

Research tax credit

Manufacturing and trading companies taxed according to the actual regime that incur research expenditure may benefit from a tax credit in France.

The tax credit is calculated for each calendar year and utilized against the tax payable by the Company for the year in which the research expenditure was incurred.

Because research tax credits are by nature definitively acquired independently of the Group's tax situation, it was decided that they be classified under "other operating income"

Revenue recognition

As a general rule revenue is recognized 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 recognized on the date of delivery;
- Income from maintenance contracts is recognized on a straight-line basis over the term of the contract; For contracts concerning the period in progress and future periods, deferred revenue is recognized at year-end for the portion of contracts corresponding to future periods;
- Services related to software sales are recognized according to the percentage-of-completion method;

Other services are recognized on the date of performance.

2. Group structure for consolidation

There were no changes in the Group structure with respect to consolidation in fiscal 2011.

Company	Head office	2011		2010		Consolidation method (1)
		Controlling interest (%)	Ownership interest (%)	Controlling interest (%)	Ownership interest (%)	
Esker	Lyon (France)	**Parent company**				
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 Sl	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
Esker Documents Automation (M) Sdn Bhd	Kuala Lumpur (Malaysia)	100.0%	100.0%	100.0%	100.0%	F

(1): F : Full consolidation

3. Notes to the balance sheet, income statement and statement of cash flows

NOTE 1: Segment information

Segment information relating to products and services

In thousands of euros	12/31/2011	12/31/2010
Software sales	4,805	4,678
Fax card sales	936	1,370
Contracts for product updates and maintenance	8,958	9,049
Services	6,369	5,010
Traffic	15,210	12,597
NET SALES	**36,278**	**32,704**

Information relating to geographical areas

As of December 31, 2011 *In thousands of euros*	France	Germany	United Kingdom	Southern Europe	Australia, Asia	USA	Total Group
External sales	12,241	1,931	2,464	2,230	2,368	15,044	**36,278**
Property, plant and equipment and intangible assets	6,598	2	72	53	47	498	**7,270**

As of December 31, 2010 *In thousands of euros*	France	Germany	United Kingdom	Southern Europe	Australia, Asia	USA	Total Group
External sales	10,592	1,551	2,303	2,174	2,796	13,288	**32,704**
Property, plant and equipment and intangible assets	5,673	5	104	37	68	380	**6,267**

Information relating to key customers

In fiscal 2011 the largest customer represented 2.5 % of total Group revenue.

In fiscal 2010 the largest customer represented 2.5 % of total Group revenue.

NOTE 2: Intangible assets

	12/31/2011			12/31/2010
In thousands of euros	Gross	Depreciation	Net	Net
Software and other	918	830	88	114
Development expenditures	8,280	4,245	4,036	3,282
Intangible assets in progress	378		378	496
TOTAL INTANGIBLE ASSETS	**9,576**	**5,075**	**4,501**	**3,892**

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 for our complete offering of solutions.

Changes in the fiscal year ended December 31, 2011

As of 12/31/2011 *In thousands of euros*	Opening balance	Increases	Decreases	Transfers	Currency effect	Closing balance
Software and other	893	18	-6		13	918
Development expenditures	6,319	1,470		491		8,280
Intangible assets in progress	496	373		-491		378
INTANGIBLE ASSETS – GROSS VALUE	**7,708**	**1,861**	**-6**	**0**	**13**	**9,576**
Software and other	779	44	-5		12	830
Development expenditures	3,037	1,208				4,245
INTANGIBLE ASSETS – AMORTIZATION	**3,816**	**1,252**	**-5**	**0**	**12**	**5,075**
INTANGIBLE ASSETS – NET VALUE	**3,892**	**609**	**-1**	**0**	**1**	**4,501**

Changes concerned primarily development expenditures recognized under intangible fixed assets in the period concerning notably:

- The next version of Esker DeliveryWare 6.0;
- Esker software as a service (SaaS) solutions (Esker On Demand and FlyDoc), capitalized every six-month period.

Changes in the fiscal year ended December 31, 2010

As of December 31, 2010 *In thousands of euros*	Opening balance	Increases	Decreases	Transfers	Currency effect	Closing balance
Software and other	817	75	-24		25	893
Development expenditures	4,450	1,227		642		6,319
Intangible assets in progress	734	404		-642		496
INTANGIBLE ASSETS – GROSS VALUE	**6,001**	**1,706**	**-24**	**0**	**25**	**7,708**
Software and other	726	54	-21		20	779
Development expenditures	2,044	992				3,037
INTANGIBLE ASSETS – AMORTIZATION	**2,770**	**1,046**	**-21**	**0**	**20**	**3,816**
INTANGIBLE ASSETS – NET VALUE	**3,230**	**660**	**-3**	**0**	**4**	**3,892**

NOTE 3: Property, plant and equipment

	12/31/2011			12/31/2010
In thousands of euros	Gross	Depreciation	Net	Net
Office and computer equipment	2,406	1,911	495	364
Fixtures and improvements	846	446	400	263
Equipment and tooling	3,590	1,864	1,726	1,223
Transportation equipment	67	34	32	0
Furniture	412	297	115	69
Tangible assets in progress				98
TOTAL PROPERTY, PLANT AND EQUIPMENT	**7,321**	**4,552**	**2,769**	**2,017**

Changes in the fiscal year ended December 31, 2011

As of 12/31/2011 *In thousands of euros*	Opening balance	Increases	Decreases	Transfers	Currency effect	Closing balance
Office and computer equipment	2,042	365	-54	11	42	2,406
Fixtures and improvements	693	181	-113	80	5	846
Equipment and tooling	2,505	1,074			11	3,590
Transportation equipment	47	42	-22			67
Furniture	328	72	-7	7	12	412
Tangible assets in progress	98			-98		
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**5,713**	**1,734**	**-196**		**70**	**7,321**
Office and computer equipment	1,678	254	-52		31	1,911
Fixtures and improvements	430	108	-94		2	446
Equipment and tooling	1,282	572			10	1,864
Transportation equipment	47	8	-21			34
Furniture	259	37	-7		8	297
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**3,696**	**979**	**-174**		**51**	**4,552**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**2,017**	**755**	**-22**		**19**	**2,769**

The main changes in the period concern finance leases recognized as assets (acquisitions for €1,074,000) for equipment necessary for the Group's mail platforms (printing and inserting machines).

Changes in the fiscal year ended December 31, 2010

As of December 31, 2010 *In thousands of euros*	Opening balance	Increases	Decreases	Transfers	Currency effect	Closing balance
Office and computer equipment	1,928	182	-140		72	2,042
Fixtures and improvements	631	172	-143		32	693
Equipment and tooling	2,146	465	-139		33	2,505
Transportation equipment	46	1				47
Furniture	352		-24			328
Tangible assets in progress		98				98
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**5,104**	**918**	**-445**		**137**	**5,713**
Office and computer equipment	1,486	269	-141		63	1,678
Fixtures and improvements	293	131	0		6	430
Equipment and tooling	922	348			12	1,282
Transportation equipment	40	7				47
Furniture	221	44	-20		13	259
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**2,963**	**800**	**-161**		**95**	**3,696**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**2,141**	**118**	**-284**		**42**	**2,017**

NOTE 4: Finance leases

In thousands of euros	Gross	Accumulated amortization	Net
As of 31 December 2009	**1,892**	**-885**	**1,007**
Increase	463	-355	108
Decrease	-138	58	-80
Translation difference	18	-10	8
As of 31 December 2010	**2,235**	**-1,192**	**1,043**
Increase	1,074	-523	551
Decrease	0	0	0
Translation difference	3	-4	-1
As of December 31, 2011	**3,312**	**-1,719**	**1,593**

Finance lease commitments for the periods ended 31 December 2010 and 2011 break down as follows:

	12/31/2011				12/31/2010			
In thousands of euros	Less than 1 year	2 - 5 years	More than 1 year	TOTAL	Less than 1 year	2 - 5 years	More than 1 year	TOTAL
Total value of future minimum lease payments	490	990	0	**1,480**	452	508	0	**960**
Discounted value of future minimum lease payments	484	913	0	**1,397**	400	438	0	**838**

NOTE 5: Other receivables and accruals

In thousands of euros	Net 12/31/2011	Net 12/31/2010
Tax receivables	221	87
Other tax receivables	263	243
Other receivables	135	171
Prepaid expenses	783	676
TOTAL OTHER RECEIVABLES AND ACCRUALS	**1,402**	**1,177**

NOTE 6: Cash and marketable securities

At December 31, 2011, cash included the following items:

In thousands of euros	Net 12/31/2011	Net 12/31/2010
Marketable securities	975	885
Cash at banks and on hand	9,872	8,328
TOTAL CASH AND MARKETABLE SECURITIES	**10,847**	**9,213**

Marketable securities correspond to shares in SICAV money market funds not subject to a loss in value.

NOTE 7: Shareholders' equity

	Amount *(in thousands of euros)*	Number of shares
Capital stock at December 31, 2009	**8,966**	**4,483,426**
Capital increase	20	10,000
Exercise of stock options and warrants	42	21,049
Capital stock at December 31, 2010	**9,028**	**4,514,475**
Capital increase	102	51,000
Exercise of stock options and warrants	33	16,182
Capital stock at December 31, 2011	**9,163**	**4,581,657**

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 equity 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.

A dividend of €0.08 per share was paid for the period.

NOTE 8: Treasury shares

Changes in treasury shares held by the Group in fiscal 2011:

	FY 2011	FY 2010
Opening balance	**55,516**	**21,665**
Purchase of own shares (liquidity agreement)	81,557	130,436
Sale of own shares (liquidity agreement)	-87,364	-96,585
Exercise of options	0	0
Closing balance	**49,709**	**55,516**

NOTE 9: Stock option and warrants plans

Highlights of plans for stock options, stock purchase options and warrants outstanding at December 31, 2011 are presented below

Type	Dates		Exercise price in euros	Number of options			Balance
	Grant	Expiry		granted	exercised	matured or forfeited	
Stock option plan	1/9/2006	1/8/2011	4.96	128,524	11,847	24,713	91,964
Stock option plan	7/4/2006	7/3/2016	5.58	99,630	3,230	5,302	91,098
Stock option plan	1/2/2007	1/1/2017	7.21	88,796		37,424	51,372
Stock option plan	7/2/2007	7/1/2017	10.12	69,606		20,660	48,946
Stock option plan	7/8/2008	7/7/2018	4.07	68,600	1,300		67,300
Stock option plan	4/3/2009	4/2/2019	2.74	118,300	3,433	15,055	99,812
Stock option plan	6/1/2010	5/31/2020	6.37	48,000			48,000
Stock option plan	9/12/2011	9/11/2021	5.44	67,400			67,400
TOTAL STOCK OPTION PLANS				**688,856**	**19,810**	**103,154**	**565,892**
Stock warrants	6/23/2004	6/22/2019	3.88	200,000	42,300		157,700
TOTAL STOCK WARRANTS				**200,000**	**42,300**	**0**	**157,700**
Bonus share issues	6/1/2010	5/31/2012		41,500			41,500
Bonus share issues	9/12/2011	9/11/2013		29,500			29,500
TOTAL BONUS SHARES				**71,000**	**0**	**0**	**71,000**

Changes in the number of stock options, bonus shares and warrants granted to Group employees in the fiscal year ended December 31, 2011 break down as follows:

	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 €
Balance exercisable at 31 December 2010	**514,318**	**5.46**	**168,700**	**3.88**	**92,500**	**4.84**
Granted	67,400	5.44			29,500	5.44
Exercised	-5,182	5.06	-11,000	3.88	-51,000	2.74
Matured or forfeited for reason of departure	-10,644	4.97				
Balance exercisable at 12/31/2011	**565,892**	**5.47**	**157,700**	**3.88**	**71,000**	**6.60**

NOTE 10: Provisions

In thousands of euros	12/31/2010	Increases, Allowances of the period	Payments in the period	Reversals of provisions unused in the period	Other changes	12/31/2011
Provisions for contingencies and expenses	6	26	-7			**25**
Pension liabilities	190	33				**223**
TOTAL PROVISIONS	**196**	**59**	**-7**	**0**	**0**	**248**

Pension liabilities consist of commitments relating to retirement severance payments for employees of Esker France and contributions payable to employees of Esker Italie.

Commitments for retirement severance payments for Esker France employees have been measured according to the method described under significant accounting policies. At December 31, 2011 this liability represented €62,000 and was calculated on the basis of the following assumptions:

Assumptions for the measurement of retirement commitments in France	
• Discount rate	4.50%
• Rate of salary increases	2.50%
• Retirement age	67 years
• Employee turnover rate	11.72%

In addition, amounts payable to employees of the subsidiary Esker Italy totaled €161,000 at 31 December 2011 and break down as follows:

In thousands of euros	12/31/2010	Increases in the period	Payments in the period	Other changes	12/31/2011
Severance benefits – Esker Italy	128	33			161

NOTE 11: Borrowings and financial liabilities

In thousands of euros	12/31/2011	12/31/2010
OSEO Anvar loan	745	965
Finance leases	1,447	935
Bank debt	129	35
TOTAL BORROWINGS	**2,321**	**1,935**

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 2006 second half followed by €230,000 in the 2007 first half. The balance of €120,000 was paid by OSEO Anvar in March 2008.

Except if the program is technically or commercially unsuccessful, funding granted must be reimbursed over a four-year period starting from 30 September 2009. Repayments of €100,000 and €130,000 were made in 2009 and 2010. A third installment of €130,000 was repaid in the 2011 second half.

In fiscal 2008, OSEO Anvar provided Esker France innovation funding for two projects for a total of €995,000.
A first amount for €450,000 concerned the project to develop a fully parameterizable automated mail platform. Of this amount, €180,000 has been paid by OSEO Anvar for this project. In December 2010, the company decided to discontinue this project and the €180,000 was repaid to OSEO Anvar on January 31, 2011.
The second amount for €545,000 concerned the project to develop document process automation solutions on a (Software as a Service) SaaS basis. Of this funding, €218,000 was paid by OSEO Anvar in January 2009 and July 2010 and the balance in the second half of 2011.

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

Finance leases

Borrowings recognized represent the reverse entry of capitalized finance leases as described above in note 4.

NOTE 12: Other payables and accruals

In thousands of euros	12/31/2011	12/31/2010
Deferred revenue	6,041	5,853
Customer deposits and guarantees	1,220	1,032
Other payables	45	25
TOTAL OTHER PAYABLES AND ACCRUALS	**7,306**	**6,910**

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

NOTE 13: Net sales

In thousands of euros	12/31/2011	12/31/2010
Software sales	4,805	4,678
Fax card sales	936	1,370
Contracts for product updates and maintenance	8,958	9,049
Services	6,369	5,010
Traffic	15,210	12,597
NET SALES	**36,278**	**32,704**

NOTE 14: Research and development expenses

In thousands of euros	12/31/2011	12/31/2010
R&D expenses for the period	-4,318	-3,931
Capitalized development expenditures	1,843	1,631
Amortization of capitalized development expenditures	-1,207	-992
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-3,682**	**-3,292**

An analysis of development expenditures recorded under intangible assets in the fiscal period ended December 31, 2011 is presented in note 2.

NOTE 15: Staff costs

In thousands of euros	12/31/2011	12/31/2010
Employee compensation	15,618	14,697
Social security expenses	4,856	4,600
STAFF COSTS	**20,474**	**19,297**

Breakdown of personnel by country:

	France	Germany	United Kingdom	Southern Europe	Australia, Asia	USA	TOTAL
Headcount at 12/31/2011	143	4	13	15	18	78	**271**
Headcount at 12/31/2010	133	4	12	15	22	72	**258**
Headcount at 12/31/2009	123	5	13	13	16	75	**245**

NOTE 16: Net financial income /(expense)

In thousands of euros	12/31/2011	12/31/2010
Financial income	86	18
Net currency gains/(losses)	79	245
Financial expenses	-69	-13
NET FINANCIAL INCOME / (EXPENSE)	**96**	**250**

NOTE 17: Exceptional items

In thousands of euros	12/31/2011	12/31/2010
Exceptional income from non-capital transactions	-10	-11
Exceptional income from capital transactions	-238	-74
Exceptional allowances and reversals	39	-38
NET EXCEPTIONAL ITEMS	**-209**	**-123**

NOTE 18: Income taxes

Analysis of tax expenses

In thousands of euros	12/31/2011	12/31/2010
Current tax income / (expense)	-753	-282
Deferred tax income / (expense)	-304	63
TOTAL TAX EXPENSES/INCOME	**-1,057**	**-219**

Deferred tax assets and liabilities

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

In thousands of euros	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Balance at December 31, 2009	1,597	0
Deferred taxes in the period recognized under profit or loss	63	0
Effect of exchange rate fluctuations	122	0
Balance at December 31, 2010	**1,782**	**0**
Deferred taxes in the period recognized under profit or loss	-216	-88
Effect of exchange rate fluctuations	-14	-7
Balance at December 31, 2011	**1,552**	**-95**

As of December 31, 2011, the Group had tax loss carryforwards not resulting in the recognition of deferred tax assets for the following amounts presented by date of expiration:

In thousands of euros	12/31/2011	12/31/2010
2011		50
2012	307	307
2013	585	585
2014	222	222
> 2014	10,287	10,023
TOTAL	**11,401**	**11,187**
Of which indefinite carryforwards	***9,233***	***9,362***

Reconciliation of tax

In thousands of euros	12/31/2011	12/31/2010
Net income	2,640	1,882
- Share of income in equity-accounted associates	0	0
- Tax expense/income recognized (-/+)	1,057	219
Net income before tax	**3,697**	**2,101**
Ordinary tax rate of the parent company	33.33%	33.33%
Theoretical tax expense/income (-/+)	**-1,232**	**-700**
Permanent tax differences	247	729
Tax savings on loss carryforwards	793	412
Non-recognition of deferred tax assets from loss carryforwards	-388	-405
Temporary tax differences	6	-404
Tax base differences	-228	148
Other	-255	1
TAX EXPENSE/INCOME RECOGNIZED (-/+)	**-1,057**	**-219**

NOTE 19: Basic earnings per share

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.

	12/31/2011		12/31/2010	
	Net earnings (in euros)	Weighted average number of shares	Net earnings (in euros)	Weighted average number of shares
Basis of calculation for basic earnings per share	**2,640,000**	**4,581,657**	**1,882,000**	**4,514,475**
Dilutive stock options		84,992	N/A	77,870
Dilutive bonus shares		50,432	N/A	75,208
Dilutive stock warrants		62,688	N/A	65,782
Basis of calculation for diluted earnings per share	**2,640,000**	**4,779,769**	**1,882,000**	**4,733,335**
Basic earnings per share	**0.58**		**0.42**	
Diluted earnings per share	**0.55**		**0.40**	

NOTE 20: 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;
- Re-invoicing of marketing expenses;
- Re-invoicing of staff costs;
- Interest on advances.

All these transactions are carried out on an arms-length basis and fully eliminated in the consolidated financial statements.

Other transactions with related parties

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

As of December 31, 2011 *(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	491	265	218	9	
Members of the Supervisory Board	72	60			12
TOTAL	**563**	**325**	**218**	**9**	**12**

NOTE 21: Off-balance-sheet commitments and contingent liabilities

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

Contractual obligations *(in thousands of euros)*	**TOTAL**	**Payables by maturity**			**Expense of the period**
		Less than 1 year	**1 - 5 years**	**More than 1 year**	
Long-term debt	-				
Lease finance obligations	Information disclosed in note 4				
Operating leases	3,716	1,210	2,506	0	1,528
Irrevocable purchase obligations	-				
Other long-term obligations	-				
TOTAL	**3,716**	**1,210**	**2,506**	**0**	**1,528**

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

* Undrawn authorized credit lines: €500,000

NOTE 22: Fees paid to auditors and members of their network incurred by the Group

	Deloitte & Associés				Orfis Baker Tilly				Other			
	2011 € ex-VAT	%	2010 € ex-VAT	%	2011 € ex-VAT	%	2010 € ex-VAT	%	2011 € ex-VAT	%	2010 € ex-VAT	%
AUDIT												
Work as statutory auditors and certification of separate and consolidated financial statements												
- for the Issuer	41,620	60%	36,000	60%	27,740	40%	24,000	40%	0	0%	0	0%
- for fully consolidated subsidiaries	0	0%	0	0%	27,142	60%	27,259	61%	18,461	40%	17,616	39%
Accessory assignments												
- for the Issuer												
- for fully consolidated subsidiaries												
Subtotal / Audit services	**41,620**	**36%**	**36,000**	**34%**	**54,882**	**48%**	**51,259**	**49%**	**18,461**	**16%**	**17,616**	**17%**
OTHER SERVICES												
Legal, tax and employee-related services												
- for the Issuer												
- for fully consolidated subsidiaries							1,551	18%	12,927	100%	7,222	82%
Other												
- for the Issuer												
- for fully consolidated subsidiaries												
Subtotal / Other Services	**0**		**0**		**0**	**0%**	**1,551**	**18%**	**12,927**	**100%**	**7,222**	**82%**
TOTAL	**41,620**	**33%**	**36,000**	**32%**	**54,882**	**43%**	**52,809**	**46%**	**31,388**	**25%**	**24,838**	**22%**

NOTE 23: Post-closing events

No significant events have been identified.

NOTE 24: Transition to French GAAP

The consolidated financial statements at December 31, 2011 have been prepared in accordance with French GAAP and notably CRC Regulation 99-02 whereas the consolidated financial statements for the previous year were prepared according to IFRS as adopted by the European Union. These financial statements have in consequence been restated in accordance with CRC Regulation 99-02 for reasons of comparability.

Preferred methods

The return to use of CRC Regulation 99-02 provides all companies with the option of choosing accounting methods under French GAAP, notwithstanding accounting methods applied according to IFRS.

In accordance with the recommendations of the French national standard setter, the ANC (*Autorité des Normes Comptables*) to adopt the preferred methods provided for under paragraph 300 of CRC Regulations 99-02 and 2004-06, the Group has decided to apply the preferred methods for preparing its consolidated financial statements. These preferred methods are as follows:

- Recognition of a provision for the full amount of pension and similar liabilities;
- Use of the percentage-of-completion method for long-term contracts;
- Recognizing under consolidated income the translation differences presented in the separate financial statements of consolidated entities;
- Capitalization of development expenditures;

Description of the nature of material accounting changes

- **Balance sheet**

Intangible fixed assets:

Goodwill: the periodic testing of impairment for goodwill is replaced by systematic amortization. Goodwill recognized in the company's balance sheet is fully amortized on the opening date of the comparative financial statements for January 1, 2010. In consequence, on the transition date, this change had no impact on the income statement but only in reserves for an amount of €358,000.

Cash and cash equivalents

According to CRC Regulation 99-02, the accounting treatment for treasury shares in the consolidated financial statements depends on their accounting classification in the separate financial statements of the company holding term. Treasury shares classified as fixed securities are recognized as a deduction under consolidated equity whereas those recorded under marketable securities are maintained under this item in the consolidated financial statements.
This accounting treatment differs from the method recommended by IAS 32/39 whereby all treasury shares must be deducted from equity. The first-time application of CRC Regulation 99-02 in the opening comparative financial statements results in an increase in amounts recorded in treasury and equity of €83,000.

Borrowings and financial liabilities:

According to CRC 99-02 Regulation grants received from OSEO Anvar are no longer discounted. As a result, the change to French GAAP results in a decrease in the corresponding charge. The resulting impact was an expense of €6,000 in the consolidated income statement and €75,000 in consolidated reserves.

- **Income statement**

Operating profit:

Under IFRS 2 for share-based payments, Esker recognized a charge corresponding to the vested rights for plans granted before November 7, 2002. Options are measured according to the Black-Scholes method. Under CRC Regulation 99-02 this accounting treatment does not exist. In consequence, the impact on the opening income statement represented a gain of €343,000.

Reconciliation of the consolidated balance sheets and income statement for the last consolidated financial statements prepared under IFRS with those prepared under French GAAP (CRC Regulation 99-02).

- **Balance sheet restatements at December 31, 2010**

ASSETS *(in thousands of euros)*	**IFRS**			**French GAAP**		
Balance sheet items under IFRS	**12/31/2010**	**Reclassifications**	**Restatements**	**12/31/2010**	**Note**	**Balance sheet items under French GAAP**
Goodwill	358		-358	0	(a)	Goodwill
Intangible assets	3,892			3,892		Intangible assets
Property, plant and equipment	2,017			2,017		Property, plant, and equipment
Equity-accounted investments	0			0		Equity-accounted investments
Other non-current financial assets	281			281		Financial assets
Deferred tax assets	1,782	-1,782		0	(b)	
Other non-current assets	0			0		
Total non-current assets	**8,330**			**6,190**		
Inventories	88			88		Inventories
Trade receivables	8,983			8,983		Trade receivables
Others current assets	1,177	1,782		2,959	(b)	Other receivables and accruals
Cash and cash equivalents	9,105		108	9,213	(c)	Cash and marketable securities
Total current assets	**19,353**			**21,243**		
TOTAL ASSETS	**27,683**	**0**	**-250**	**27,433**		**TOTAL ASSETS**

SHAREHOLDERS' EQUITY AND LIABILITIES *(in thousands of euros)*	**IFRS**			**French GAAP**		
Balance sheet items under IFRS	**12/31/2010**	**Reclassifications**	**Restatements**	**12/31/2010**	**Note**	**Balance sheet items under French GAAP**
Capital stock	9,029			9,029		Share capital
Additional paid-in capital	17,278			17,278		Additional paid-in capital
Consolidated income (loss)	1,474		408	1,882	(d)	Net income
Retained earnings	-16,655		-700	-17,355	(d)	Reserves
Total shareholders' equity	**11,126**			**10,834**		**Total shareholders' equity**
Attributable to the parent	*11,126*			*10,834*		*Attributable to the parent*
Attributable to non-controlling interests	*0*			*0*		*Attributable to non-controlling interests*
Non-current provisions	0	196		196	(e)	Provisions
Non-current financial liabilities	1,088	805	42	1,935	(f)	Borrowings and financial liabilities
Other non-current liabilities	196	-196		0	(e)	
Total non-current liabilities	**1,284**					
Current borrowings	805	-805		0		
Trade payables	3,078			3,078		Trade payables
Tax and employee-related payables	4,480			4,480		Tax and employee-related payables
Other current liabilities	6,910			6,910		Other payables and accruals
Total current liabilities	**15,273**			**16,599**		**Payables**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,683**	**0**	**-250**	**27,433**		**TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES**

(a) Goodwill fully amortized under French GAAP

(b) Reclassification of deferred tax assets under "Other receivables and accruals"

(c) Treasury shares maintained in the account "Marketable securities"

(d) The impacts on earnings and consolidated reserves are presented in the table "Reconciliation of shareholders' equity for the fiscal year ended December 31, 2010".

(e) Employee retirement severance benefits for Esker France and benefits payable to employees of Esker Italie are reclassified under provisions for expenses.

(f) Cancellation of the discount for the Oseo Anvar debt having an impact of €24,000 for fiscal 2010. Current and non-current borrowings are recorded together under a single heading.

- **Reconciliation of the income statement at December 31, 2010**

Income statement items	12/31/10 IFRS	Reclassification	Restatement	12/31/10 French GAAP	Note	Income statement items
Sales	**32,704**			**32,704**		**Sales**
Own production of goods and services capitalized	1,631			1,631		Own production of goods and services capitalized
		373		373	(a)	Other operating income
Purchases consumed	-1,460			-1,460		Purchases consumed
Change in inventory	-40			-40		Change in inventory
External charges	-9,138	-237		-9,375	(a)	Other operating expenses
Staff costs	-19,640		343	-19,297	(b)	Staff costs
Tax and similar expenses	-491			-491		Tax and similar expenses
Net allowances for amortization and depreciation	-1,865			-1,865		Net allowances for amortization and depreciation
Net allowances for provisions	-206			-206		Net allowances for provisions
Other operating income and expenses	66	-66		0	(a)	
Current operating income	**1,561**			**1,974**		
Other operating income and expenses	192	-192		0	(c)	
OPERATING PROFIT	**1,753**			**1,974**		**OPERATING PROFIT**
Income from cash and cash equivalents	18	-18		0		
Borrowing costs	-78	263	65	250	(c)	Calculated financial expenses and income
Net finance costs	**-60**					
				2,224		**Current operating income of consolidated operations**
		-123		-123	(a) (c)	Exceptional income and expense
Tax	-219			-219		Income taxes
Share of income from equity-accounted associates	0			0		
NET INCOME	**1,474**			**1,882**		**NET INCOME OF CONSOLIDATED OPERATIONS**
	0			0		Non-controlling interests
	1,474			**1,882**		**NET INCOME (ATTRIBUTABLE TO THE GROUP)**
Basic earnings per share in euros	*0.33*			*0.42*		*Basic earnings per share*
Diluted earnings per share in euros	*0.31*			*0.40*		Diluted earnings per share

(a) The line item "Other operating income and expenses" under IFRS does not exist under French GAAP. In consequence these amounts are reclassified either under “operating income", "operating expenses" or "net exceptional items" In effect, net proceeds from the disposal of assets recognized under "Other operating income and expenses" are reclassified under exceptional income under French GAAP (CRC Regulation 99-02).

(b) Impact of IFRS 2 not applied under French GAAP.

(c) Foreign exchange gains and losses recognized under "Other operating income and expenses" under IFRS is restated under "Net financial income/(expense)" As a result, net financial income rose €245,000. The balance of allowances and reversals for exceptional provisions is reclassified under "Net exceptional items"

- **Reconciliation of the income statement at June 30, 2010**

Income statement items	6/30/2010 IFRS	Reclassification	Restatement	6/30/2010 French GAAP	Note	Income statement items
Sales	**15,892**			**15,892**		**Sales**
Own production of goods and services capitalized	714			714		Own production of goods and services capitalized
		275		275		Other operating income
Purchases consumed	-694			-694		Purchases consumed
Change in inventory	-20			-20		Change in inventory
External charges	-4,427	-81		-4,508		Other operating expenses
Staff costs	-9,701		169	-9,532		Staff costs
Tax and similar expenses	-260			-260		Tax and similar expenses
Net allowances for amortization and depreciation	-893			-893		Net allowances for amortization and depreciation
Net allowances for provisions	-295			-295		Net allowances for provisions
Other operating income and expenses	191	-191		0		
Current operating income	**507**			**679**		
Other operating income and expenses	384	-384		0		
OPERATING PROFIT	**891**			**679**		**OPERATING PROFIT**
Income from cash and cash equivalents	7	-7		0		
Borrowing costs	-47	390	26	369		Calculated financial expenses and income
Net finance costs	**-40**					
				1,048		**Current operating income of consolidated operations**
		-2	30	28		Exceptional income and expense
Tax	-188			-188		Income taxes
Share of income from equity-accounted associates	0			0		
NET INCOME	**663**			**888**		**NET INCOME OF CONSOLIDATED OPERATIONS**
	0			0		Non-controlling interests
	663			**888**		**NET INCOME (ATTRIBUTABLE TO THE GROUP)**
Basic earnings per share in euros	*0.15*			*0.20*		*Basic earnings per share*
Diluted earnings per share in euros	*0.14*			*0.19*		Diluted earnings per share

Reconciliation of the consolidated equity presented under IFRS with consolidated equity under French GAAP (CRC Regulation 99-02) on the opening and closing dates of fiscal 2010.

- **Reconciliation of equity at the opening of fiscal 2010, i.e. January 1, 2010**

(in thousands of euros)	Capital stock and additional paid-in capital	Translation difference	Group reserves	Annual profit/(loss)	Equity attributable to the parent	Non-controlling interests	Consolidated shareholders' equity
Balance under IFRS at January 1, 2010	**26,193**	**-538**	**-17,542**	**1,157**	**9,270**	**0**	**9,270**
Restatements:							
Amortization of goodwill			-358		-358		-358
Share-based payment			-360	360	0		0
Treasury shares			21	62	83		83
Oseo discount			-69	-6	-75		-75
Total restatements	**0**	**0**	**-766**	**416**	**-350**		**-350**
Balance under French GAAP at January 1, 2010	**26,193**	**-538**	**-18,308**	**1,573**	**8,920**	**0**	**8,920**

- **Reconciliation of equity at the closing of the 2010 half-year period ending June 30, 2010**

(in thousands of euros)	Capital stock and additional paid-in capital	Translation difference	Group reserves	Annual profit/(loss)	Equity attributable to the parent	Non-controlling interests	Consolidated shareholders' equity
Balance under IFRS at June 30, 2010	**26,269**	**68**	**-16,235**	**663**	**10,765**	**0**	**10,765**
Restatements:							
Amortization of goodwill			-358		-358		-358
Share-based payment			-169	169	0		0
Treasury shares			80	30	110		110
Oseo discount			-75	26	-49		-49
Total restatements	**0**	**0**	**-522**	**225**	**-297**		**-297**
Balance under French GAAP at June 30, 2010	**26,269**	**68**	**-16,757**	**888**	**10,468**	**0**	**10,468**

- **Reconciliation of equity at the closing of fiscal 2010, i.e. December 31, 2010**

(in thousands of euros)	Capital stock and additional paid-in capital	Translation difference	Group reserves	Annual profit/(loss)	Equity attributable to the parent	Non-controlling interests	Consolidated shareholders' equity
Balance under IFRS at December 31, 2010	**26,308**	**-330**	**-16,326**	**1,474**	**11,126**	**0**	**11,126**
Restatements:							
Amortization of goodwill			-358		-358		-358
Share-based payment			-343	343	0		0
Treasury shares			76	32	108		108
Oseo discount			-75	33	-42		-42
Total restatements	**0**	**0**	**-700**	**408**	**-292**		**-292**
Balance under French GAAP at December 31, 2010	**26,308**	**-330**	**-17,026**	**1,882**	**10,834**	**0**	**10,834**

Reconciliation of the IFRS consolidated income statement and the consolidated income statement restated under French GAAP (CRC Regulation 99-02) for fiscal 2010.

- **Reconciliation of the 2010 income statement**

2010 IFRS income statement	**1,474**
Restatements:	
Amortization of goodwill	
Share-based payment	343
Treasury shares	32
Oseo discount	33
Total restatements	408
2010 income statement restated under French GAAP	**1,882**

- **Reconciliation of the first-half income statement for the six-month period ending June 30, 2010**

2010 IFRS H1 income statement	**663**
Restatements:	
Amortization of goodwill	
Share-based payment	169
Treasury shares	30
Oseo discount	26
Total restatements	225
2010 H1 income statement restated under French GAAP	**888**

11 STATUTORY AUDITORS' REPORT

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In accordance with our appointment as statutory auditors at your Annual General Meeting we hereby report to you for the year, ended December 31, 2011 on:

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

The consolidated financial statements have been adopted by the Executive 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. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis as well through the use of other methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position and the results of consolidated operations for the year then ended in accordance with French generally accepted accounting standards.

Without calling into question the opinion expressed above, we draw your attention to the section "Significant accounting policies" of note 1 to these financial statements presenting the change in accounting standards applied.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with Article L. 823-9 of the French commercial code concerning the justification of our assessments, we bring to your attention the following items

- The paragraph "Intangible assets" of note 1 hereto describes the accounting rules and methods for recognition, amortization and measurement of development expenditures. With respect to our assessment of the accounting policies adopted by the company, we analyzed the appropriateness of these rules and methods and their implementation and verified that Note 1 provides appropriate disclosure in this regard.
- The paragraph "income tax and deferred tax" of note 1 describes the accounting rules and methods for recognizing deferred tax assets arising from tax loss carry-forwards. We analyzed the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.

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

III. SPECIFIC PROCEDURE

As required by law we have also verified, in accordance with professional standards applicable in France, the information relating to the Group given in the management report.

We have no matters to report with respect to the fair presentation of this information and its consistency with the consolidated financial statements.

Paris, May 2, 2012
The Statutory Auditors
[*French original signed by*]

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