2017

ANNUAL REPORT

ESKER®

ANNUAL REPORT

This original French version of the registration document was filed with the French financial market authority (***Autorité des Marchés Financiers or AMF***) on May 18, 2018 in compliance with Article 212-13 of the AMF General Regulation.

It may be used in connection with a financial transaction only if accompanied by a memorandum approved by the AMF.

The original French language version of this document was prepared by the issuer and is binding on its signatories.

Copies of this registration document are available to all persons submitting a request to the Company's registered office.

It can also be consulted at Esker's website: http://www.esker.fr.

In accordance with Article 28 of Commission Regulation (EC) No 809/809 (the "Prospectus Directive"), the following information is incorporated by reference in this registration document:

- The consolidated financial statements and the auditors' report thereon for the period ended December 31, 2016 as presented on pages 34 to 52 of the original French language version of the registration document filed with the AMF on May 15, 2017 (No. D.17-0516);

- The consolidated financial statements and the auditors' report thereon for the period ended December 31, 2015 as presented on pages 35 to 53 of the original French language version of the registration document filed with the AMF on May 09, 2016 (No. D.16-0469);

The information included in these two registration documents other than the items mentioned above have been, as applicable, replaced and/or updated by the information included in this registration document.

The two registration documents referred to above may also be consulted at the Company's website: www.esker.fr.

TABLE OF CONTENTS

1. PRESENTATION OF THE GROUP AND ITS BUSINESS 3

1.1. Financial highlights 3
1.2. Group profile and milestones 4
- 1.2.1. General overview 4
- 1.2.2 Organization 5

1.3. Description of the business 6
- 1.3.1. Market and strategies 6
- 1.3.2. Research and development, patents and licenses 7
- 1.3.3. Investments 8
- 1.3.4. Material contracts 9
- 1.3.5. Financial position of the Group 9
- 1.3.6. Business trends, outlook and significant post-closing events 10
- 1.3.7. Capital resources 10
- 1.3.8. Presentation of the financial statements and appropriation of earnings 11
- 1.3.9. Information on dividends 11

2. CORPORATE GOVERNANCE 12

2.1. Corporate governance bodies 12
- 2.1.1. Composition of corporate governance bodies 12
- 2.1.2. Practices of corporate governance bodies and conflicts of interest 13
- 2.1.3. Special committees 14

2.2. Compensation and benefits of executive officers and directors 14
2.3. Chair's report on corporate governance 17

3. EMPLOYMENT-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION 18

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 19

4.1. Consolidated financial statements for the year ended December 31, 2017 19
4.2. Statutory auditors' report on the consolidated financial statements 36

5. INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL 38

5.1. Five-year summary of changes in the share capital 38
5.2. Major shareholders 39
5.3. Memorandum of incorporation and articles of association 39
5.4. Statutory information on Esker S.A. 41
5.5. Employees 42
- 5.51. Headcount and information on human resources 42
- 5.5.2. Stocks options and/or other benefits granted to corporate officers 43

6. ADDITIONAL INFORMATION 44

6.1. Responsibility for the French version of the registration document 44
6.2. Statutory auditors 44
6.3. Documents on display 45

1. PRESENTATION OF THE GROUP AND ITS BUSINESS

1.1. FINANCIAL HIGHLIGHTS

Net sales (€ thousands)	
2017	76,065
2016	65,990
2015	58,457
2014	46,060

Operating profit (€ thousands)	
2017	10,248
2016	9,734
2015	9,054
2014	5,700

Net income (€ thousands)	
2017	6,766
2016	6,325
2015	6,473
2014	4,650

Earnings per share (€)	
2017	1.28
2016	1.20
2015	1.30
2014	0.97

(€ thousands)	2017	2016
Cash flows after net financial expense	14,134	11,410
Change in operating working capital	-80	1,476
Net cash provided by operating activities	15,184	14,361
Net cash provided in investing activities	-19,935	-7,956
Net cash provided in investing activities	4,867	-1,050
NET CHANGE IN CASH AND CASH EQUIVALENTS	**116**	**5,355**

(€ thousands)	2017	2016
Non-current assets	37,912	28,334
Current assets	42,823	42,024
SHAREHOLDERS' EQUITY	**39,620**	**34,402**
Provisions for contingencies and expenses	1,193	554
Borrowings	13,716	7,657
Other payables	26,206	27,745

1.2. GROUP PROFILE AND MILESTONES

1.2.1. GENERAL OVERVIEW

- **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.
- **1989:** Launch of the Tun terminal emulation software connecting PCs to UNIX-based central servers. Management decided to position the Company as a developer of international software products and opened up its capital to outside investors.
- **1991:** Opening of subsidiaries in the United Kingdom, Spain, Germany, Italy and the United States.
- **1995:** Opening of capital to venture capital companies.
- **1997:**
  - Esker was listed on the Nouveau Marché of the Paris stock exchange to accelerate its expansion in North America and diversify its product portfolio.
  - Acquisition of a distributor in Australia.
- **1998:** Acquisition of Teubner in the United States (Stillwater, Oklahoma), specialized in fax servers.
- **1999:** Acquisition of Persoft in the United States (Madison, Wisconsin) specialized in terminal emulation software.
- **2000:** Repositioning of the company in document process automation technologies.
- **2001:**
  - Acquisition in the United States of VSI, specialized in fax servers.
  - Launch of the first document process automation product: Esker DeliveryWare.
- **2003:** Launch of the first cloud-based document process automation solutions (mail and fax on demand).
- **2007:** All document process automation solutions are transferred to the cloud (Esker on Demand).
- **2008:** Expansion into Asia with the creation of an office in Singapore and Kuala-Lumpur (Malaysia).
- **2010:** Transfer of the share listing to Alternext (renamed EuroNext Growth).
- **2011:** Adoption of the Agile project management methodology for R&D for the continuous development of new software solutions while remaining in step with customer demand and market developments.
- **2013:** Integrating the Design Thinking methodology (UX: User eXperience) to improve end-user adoption of its software solutions.
- **2015:** Acquisition of TermSync (collection solution) in the United States and CalvaEDI (Electronic Data Interchange) in France.
- **2017:**
  - e-integration was acquired in Ratingen (Germany) to consolidate the company's position in the EDI market.
  - Esker is ranked by the Great Place to Work® for well-being in the workplace; To keep pace with its strong growth, Esker is required to carry out a number of recruitments. With that objective, it attaches particular importance to well-being in the workplace to attract and retain recent graduates.
  - ISO 9001 (quality management system standard) and 27001 (information security management system standard) certifications for its cloud platform.

1.2.2. ORGANIZATION

Legal structure of the Esker Group as of December 31, 2017

ESKER SA

- Worldwide headquarters
- Lyon, France
- General management finance, R&D, marketing, IT
- Sales for France, Switzerland, Belgium, and French-speaking Africa

Ownership	Company	Location and activity
100 %	ESKER Inc.	**Madison, Wisconsin (registered office USA)** US sales **TermSync** 100%
100 %	ESKER UK Ltd	**Derby, United Kingdom** Sales for UK, Ireland, Benelux and Scandinavia
100 %	ESKER GmbH	**Munich, Germany** Sales for Germany, Austria and Eastern Europe
100 %	ESKER Italia Srl	**Milan, Italy** Sales for Italy
99,8 %	ESKER Iberica Sl	**Madrid, Spain** Sales for Spain and Portugal
100 %	ESKER Australia Pty Ltd.	**Sydney, Australia** Sales for Australia, New Zealand and Asia
100 %	Esker Document Automation Asia Pte Ldt	**Singapore** Sales for Southeast Asia and China
100 %	Esker Document Automation (M) Sdn. Bhd.	**Malaysia** Sales for Malaysia
100 %	Esker Solution Canada Inc.	**Montreal, Canada** Canada sales
100 %	CalvaEDI	**Paris, France** Sales for CalvaEDI
100 %	e-integration	**Düsseldorf, Germany** Sales for e-integration

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 2017, established by the Supervisory Board. Amounts invoiced by the Group consisted of the following:

- Sales of services by the parent company to subsidiaries
- Royalties
- Marketing expense chargebacks
- Staff costs chargebacks
- Interest on advances

In fiscal 2017, the amount invoiced by Esker S.A. on this basis to all subsidiaries totaled €10,029,000 (€10,287,000 in 2016). These subsidiaries in turn invoiced the parent company €1,400,000 (€1,005,000 in 2016). 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.

Regulated agreements concluded between Group companies are presented in the corresponding report of the Statutory Auditors included in *Section 5.5* of this document.

Segment information is provided in *note 1* to the consolidated financial statements presented in *Section 4.1.* of this document and information on related parties in *note 21* herein.

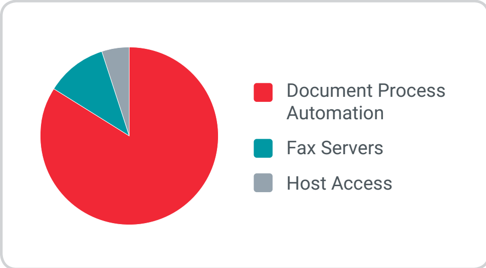
1.3. DESCRIPTION OF THE BUSINESS

1.3.1. MARKET AND STRATEGIES

Sales by product segment

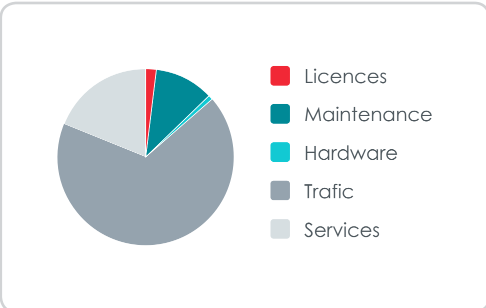
Document process automation solutions either as a service (SaaS) or in the form of a traditional license.

	2017		2016	
In thousands of euros	Amount	%	Amount	%
Document process automation solutions as a service (SaaS)	64,314	85%	50,847	77%
Document process automation solutions (license-based)	8,124	11%	10,711	16%
Historic products	3,627	5%	4,432	7%
TOTAL	**76,065**	**100%**	**65,990**	**100%**



Sales by product sub-segment

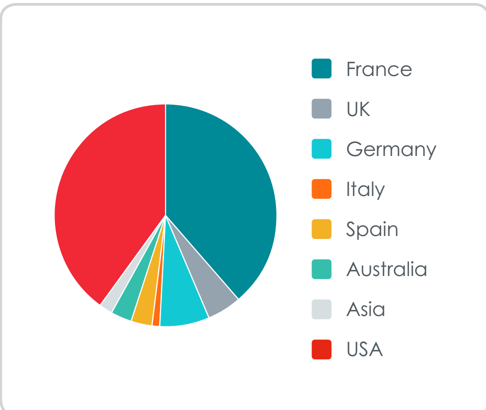
	2017		2016	
In thousands of euros	Amount	%	Amount	%
Licenses	1,647	2%	2,600	4%
Maintenance	8,041	11%	8,645	13%
Hardware	605	1%	726	1%
Traffic	51,412	68%	43,382	66%
Services	14,360	19%	10,637	16%
TOTAL	**76,065**	**100%**	**65,990**	**100%**



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

Sales by country

	2017		2016	
In thousands of euros	Amount	%	Amount	%
France	29,020	38%	25,756	39%
United Kingdom	3,750	5%	3,434	5%
Germany	5,662	7%	2,110	3%
Italy	1,124	1%	1,108	2%
Spain	2,542	3%	2,114	3%
Australia	2,505	3%	2,265	3%
Asia	1,534	2%	1,197	2%
Americas	29,928	39%	28,006	42%
TOTAL	**76,065**	**100%**	**65,990**	**100%**



Sales outside of France account for 62% of revenue, with the United States alone accounting for 39%.

Document process automation

Esker DeliveryWare

Competitors in the Esker DeliveryWare product segment include:

Company	2017 sales [1]
Basware	€149.2m
Open Text	€2.102m
ITESoft	€25.8m

(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 for both inbound and outbound document delivery and through such an extensive range of channels. Esker is unique in proposing a comprehensive on-demand offering for solutions 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 OMPrompt, Baseware, Concur and Lexmark.

FlyDoc

Only Maileva (a subsidiary of La Poste Group) 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.

Basis of statements made by the issuer regarding its competitive position

Items providing the basis for statements made by the issuer regarding its competitive position are presented below in *Section 6.4 Competition in the document process automation market*.

1.3.2. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Research and development expenses

Esker has historically devoted significant resources to research and development. In 2017, the R&D budget represented nearly 11 % 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, 2017 at the site located in Lyon, a team of 90 computer engineers work on developing Esker software programs. The R&D department also has a team based in Madison (Wisconsin, USA) of 10 engineers developing the TermSync solution. Second-level technical support is provided by another team of 51 engineers.

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 3* and *15* to the consolidated financial statements presented in *Section 4.1.* of this document):

In thousands of euros	12/31/2017	12/31/2016	12/31/2015
R&D expenses for the period	-8,291	-6,754	-5,583
Capitalized development expenditures	5,204	4,774	3,836
Amortization of capitalized development expenditures	-3,633	-3,010	-2,509
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-6,720**	**-4,990**	**-4,256**

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.

Development expenditures recognized as assets in 2017 concern mainly software as a service (SaaS) solutions (Esker on Demand and FlyDoc), capitalized every six-month period.

Patents

Technologies for GDR (general document recognition), analysis and routing have been protected for a number of years by patents with the USPTO (United States Patent and Trademark Office).

In particular, this protection covers the following patents:

- US 6,906,817 B1: Network system for directing the transmission of facsimiles
- US 8,094,976 B2: One-screen reconciliation of business document image data, optical character recognition extracted data, and enterprise resource planning data
- US 8,108,764 B2: Document recognition using static and variable strings to create a document signature
- US 8,396,854 B2: Digital document management system
- US 8,577,826 B2: Automated document separation

Trademarks

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

- Esker
- VSI-FAX
- Greener Doc
- TermSync
- Pulse
- CalvaEDI
- FaxGate
- Smarterm
- Tun
- Quit Paper
- FlyDoc
- Green Doc
- Smartmouse
- Persona

Independence of the issuer

Esker SaaS solutions are provided mainly with equipment owned and operated by Esker. In contrast, computer equipment is housed in secure data center rooms operated by outside service providers (Colt, CDW).

Esker products are generally sold without complementary third-party products, with the exception of Esker DeliveryWare that incorporates document format conversion and optical character recognition modules marketed by Esker. Esker Fax is frequently marketed with an intelligent fax board.

1.3.3. CAPITAL EXPENDITURES

Most of the Group's capital investments (R&D, computer equipment) are self-financed. Automobiles are in contrast acquired through leases.

Major equipment investments in equipment for FlyDoc and Esker on Demand solutions are generally acquired through lease financing (registered letter processing machine, printers, servers, storage, etc.).

Acquisitions are financed through company cash or treasury shares in addition to bank loans.

Major capital investments in 2016 and 2017

(€ thousands)	2017	2016
Acquisitions	4,730	1,063
Esker on Demand	5,204	5,060
Of which finance leases recognized under assets	*0*	*619*
Buildings	1,856	
Other fixed assets	2,189	1,960
TOTAL	**13,979**	**8,083**

The Company's capital investments are focused primarily on our software as a service (SaaS) solutions (Esker on Demand et FlyDoc), capitalized every six months, and printers and mail inserting systems for the production site in France.

Additional information is provided in *notes 2* and *4* of the consolidated financial statements presented in *section 4* of the original French language registration document.

Other assets consist primarily of computer equipment and software necessary for the company's normal business operations.

Principal current and future investments

Capital investments are currently being made to develop Esker on Demand, necessary to service new Esker on Demand customers and including notably:

- Increasing the processing capacity of its existing production centers over the next three years,
- Create new mail processing centers,
- Improving document automation processes in SaaS (Software as a Service) in particular to accelerate their deployment and parameterization for key accounts.

These changes require the acquisition of new data processing and storage servers, printing and mail insertion systems.

Information on methods used to finance these capital investments is presented in *paragraph 1.3.8.* of this document.

Principal future investments subject to firm commitments by Management bodies

Esker undertook to pay contingent consideration to the e-integration company's owner whose calculation will be based on the achievement of sales targets.

1.3.4. MATERIAL CONTRACTS

No material contracts, other than those entered into in the ordinary course of business, have been entered into in the last two financial periods

1.3.5. FINANCIAL POSITION OF THE GROUP

The Group's 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 4.1* of this document.

Analysis of Group revenue

Esker's annual revenue grew 15% in 2017 (+11% at constant structure and exchange rates) to €76.1 million.

SaaS document process automation solution sales grew 26% in the period to account for 85% total Group revenue. This performance reflects contributions from new contracts added in 2017 combined with good momentum from existing customers.

Revenue from traditional license-based document process automation solutions was impacted by an unfavorable base reflecting one-time contracts concluded in 2016. Sales from this business line declined 24% to €8.1 million and now represents only 11% of Group revenue.

The historic products declined 18% and now accounted for less than 5% of total sales.

Accelerating growth investments and commercial successes

Beyond this growth in sales revenues, 2017 was also a record year in terms of commercial performances. The minimum guaranteed value for the Group of contracts signed in 2017 (order intake) increased significantly by 45% in relation to 2016, significantly outpacing this topline growth. This performance also significantly outperformed growth for this same indicator in 2016 (+33%).

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 period, development expenditures for SaaS solutions recognized in the period under intangible assets amounted to €5,204,000 (€4,774,000 in 2016). These expenditures are capitalized every six months.

The net impact of capitalized development expenditures in the period, after deducting amortization expenses, was €1,570,000 (versus €1,765,000 at 12/31/2016). Since the acquisition of the startup TermSync, Esker once again has a research and development operations in the United States, in addition to those in France. In France, Esker is a beneficiary of Research Tax Credits.

After taking into account capital expenditures in the period and costs associated with preparing for the Group's future growth, operating profit rose (5%) to €10.2 million in 2017, up from €9.7 million in 2016. This performance reflects the Group's focus on combining profitability and investments for the future.

Profitability in 2017 was marginally impacted by adverse foreign exchange rate fluctuations (mainly of the US dollar and Sterling pound) representing a currency effect on sales of 0.5%.

2017 results include the first-time consolidation on January 1 of Esker's most recent acquisition, e-integration based in Ratingen, Germany. This company contributed to the Group €3.6 million in revenue, up 9%, and €0.65 million in operating profit.

Net financial expense remained stable at €110,000 in 2017 compared to €108,000 in 2016, reflecting primarily foreign exchange results and net interest expense.

Non-recurring items in 2017 and net income

Net exceptional items in 2017 included non-recurring expenses or an amount in line with 2016. This consisted mainly in the finalization of adjustments in the measurement of provisions for retirement severance benefits for French employees and the settlement of financial costs associated with the moves of the Group's headquarters and its main US office.

In light of the increase in operating profit, the non-recurring items mentioned above and an effective tax rate close to the standard rate (32%), net income of the period amounted to €6.8 million, up 7% from the prior year.

1.3.6. BUSINESS TRENDS, OUTLOOK AND SIGNIFICANT POST-CLOSING EVENTS

Business trends and outlook

In the years ahead, all organic growth will be driven by cloud-based solutions. The absence of an initial investment combined with operating comfort make these solutions very popular with customers. Esker intends to exercise a leadership position in the "on-demand" document process automation market by leveraging its experience as a pioneer and its sizable installed base. To achieve this, the company will develop its offering by automating increasingly complex processes to include financial mechanisms (e.g., factoring, reverse factoring, payment, etc.) and artificial intelligence technologies.

In conjunction with this trend, the weight of the historic products (Host Access and Fax) as well as Esker DeliveryWare licenses in the revenue mix will mechanically diminish.

The sizable percentage of the recurrent business (79%) allows the company to look to the year ahead with confidence. Organic growth is expected to exceed 10% based on the significant number of contracts added in 2017.

Esker is actively looking for partners capable of assisting it in marketing and integrating its solutions in other customer segments. Esker again strengthened its consulting, business development and R&D teams without impacting operating profit, with profitability expected to remain at the same level as in 2017. In absolute value, further improvement in operating profit is expected.

The cash balance is sufficient for the development of infrastructure and software required to support the growth in on-demand solutions.

Esker's main objectives for 2018 are as follows:

- Grow the cloud platform in order to accommodate continuing growth in the number of customers
- Secure the cloud platform and maintain its recently acquired ISO27001 certification
- Integrate artificial intelligence technologies (e.g., Machine Learning, Deep Learning) for all its solutions to further enhance the automation rate.
- Find partners and integrators in the Group's main markets (United States, France) and support their success.

Significant post-closing events

None.

1.3.7. CAPITAL RESOURCES

Capital of the issuer

Information concerning the capital is presented in the consolidated statement of changes in equity *paragraph 4.1. "historical financial information: consolidated financial statements".*

Sources, amounts and description of cash flows

Information on cash flow is presented in the cash flow statement in *paragraph 4.1.*

The analysis of changes in cash in the period is presented above in *section 1.3.3.*.

At December 31, 2017, the Group's US and UK subsidiaries had positive cash balances. In this respect, the euro's appreciation in relation to the US dollar or the pound sterling constitutes an impediment to the transfer of funds from the United States and the United Kingdom to France.

The cash surpluses are invested in the main currencies (EUR, USD, GBP, AUD). The parent company supervises the financial investments of subsidiaries by direct consultation of their balances and requests for cash flow forecasts.

Borrowing requirements and funding structure

As indicated above in *section* 1.3.3. note 12 of the consolidated financial statements, presented in *paragraph 4.1.* of this document, financial liabilities at year-end amounted to €13,716,000 and included the following items:

- €1,849,000 in financial debt in connection with finance leases capitalized in the period and concerning one printing and two inserting machines used for outsourced on-demand mail delivery services.
- €11,867,000 in bank borrowings to finance external growth and the acquisition of the site of the production plant in Décines (France).

Restrictions on the use of capital resources

There are no restrictions on the use of the company's capital resources.

Anticipated sources of funds

New sources of funds are not planned in 2018.

1.3.8. PRESENTATION OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF EARNINGS

It is proposed that the profit of the period of €3,648,772.28 be appropriated as follows:

▪ €17,201.60 will be allocated to the "Legal reserve", increased accordingly from €1,078,871.60 to 1,096,073.20	€17,201.60
▪ €1,753,717.12 for the distribution of dividends to shareholders (including the bonus dividend), it being noted for the record that treasury shares held by the Company do not confer a right to dividends, and the amounts corresponding to dividends not paid on these shares will be allocated to "Retained earnings"	€ 1,753,717,12
▪ with the balance of €1,877,853.56 to be allocated to "Retained earnings", which would be increased accordingly to €24,642,123.87	€1,877,053.56
Total equaling the profit of the period	€3,548,772.28

The dividends will be payable as of the date of the General Meeting within the statutory time limits in the amount of €0.32 per share.

In accordance with article 26 of the articles of association, shares held without interruption in registered form since December 31, 2014 and in the name of the same shareholder until the dividend payment date for 2017, will benefit from a maximum supplemental dividend amount of 10%

In consequence, the general meeting decides to set the amount of the resulting bonus dividend at €0.35 per share for eligible shares.

1.3.9. INFORMATION ON DIVIDENDS

The company distributed its first dividend for fiscal 2010. The Executive Board will propose a dividend of €0.32 per share at the annual general meeting of June 21, 2018.

For information, dividends distributed for the last three financial periods is disclosed below:

FY (French GAAP)	Net dividend (in euro)	Net dividend / earnings per share
2016	0.30	25%
2015	0.30	23%
2014	0.24	26%

2. CORPORATE GOVERNANCE

2.1. CORPORATE GOVERNANCE BODIES

2.1.1. COMPOSITION OF CORPORATE GOVERNANCE BODIES

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

		OFFICES EXERCISED IN OTHER COMPANIES					
Name	Office or position exercised in Esker S.A.	Company	Nationality	Office / Position	Year of initial appoint-ment	Expiration of appointment: General Meeting ruling on the financial statements for the fiscal year ending in	Professional address (primary position)
M.C. Bernal	Chair of the Supervisory Board	Esker SA	French	Chair of the Supervisory Board	2001	2018	113 boulevard de Stalingrad 69100 Villeurbanne
		Potentia Pharmaceuticals	US	Director	2005	N/A	6400 Westwind Way, Crestwood, KY 40014
		GNUBIO	US	Director	2010	N/A	1 Kendall Square, Cambridge, MA 02139
		Exel Industrie	French	Director and Chair of the Audit Committee	2012	2018	54 rue Marcel Paul, 51200 Epernay
K. Beauvillain	Vice Chair of the Supervisory Board	Esker SA	French	Vice Chair of the Supervisory Board	1999	2022	113 boulevard de Stalingrad 69100 Villeurbanne
N. Pelletier-Perez	Member of the Supervisory Board	Esker SA	French	Member of the Supervisory Board	2017	2022	113 boulevard de Stalingrad 69100 Villeurbanne
		Actif DPS	French	Member of the Supervisory Board	2016	2021	22 bis rue des Malines 91090 Lisses
T. Wolfe	Member of the Supervisory Board	Esker SA	French	Member of the Supervisory Board	1999	2019	Esker Inc. 1850 Deming Way - Suite 150 Middleton, WI 53562
J.M. Bérard	Chair of the Executive Board	Esker SA	French	Chair of the Executive Board	2000	2019	113 boulevard de Stalingrad 69100 Villeurbanne
		Esker Inc	US	Vice President	2001	N/A	Esker Inc. - 1850 Deming Way, Suite 150 - Madison, WI 53562 - USA
		Esker UK Ltd.	British	Vice President	1999	N/A	Durham House, Wyvern Business Park, Stanier Way, Derby, Derbyshire DE21 6BF - UK
		Esker GmbH	German	Director	1999	N/A	Dillwachterstrasse 5, 80686 Munchen - Germany
		ESKER Italia Srl	Italian	Director	2001	N/A	Via Gozzano 45, 21052 Busto Arsizio - Italy
		Esker Ibérica SL	Spanish	Director	2001	2100	C/ Peru 6, Planta baja, Oficina 1, Edificio Twin Golf B, 28290 Las Rozas de Madrid
		Esker Australia Pty Ltd.	Australian	Vice President	1997	N/A	219-227 Elizabeth Street, Sydney NSW 2000 - Australia
		ESKER Document Automation Asia Pte Ltd	Singapore	Vice President	2007	N/A	47 Scott Road, Goldbell Towaer, Singapore 228233
		ESKER Documents Automation (M) Sdn. Bhd.	Malaysia	Vice President	2009	N/A	Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong SG Besi Bkt Jalil, 57000 Kuala Lumpur - Malaysia
		Esker Solution Canada Inc.	Canadian	Director	2012	N/A	Bureau 2800, 630 bld René Levesque Ouest, Montreal (Quebec) H3B 1S6 - Canada
		Calva EDI	French	Chair	2015	N/A	6 rue du Docteur Laurent 75013 Paris
		TermSync	US	Vice President	2015	N/A	1850 Deming Way - Suite 150 Middleton, WI 53562
		e-integration GmbH	German	Chair	2017	N/A	Calor Emag Strasse 3, 40878 Ratingen
E. Olivier	Member of the Executive Board	Esker SA	French	Member of the Executive Board	2003	2019	113 boulevard de Stalingrad 69100 Villeurbanne

- **Marie-Claude Bernal** has served as Chair of the Supervisory Board of Esker since 2000. Graduated from the HEC-JF 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 department of this fund, becoming a partner in 1994. She pursued her collaboration with this company until 2000. Marie-Claude Bernal is also a director of a privately held US company and a French public company.
- **Kléber Beauvillain** has served as Vice Chair of the Supervisory Board since 2000. He was Managing Director of Hewlett Packard France for more than 20 years before becoming the Chair of the Supervisory Board. He currently serves on the boards of several companies including the Alpha Mos Group listed on the Paris stock exchange.
- **Nicole Pelletier-Perez,** is a member of the company's Supervisory Board since 2017. She began her career at Digital Equipment as a systems engineer, and then technical team manager. In 1988 she joined Oracle France to create the public sector division, and then became manager of Oracle Applications. In 1994 she was appointed to SAP France's executive management team. At the end of 1996, she joined Wincap Software as Vice President for Sales, Europe and Japan. In 1999 she was recruited by IBM Europe and in 2011 she joined IBM France's hardware division and upon its sale, integrated Lenovo as Director of Partners. She has been a board member of Actif DPS since 2015 and a member of France's Women Business Angels network (FBA) since 2016.
- **Tom Wolfe,** member of the Supervisory Board is the founder of Persoft Inc, acquired by Esker in 1999.

Information on the career and professional background of Jean-Michel Bérard, Chair of the Executive Board and Emmanuel Olivier, Worldwide Chief Operating Officer, is presented in *section 5.7.*. of this document.

2.1.2. PRACTICES OF CORPORATE GOVERNANCE BODIES AND CONFLICTS OF INTEREST

Practices of corporate governance bodies

For the needs of their corporate offices, members of the Supervisory Board and Executive are domiciled at the company's registered office.

There are no family ties between the Executive Board and the Supervisory Board members.

In fiscal 2017 the Executive Board met seven times at the company's registered office. The average rate of attendance at these meetings was 100%.

To the best of the Company's knowledge:

- None of the Supervisory Board members has been convicted for fraud in the last five years,
- None of these members has personally bankrupt, placed in receivership or liquidation over the last five years,
- None of these members has been convicted of an offence and/or subject to official public sanctions,
- None of these members has been prevented by any court from acting as a member of any board of directors or management or supervisory body of an issuer over the last five years.
- None of these members has been prevented from participating in the management or conduct of the business and affairs of an issuer over the last five years.

Information on Executive Board practices

The Executive Board has two members elected by the Supervisory Board for two-year terms:

- **Jean Michel Bérard** (Chair of the Executive Board), appointed by the Supervisory Board on August 31, 1999, and then reappointed by the Supervisory Board on June 18, 2000, June 24, 2013, June 22, 2005, June 28, 2007 June 26, 2009 June 10, 2011 June 13, 2013, June 16 2015 and June 22, 2017.
- **Emmanuel Olivier** (Chair of the Executive Board), appointed by the Supervisory Board on January 27, 2003, and then reappointed by the Supervisory Board on June 24, 2003, June 22, 2005, June 28, 2007 June 26, 2009 June 10, 2011 June 13, 2013, June 16 2015 and June 22, 2017.

Information about service contracts between directors and officers with the issuer

No service contract exists between members of the board of directors or executive management of the Company or its subsidiaries, providing for the grant of benefits under its terms.

Conflicts of interests within the administrative, management and supervisory bodies and executive management

To the best of the Company's knowledge, there are no potential conflicts of interest regarding the issuer between any of the officers or supervisory board members and any chief executive and their private interests and/or other duties.

There are no arrangements or understandings with major shareholders, customers or suppliers pursuant to which any of the persons referred to in point 2 .1 were selected as a member of the board of directors or supervisory board or a member of the executive management.

The company has adopted rules that restrict or prohibit dealings in own shares by members of the Supervisory Board, executive board and managers possessing non-public information. Such persons are informed of the opening or closing of the trading blackout period.

2.1.3. SPECIAL COMMITTEES

Audit committee and compensation committee

The audit committee has three members from the Supervisory Board: Ms. Bernal, Ms. Pelletier-Perez and Mr. Beauvillain. This committee met once in 2017 in the presence of all members (100 % attendance rate).

The compensation committee is comprised of Supervisory Board members. This committee met twice in 2017 in the presence of all members (100 % attendance rate).

2.2. COMPENSATION AND BENEFITS OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation of Supervisory Board members

Corporate officer	Office or position exercised in Esker S.A.	Company paying the compensation	Compensation paid in 2017 (gross basis)	Nature of compensation paid for fiscal 2017			
				Fixed salary, fees	Variable compensation	Benefits in kinds	Attendance fees
Marie Claude Bernal	Supervisory Board Chair	Esker SA	€ 39,000	€ 30,000			€ 9,000
K. Beauvillain	Supervisory Board Vice-Chair	Esker SA	€ 24,000	€ 15,000			€ 9,000
N. Pelletier-Perez	Member of the Supervisory Board	Esker SA	€ 12,000	€ 7,500			€ 4,500
T. Wolfe	Member of the Supervisory Board	Esker Inc.	€ 21,000	€ 15,000			€ 6,000
TOTAL			€ 96,000	€ 67,000	€0	€0	€ 28,500

Compensation of the Chair and Vice-Chair of the Supervisory Board paid for their duties was set by a decision of the Supervisory Board dated 10/15/2001. This represents fixed compensation. The total annual amount for attendance fees is set by the Annual General Meeting and allocated by the Supervisory Board among its members.

By way of information, a comparative presentation of compensation of the previous period is presented below:

Corporate officer	Office or position exercised in Esker S.A.	Company paying the compensation	Compensation paid in 2016 (gross basis)	Nature of compensation paid for FY 2016			
				Fixed salary, fees	Variable compensation	Benefits in kinds	Attendance fees
Marie Claude Bernal	Supervisory Board Chair	Esker SA	€ 42,000	€ 30,000			€ 12,000
K. Beauvillain	Supervisory Board Vice-Chair	Esker SA	€ 24,000	€ 15,000			€ 9,000
T. Wolfe	Member of the Supervisory Board	Esker Inc.	€ 21,000	€ 15,000			€ 6,000
TOTAL			€ 87,000	€ 60,000	€0	€0	€ 27,000

Compensation of executive corporate officers

	2017		2016	
(in €)	Amounts due	Amounts paid	Amounts due	Amounts paid
Jean-Michel Bérard – Chair of the Executive Board				
Fixed compensation	195,612	195,612	187,620	187,620
Variable compensation	173,750	188,000	188,000	186,000
Attendance fees	None	None	None	None
Benefits in kinds	6,936	6,936	6,466	6,466
TOTAL	**376,298**	**390,548**	**382,086**	**380,086**
Mr. Emmanuel Olivier, Worldwide Chief Operating Officer, Executive Board member				
Fixed compensation	174,904	174,904	156,625	156,625
Variable compensation	80,774	74,843	74,843	119,829
Attendance fees	None	None	None	None
Benefits in kinds	7,488	7,488	6,982	6,982
TOTAL	**263,166**	**257,235**	**238,450**	**283,436**

The compensation of Executive Board members was approved by the Supervisory Board on March 23, 2017.

Since 2017, compensation paid to the Chair of the Executive Board includes a variable portion linked to the achievement of Group objectives. This variable compensation was accrued for in the financial statements at December 31, 2017.

Similarly, compensation paid to Mr. Emmanuel Olivier in 2017 includes variable compensation linked to achievement of commercial objectives relating to fiscal 2017. Variable compensation linked to achieving objectives defined for fiscal 2017 was not paid in 2017 though was accrued for in the accounts at December 31, 2017.

Since 2017, Mr. Emmanuel Olivier received compensation as an officer serving on the Executive Board in addition to that received under the terms of his employment contract.

Benefits in-kind concern the company cars granted to Messrs. Bérard and Olivier.

The table below provides a summary of compensation and stock options and shares granted to the Chair of the Executive Board and the Worldwide Chief Operating Officer:

(in €)	2017	2016
Jean-Michel Bérard – Chair of the Executive Board		
Compensation due for the year	376,298	382,086
Measurement of options granted in the period	None	None
Measurement of performance shares granted in the period	115,875	77,175
TOTAL	**492,173**	**459,261**
Mr. Emmanuel Olivier, Worldwide Chief Operating Officer, Executive Board member		
Compensation due for the year	263,166	238,450
Measurement of options granted in the period	None	None
Measurement of performance shares granted in the period	92,700	61,740
TOTAL	**355,866**	**300,190**

The company has made no commitments for the benefit of its corporate officers with respect to the commencement, termination or change of their functions, with the exception of the severance payment corresponding to two years of compensation for the benefit of Mr. Jean-Michel Bérard, in the event of the termination of his corporate office, decided by the Supervisory Board on December 10, 2010.

Options to subscribe for or purchase shares granted in the period to each executive officer by Esker SA and by any Group company

None.

Options to subscribe for or purchase shares exercised in the period by each executive officer

None.

Restricted shares awarded in the period to each company officer

In fiscal 2017, Esker SA's Executive Board's meeting of May 4, 2017, granted 9,000 restricted shares to Mr. Jean-Michel Bérard, Chair of the Executive Board and 7,200 restricted shares to Mr. Emmanuel Olivier, Executive Board member.

The award of free shares to Executive Board members is not subject to conditions of performance.

Restricted shares vesting in the period for each company officer

In the period, the number of restricted shares vesting in the period amounted to 9,000 shares for Mr. Jean-Michel Bérard and 8,250 shares for Mr. Emmanuel Olivier.

Summary of stock options awards

Supervisory Board members no longer hold stock options or share warrants that are still exercisable.

Mr. Emmanuel Olivier, Worldwide Chief Operating Officer, holds 1 000 stock options still exercisable. The characteristics of these stock options are as follows:

- 8,000 stock options granted on October 1, 2012 added exercise price of €9.44 under plan No 13.

The exercise or subscription price represents the average price over the last twenty trading days and is validated by the Executive Board.

Options to subscribe for or purchase shares awarded to and exercised by the top ten non-corporate officer employee beneficiaries

	Total number of options granted	Weighted average price	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14
Options granted in the period	0	None	None	None	None	None	None
Options exercised in the period	3,650	8.56	3,400	500	250	None	None

In 2017 the Executive Board decided in its meeting of May 4 to award 20,750 stock options of the company.
The Executive Board also decided at the meetings of May 4, 2017 to award 48,900 restricted stock units of the company.
These awards are described in the special reports concerning the award of restricted shares and stock options.

Additional information

Stock options and restricted share awards

For stock options granted as from December 31, 2006, the Supervisory Board decided on June 26, 2009 to impose on corporate officers the obligation to retain in their name until the termination of their functions a minimum of 200 shares resulting from the options exercised.

Similarly, for restricted share awards, as from June 26, 2009, the Supervisory Board set the quantity of shares that officers must retain in their own name until the termination of their functions at 200.

Grant of attendance fees

The general meeting of June 16, 2017 decided to grant all Supervisory Board members for the period ended December 31, 2017, a total annual gross amount of attendance fees of €30,000.

In addition, the Executive Board decided on March 22, 2018 to propose to the general meeting a total gross annual amount of attendance fees of €30,000 to be allocated to all Supervisory Board members for the period beginning on January 1, 2018.

Commitments made by the company for the benefit of its company officers with respect to the commencement, termination or change of their functions or subsequently thereto:

There are no commitments of this nature or commitments relating to compensation, severance payments and benefits that would or might be payable with respect to the commencement, termination or change of these functions or subsequent thereto, with the exception of the severance payment corresponding to two (2) years of compensation for the benefit of Mr. Jean-Michel Bérard, in the event of the termination of his corporate office, decided by the Supervisory Board on December 10, 2010.

Dealings in shares by the officers within the meaning of article L.621-18-2 of the French monetary and financial code

None.

2.3. CHAIR'S REPORT ON CORPORATE GOVERNANCE

None.

3. EMPLOYMENT-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION

None.

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

4.1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

CONSOLIDATED BALANCE SHEET

ASSETS (€ thousands)	Notes	12/31/2017	12/31/2016
Goodwill	2	5,858	5,522
Intangible assets	3	20,815	16,859
Property, plant and equipment	4/5	7,115	5,168
Financial assets		4,124	785
Non-current assets		**37,912**	**28,334**
Inventories		176	101
Trade receivables		17,633	16,060
Deferred tax assets		762	1,062
Other receivables and accruals	6	3,620	3,463
Cash and marketable securities	7	20,632	21,338
Current assets		**42,823**	**42,024**
TOTAL ASSETS		**80,735**	**70,358**

SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands)	Notes	12/31/2017	12/31/2016
Share capital		10,961	10,789
Additional paid-in capital		19,277	18,972
Consolidated income (loss)		6,766	6,325
Reserves and retained earnings		2,616	-1,684
Shareholders' equity	8	**39,620**	**34,402**
Attributable to the parent		**39,620**	**34,402**
Attributable to non-controlling interests		**0**	**0**
Provisions for contingencies and expenses	11	**1,193**	**554**
Borrowings and financial liabilities	12	13,716	7,657
Trade payables		4,824	4,765
Tax and employee-related payables		12,451	11,142
Deferred tax liabilities		210	304
Other payables and accruals	13	8,721	11,534
Payables		**39,922**	**35,402**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**80,735**	**70,358**

CONSOLIDATED INCOME STATEMENT

(€ thousands)	Notes	12/31/2017	% of sales	12/31/2016	% of sales
Sales	**14**	**65,990**	**100.0%**	**65,990**	**100.0%**
Own production of goods and services capitalized	15	5,204	6.8%	4,774	7.2%
Other operating income		1,136	1.5%	966	1.5%
Purchases consumed		-1,457	-1.9%	-1,365	-2.1%
Change in inventory		55	0.1%	-36	-0.1%
Other operating expenses		-20,134	-26.5%	-18,326	-27.8%
Staff costs	16	-43,216	-56.8%	-36,185	-54.8%
Tax and similar expenses		-1,063	-1.4%	-916	-1.4%
Net allowances for amortization and depreciation		-6,152	-8.1%	-5,137	-7.8%
Net allowances for provisions		-190	0.2%	-31	0.0%
Operating profit		**10,248**	**13.5%**	**9,734**	**14.8%**
Net financial income /(expense)	**17**	**-110**	**-0.1%**	**-108**	**-0.2%**
Current operating income of consolidated operations		**10,138**	**13.3%**	**9,626**	**14.6%**
Net exceptional items	**18**	**-456**	**-0.6%**	**-474**	**-0.7%**
Income taxes	19	-3,148	-4.1%	-2,950	-4.5%
Share of income from equity-accounted associates		232	0.3%	123	0.2%
Allowances for goodwill amortization			0.0%		0.0%
Net income		**6,766**	**8.9%**	**6,325**	**9.6%**
Basic earnings per share in euros	*20*	*1.28*		*1.20*	
Diluted earnings per share in euros	*20*	*1.22*		*1.14*	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Capital stock	Additional paid-in capital	Translation reserves	Annual profit/ (loss)	Reserves and retained earnings	Shareholders' equity
BALANCE AS OF DECEMBER 31, 2015	**10,496**	**18,485**	**1,106**	**6,473**	**-7,372**	**29,188**
Retained earnings/(accumulated deficit)				-4,923	4,923	0
Annual profit/(loss)				6,325		6,325
Currency translation adjustments			-322			-322
Stock options	293	488				781
Treasury shares					-211	-211
Dividends				-1,550		-1,550
Other changes					191	191
BALANCE AS OF DECEMBER 31, 2016	**10,789**	**18,973**	**784**	**6,325**	**-2,469**	**34,402**
Retained earnings/(accumulated deficit)				-4,700	4,700	0
Annual profit/(loss)				6,766		6,766
Currency translation adjustments			-1,756			-1,756
Stock options	172	304				476
Treasury shares					1,646	1,646
Dividends				-1,625		-1,625
Other changes					-289	-289
BALANCE AS OF DECEMBER 31, 2017	**10,961**	**19,277**	**-972**	**6,766**	**3,588**	**39,620**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ thousands)	12/31/2017	12/31/2016
Consolidated net income	**6,766**	**6,325**
Adjustments to reconcile non-cash items to cash generated from operations:		
Net allowances for depreciation, amortization and reserves	7,424	5,129
Carrying value of assets sold	21	60
Proceeds from the disposal of assets	-77	-104
Cash flows after net financial expense	**14,134**	**11,410**
Tax liabilities	3,353	2,950
Taxes paid	-2,258	-1,456
Interest expense and income	35	-19
Change in operating working capital	**-80**	**1,476**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15,184**	**14,361**
Acquisition of intangible assets	-13,155	-7,021
Acquisition of property, plant and equipment	77	113
Proceeds from the disposal of PPE and intangible assets	-3,106	13
Change in non-current investments	-3,751	-1,061
NET CASH USED IN INVESTING ACTIVITIES	**-19,935**	**-7,956**
Dividends paid to shareholders of the parent company	-1,633	-1,550
Capital increases or contributions		
Issuance costs for capital increases		
Amount received from the exercise of stock options	477	779
Change in treasury shares		
Repayment of borrowings – finance leases	-3,977	-2,279
Change in borrowings	10,000	2,000
NET CASH USED IN INVESTING ACTIVITIES	**4,867**	**-1,050**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**116**	**5,355**
Effect of exchange rate changes on cash	-822	-312
Cash and cash equivalents at beginning of year	**21,338**	**16,295**
Cash and cash equivalents at end of year	**20,632**	**21,338**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Significant accounting policies, basis of consolidation

Adoption and approval of the accounts

The consolidated financial statements of Esker Group at December 31, 2017 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 22, 2018.

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 2014-03 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.

In accordance with Regulation 2015-05 of July 2, 2015 of the French accounting standards authority (*Autorité des Normes Comptables* or ANC) foreign exchange gains and losses may be recognized under operating profit or financial income or expense depending on the nature of the transaction from which they are derived. On that basis, foreign exchange gains and losses on trade payables and receivables are recognized under operating results. Exchange rate risks on these items are links to operating activities for example in light of the impairment of trade receivables already registered under operating results. For that purpose, a class 65 subaccount (other operating expenses) and its equivalent in class 75 were created.

Currency gains and losses presented under financial income or expense are reserved for activities of a financial nature (foreign currency bank borrowings or cash balances).

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 preferential methods have been applied:

- Recognition of pension obligations 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 3, 4);
- The calculation of deferred taxes (note 19);
- The measurement of pension obligations (note 11);
- The measurement of provisions (note 11).

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

Goodwill

Goodwill arising from the acquisition of a subsidiary represents the excess of consideration transferred over the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. Goodwill is measured in the currency of the acquired company. Goodwill is initially recognized as an asset at cost, an subsequently measured at cost less accumulated impairment losses.

Goodwill and fair value adjustments resulting from the acquisition of a foreign company are considered as assets and liabilities of the latter and consequently stated in the functional currency of the entity at the closing rate.

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 mainly application developments 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 do 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:

- Land.. unlimited
- Buildings .... 20 years
- Fixtures, improvements, fittings... 5 to 8 years
- Transport equipment... 3 to 5 years
- Office and computer equipment .... 2.5 to 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 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). The CGU represents profit centers providing the Group the basis for organizing its activities and analyzing its 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

Long-term 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, if necessary, 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 continued presence at the retirement age;
- Salary escalation rate;
- A discount rate.

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 allocated to equity items 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

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 services and related 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.

The CICE wage tax credit

The French CICE wage tax credit (*Crédit d'Impôt Compétitivité Emploi*) in accordance with the recommendations of the French national standard setter, the ANC (*Autorité des Normes Comptables*), is deducted from personnel expenses in the income statement.

In accordance with the provisions of article 76 of the 2015 Finance Act, the CICE wage tax credit whose purpose is to improve the competitiveness of companies, is used by Esker Group namely for efforts in the following areas:

- Capital investments
- Research, innovation
- Training and recruitment

II. Group structure for consolidation

A new wholly-owned subsidiary of Esker SA was consolidated for the first time on January 1, 2017, e-integration GmbH, a German company specialized in EDI based in Ratingen.

Company	Head office	2017		2016		Consolidation method (1)
		Controlling interest (%)	Ownership interest (%)	Controlling interest (%)	Ownership interest (%)	
Esker SA	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 Ibérica 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
Esker Solution Canada Inc.	Montreal (Canada)	100.0%	100.0%	100.0%	100.0%	F
CalvaEDI SAS	Paris (France)	100.0%	100.0%	100.0%	100.0%	F
TermSync	Madison (United States)	100.0%	100.0%	100.0%	100.0%	F
e-integration	Ratingen (Germany)	100.0%	100.0%			F
Neotouch Cloud Solution	Dublin (Ireland)	30.0%	30.0%	30.0%	30.0%	E.M.

(1) F.C. : Full consolidation
E.M. : Equity method

III. 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	12/31/2017	12/31/2016
Software sales	1,647	2,600
Fax card sales	605	727
Contracts for product updates and maintenance	8,041	8,645
Services	14,360	10,637
Traffic	51,412	43,380
NET SALES	**76,065**	**65,990**

■ INFORMATION RELATING TO GEOGRAPHICAL AREAS

As of December 31, 2017 In thousands of euros	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL Group
External sales	29,018	5,662	3,750	3,665	4,040	29,930	76,065
Property, plant and equipment and intangible assets	25,171	114	25	76	50	2,494	27,930

As of December 31, 2016 In thousands of euros	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL Group
External sales	25,755	2,110	3,434	3,222	3,462	28,007	65,990
Property, plant and equipment and intangible assets	19,429	2	34	96	58	2,408	22,027

INFORMATION RELATING TO KEY CUSTOMERS

In fiscal 2017 the largest customer represented 6.0 % of total Group revenue.

In fiscal 2016 the largest customer represented 5.3 % of total Group revenue.

NOTE 2: Goodwill

In thousands of euros	12/31/2017			12/31/2016
	Gross	Amortization	Net	Net
TermSync	4,823	89	4,734	5,386
CalvaEDI	137	2	135	135
e-integration	989	0	989	0
TOTAL GOODWILL	**5,949**	**91**	**5,858**	**5,521**

Business combinations are recorded on the basis of the purchase method of accounting. Contingent assets and liabilities of the acquiree are recognized at acquisition date fair value. Goodwill arising from consolidation is recognized under the line items of the corresponding assets and liabilities.

The excess cost of the business combination over the Group's share of the net fair value of the acquiree's assets and liabilities on the date of acquisition is recognized under goodwill.

In 2017, the Group acquired a new subsidiary, e-integration. In accordance with French GAAP (CRC regulation 99-02), goodwill is no longer subject to amortization.

The decrease in the net value of goodwill of the subsidiary TermSync reflects foreign exchange fluctuations.

NOTE 3: Intangible assets

In thousands of euros	12/31/2017			12/31/2016
	Gross	Amortization	Net	Net
Development expenditures	28,277	15,098	8,203	8,203
Trademarks	1,605		1,083	1,083
Software	1,818	1,015	424	424
Customer-related intangible assets	7,410	295	4,668	4,668
Intangible assets in progress	2,624		2,481	2,481
TOTAL INTANGIBLE ASSETS	**41,734**	**20,919**	**20,815**	**16,859**

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, 2017

As of 12/31/2017 In thousands of euros	Opening balance	Increases	Decreases	Changes in Group structure	Other changes	Closing balance
Development expenditures	23,301				4,976	28,277
Trademarks	1,083			585	-63	1,605
Software	1,439	40	-14	448	-95	1,818
Customer-related intangible assets	4,963			2,447		7,410
Intangible assets in progress	2,481	5,204			-5,061	2,624
INTANGIBLE ASSETS – GROSS VALUE	**33,267**	**5,244**	**-14**	**3,480**	**-243**	**41,734**
Development expenditures	15,098	3,634			-15	18,717
Software	1,015	209	-14	412	-58	1,564
Customer-related intangible assets	295	176		167		638
INTANGIBLE ASSETS – AMORTIZATION	**16,408**	**4,019**	**-14**	**579**	**-73**	**20,919**
INTANGIBLE ASSETS – NET VALUE	**16,859**	**1,225**	**0**	**2,901**	**-170**	**20,815**

1. First-time consolidation of e-integration

Other changes include primarily the reclassification of assets in progress as development expenditures and currency effects.

■ CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2016

As of 12/31/2016 In thousands of euros	Opening balance	Increases	Decreases	Changes in Group structure	Other changes	Closing balance
Development expenditures	19,021				4,280	23,301
Trademarks	1,067				16	1,083
Software	1,408	123	-116		24	1,439
Customer-related intangible assets	4,963					4,963
Intangible assets in progress	1,966	4,784			-4,269	2,481
INTANGIBLE ASSETS – GROSS VALUE	**28,425**	**4,907**	**-116**	**0**	**51**	**33,267**
Development expenditures	12,085	3,010			3	15,098
Software	940	123	-62		14	1,015
Customer-related intangible assets	118	177				295
INTANGIBLE ASSETS – AMORTIZATION	**13,143**	**3,310**	**-62**	**0**	**17**	**16,408**
INTANGIBLE ASSETS – NET VALUE	**15,282**	**1,597**	**-54**	**0**	**34**	**16,859**

NOTE 4: Property, plant and equipment

In thousands of euros	12/31/2017			12/31/2016
	Gross	Amortization	Net	Net
Land	983		983	
Buildings	873	14	859	
Office and computer equipment	4,412	2,987	1,425	1,239
Fixtures and improvements	2,602	1,043	1,559	574
Equipment and tooling	6,843	4,962	1,881	2,955
Transport equipment	57	30	27	37
Furniture	582	201	381	363
TOTAL PROPERTY, PLANT AND EQUIPMENT	**16,352**	**9,237**	**7,115**	**5,168**

■ CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2017

As of 12/31/2017 In thousands of euros	Opening balance	Increases	Decreases	Changes in Group structure	Other changes	Closing balance
Land		983				983
Buildings		873				873
Office and computer equipment	3,783	765	-295	315	-156	4,412
Fixtures and improvements	1,369	1,244	-2	37	-46	2,602
Equipment and tooling	6,920	1	-5		-73	6,843
Transport equipment	53	11	-7			57
Furniture	512	128	-11		-47	582
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**12,637**	**4,005**	**(320)**	**352**	**(322)**	**16,352**
Buildings		14				14
Office and computer equipment	2,544	580	-280	248	-105	2,987
Fixtures and improvements	795	226	-6	32	-4	1,043
Equipment and tooling	3,965	1,067	-5		-65	4,962
Transport equipment	16	18	-4			30
Furniture	149	71	-11		-8	201
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**7,469**	**1,976**	**(306)**	**280**	**(182)**	**9,237**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**5,168**	**2,029**	**-14**	**72**	**-140**	**7,115**

1. First-time consolidation of e-integration

The main change in the period concerns land and buildings following the acquisition of a production plant in Décines (France) in September 2017. Work and investments were also carried out in the company's new premises in Villeurbanne, in preparation for the move in January 2018.

■ CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2016

As of 12/31/2016 In thousands of euros	Opening balance	Increases	Decreases	Changes in Group structure	Other changes	Closing balance
Office and computer equipment	3,316	731	-289		25	3,783
Fixtures and improvements	1,169	354	-160		6	1,369
Equipment and tooling	6,235	700	-15			6,920
Transport equipment	51	14	-12			53
Furniture	467	314	-280		11	512
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**11,238**	**2,113**	**(756)**		**42**	**12,637**
Office and computer equipment	2,225	560	-253		12	2,544
Fixtures and improvements	688	127	-14		-6	795
Equipment and tooling	2,942	1,039	-14		-2	3,965
Transport equipment	26	17	-27			16
Furniture	373	31	-253		-2	149
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**6,254**	**1,774**	**-561**		**2**	**7,469**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**4,984**	**339**	**-195**		**40**	**5,168**

NOTE 5: Finance leases

In thousands of euros	Gross	Accumulated amortization	Net
As of December 31, 2015	**5,477**	**-2,258**	**3,219**
Increase	619	-987	-368
Decrease	0	0	0
Translation difference	0	0	0
As of December 31, 2016	**6,096**	**-3,245**	**2,851**
Increase	0	-1,028	-1,028
Decrease	0	0	0
Translation difference	0	0	0
As of December 31, 2017	6,096	-4,273	1,823

Finance lease commitments for the periods ended December 31, 2017 and 2016 break down as follows:

In thousands of euros	12/31/2017				12/31/2016			
	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	863	819	0	**1,682**	930	1,806	0	**2,736**
Discounted value of future minimum lease payments	836	779	0	**1,615**	907	1,615	0	**2,522**

NOTE 6: Other receivables and accruals

In thousands of euros	Net 12/31/2017	Net 12/31/2016
Tax receivables	1,531	1,682
Other tax receivables	626	366
Other receivables	101	92
Prepaid expenses	1,362	1,323
TOTAL OTHER RECEIVABLES AND ACCRUALS	**3,620**	**3,463**

NOTE 7: Cash and marketable securities

At December 31, 2017, cash included the following items:

In thousands of euros	Net 12/31/2017	Net 12/31/2016
Marketable securities	3,394	5,721
Cash at banks and on hand	17,238	15,617
TOTAL CASH AND MARKETABLE SECURITIES	**20,632**	**21,338**

Marketable securities correspond to shares in SICAV money market funds and time deposits not subject to a risk of loss in value.

NOTE 8: Shareholders' equity

	Amount (in thousands of euros)	Number of shares
Capital stock at 12/31/2015	**10,497**	**5,248,115**
Capital increase	108	54,000
Exercise of stock options and warrants	184	92,243
Capital stock at 12/31/2016	**10,789**	**5,394,358**
Capital increase	89	44,550
Exercise of stock options and warrants	83	41,458
CAPITAL STOCK AT 12/31/2017	**10,961**	**5,480,366**

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 €0.30 per share was paid for the period.

NOTE 9: Treasury shares

Changes in treasury shares held by the Group in fiscal 2017:

	FY 2017	FY 2016
Opening balance	**193,623**	**189,847**
Purchase of own shares (liquidity agreement)	38,150	103,889
Sale of own shares (liquidity agreement)	-41,440	-100,113
Purchase of own shares (for external growth transactions)		
Sales of own shares (for external growth transactions)	-38,780	
Closing balance	**151,553**	**193,623**

NOTE 10: Stock option, bonus share and warrants plans

Highlights of plans for stock options, stock purchase options and warrants outstanding at December 31, 2017 are presented below:

Type	Dates		Exercise price in euros	Number of options			Balance
	Grant	Expire		Granted	Exercised	Matured or forfeited	
Stock option plan	07/08/2008	07/07/2018	4.07	68,600	49,100		19,500
Stock option plan	04/03/2009	04/02/2019	2.74	118,300	73,123	16,095	29,082
Stock option plan	06/01/2010	05/31/2020	6.37	48,000	15,656	2,344	30,000
Stock option plan	09/12/2011	09/11/2021	5.44	67,400	26,986	4,688	35,726
Stock option plan	04/10/2012	04/09/2022	8.26	19,750	10,928	2,782	6,040
Stock option plan	10/01/2012	09/30/2022	9.44	56,000	10,400	8,000	37,600
Stock option plan	04/19/2013	09/18/2023	13.04	27,500	9,624	1,000	16,876
Stock option plan	04/01/2014	03/31/2024	16.32	12,000	5,370	1,626	5,004
Stock option plan	04/01/2015	03/31/2025	19.62	24,500	2,248	375	21,877
Stock option plan	07/01/2016	06/30/2026	32.92	23,800	1,000	1,000	21,800
Stock option plan	05/04/2017	05/03/2027	46.55	20,750	0	0	20,750
TOTAL STOCK OPTION PLANS				**486,600**	**204,435**	**37,910**	**244,255**
Bonus share issues	07/01/2016	06/30/2018		62,600			62,600
Bonus share issues	05/04/2017	05/03/2019		48,900			48,900
TOTAL BONUS SHARES				**111,500**	**0**	**0**	**111,500**

Changes in the number of stock options, restricted stock units and warrants granted to Group employees in the fiscal year ended December 31, 2017 break down as follows:

	Stock options		Restricted stock awarded, not issued	
	Quantity	Weighted average exercise price in €	Quantity	Weighted average exercise price in €
Balance exercisable at 12/31/2016	**267,988**	**10.60**	**107,150**	**30.39**
Granted	20,750	46.55	48,900	46.55
Exercised	-41,458	9.35	-44,550	24.90
Matured or forfeited for reason of departure	-3,025	17.81		
BALANCE EXERCISABLE AT 12/31/2017	**244,255**	**13.77**	**111,500**	**38.90**

NOTE 11: Provisions

In thousands of euros	12/31/2016	Increases, allowances of the period	Payments in the period	Reversals of provisions unused in the period	Other changes	12/31/2017
Provisions for contingencies and expenses	0	80				80
Pension liabilities	554	567	-8			1113
TOTAL PROVISIONS	**554**	**647**	**-8**	**0**	**0**	**1,193**

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

Retirement scheme in France

In France, a change in estimation was made to commitments relating to retirement severance benefits for employees of the company. To the habitual assumptions, was applied a table of employee turnover in order to take into account the reduction in the turnover rate as employee seniority increases.

This change in estimate significantly increased the amount of retirement severance benefit obligations from €678,000 at December 31, 2016 to €1,213,000 at December 31, 2017. This allowance reflects the change in the estimate recognized in the amount of €360,000 under net exceptional items.

The assumptions used to estimate pension obligations at December 31, 2017 were as follows:

Assumptions for the measurement of pension obligations in France	
Discount rate	1.30%
Salary escalation rate	1.50%
Retirement age	65 years
Turnover rate	8.00%

In addition, in 2016, a portion of the pension obligations had been partially covered by an external plan destined to be gradually increased through premium payments. These premium payments were included in expenses of the period and amounted to €350,000.

Retirement scheme in Italy

Amounts payable to employees of the subsidiary Esker Italia totaled €249,000 at 12/31/2017 and break down as follows:

In thousands of euros	12/31/2016	Increases in the period	Payments in the period	Other changes	12/31/2017
Severance benefits – Esker Italy	226	31	-8	0	249

NOTE 12: Borrowings and financial liabilities

In thousands of euros	12/31/2017	12/31/2016
Finance leases	1,849	2,757
Bank borrowings	11,867	4,900
TOTAL BORROWINGS	**13,716**	**7,657**

FINANCE LEASES

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

BANK BORROWINGS

Esker SA obtained three new loans in 2017 for an amount totaling €10 million to finance external growth and the acquisition of e-integration in Germany and the holding housing the production facility at Décines.

NOTE 13: Other payables and accruals

In thousands of euros	12/31/2017	12/31/2016
Deferred revenue	6,044	6,012
Customer deposits and guarantees	2,514	2,385
Other payables	163	3,137
TOTAL OTHER PAYABLES AND ACCRUALS	**8,721**	**11,534**

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

At December 31, 2016, other financial liabilities amounting to €3.1 million include contingent consideration (earnout) and retention payouts on the TermSync acquisition. These amounts were paid in early 2017.

NOTE 14: Revenue

In thousands of euros	12/31/2017	12/31/2016
Software sales	1,647	2,600
Fax card sales	605	727
Contracts for product updates and maintenance	8,041	8,645
Services	14,360	10,637
Traffic	51,412	43,380
NET SALES	**76,065**	**65,990**

NOTE 15: Research and development expenses

In thousands of euros	12/31/2017	12/31/2016
R&D expenses for the period	-8,291	-6,754
Capitalized development expenditures	5,204	4,774
Amortization of capitalized development expenditures	-3,633	-3,010
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-6,720**	**-4,990**

An analysis of development expenditures recorded under intangible assets in the fiscal period ended December 31, 2017 is presented in *note 2*.

NOTE 16: Staff costs

In thousands of euros	12/31/2017	12/31/2016
Employee compensation	32,894	27,649
Social security expenses	10,322	8,536
STAFF COSTS	**43,216**	**36,185**

Breakdown of personnel by country:

	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL
Headcount at 12/31/2017	**267**	**35**	**17**	**19**	**36**	**129**	**503**
Headcount at 12/31/2016	243	5	14	21	28	116	427
Headcount at 12/31/2015	209	7	14	17	29	99	375

NOTE 17: Net financial income/(expense)

In thousands of euros	12/31/2017	12/31/2016
Financial income	124	64
Net currency gains/(losses)	-46	-93
Financial expenses	-88	-78
Provisions for shares in non-consolidated subsidiaries	-100	
NET FINANCIAL INCOME (EXPENSE)	**-110**	**-107**

NOTE 18: Exceptional items

In thousands of euros	12/31/2017	12/31/2016
Exceptional income from non-capital transactions	-3	-420
Exceptional income from capital transactions	30	80
Exceptional allowances and reversals	-483	-134
NET EXCEPTIONAL ITEMS	**-456**	**-474**

NOTE 19: Income taxes

ANALYSIS OF TAX EXPENSES

In thousands of euros	12/31/2017	12/31/2016
Current tax income/(expense)	-2,984	-2,224
Deferred tax income/(expense)	-164	-726
TOTAL TAX EXPENSES/INCOME	**-3,148**	**-2,950**

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, 2015	**1,581**	**(105)**
Deferred taxes in the period recognized under profit or loss	-539	-187
Effect of exchange rate fluctuations	20	-12
BALANCE AT DECEMBER 31, 2016	**1,062**	**(304)**
Deferred taxes in the period recognized under profit or loss	-226	62
Effect of exchange rate fluctuations	-74	32
BALANCE AT DECEMBER 31, 2017	**762**	**(210)**

As of December 31, 2017, Group tax loss carryforwards not resulting in the recognition of deferred tax assets amounted to €10,041,000.

RECONCILIATION OF TAX

In thousands of euros	12/31/2017	12/31/2016
Net income	6,766	6,325
▪ Share of income in equity-accounted associates	234	123
▪ Allowances for goodwill amortization	0	0
▪ Tax expense/income recognized (-/+)	-3,148	-2,950
Net income before tax	**9,680**	**9,152**
Ordinary tax rate of the parent company	33.33%	33.33%
Theoretical tax expense/income (-/+)	**-3,227**	**-3,050**
Permanent tax differences	65	671
Tax savings on loss carryforwards	421	-187
Non-recognition of deferred tax assets from loss carryforwards	-195	-160
Temporary tax differences	-54	-322
Tax base differences	-146	98
Other	-11	-1
TAX EXPENSE/INCOME RECOGNIZED (-/+)	**-3,148**	**-2,950**

NOTE 20: 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 restricted stock units.

	12/31/2017		12/31/2016	
	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	**6,766,000**	**5,291,403**	**6,325,000**	**5,287,202**
Dilutive stock options		175,472		186,355
Dilutive bonus shares		63,046		81,350
Basis of calculation for diluted earnings per share	**6,766,000**	**5,529,921**	**6,325,000**	**5,554,907**
BASIC EARNINGS PER SHARE	**1.28**		**1.20**	
DILUTED EARNINGS PER SHARE	**1.22**		**1.14**	

NOTE 21: 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 solutions by the parent company to subsidiaries
- Royalties
- Marketing expense chargebacks
- Staff costs chargebacks
- 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 12/31/2017 In thousands of euros	Compensation paid (gross basis)	Nature of compensation paid			
		Fixed salary, fees	Variable compen-sation	Benefits in kinds	Attendance fees
Executive Board members	648	371	263	14	0
Supervisory Board members	88	68			20
TOTAL	**735**	**438**	**263**	**14**	**20**

NOTE 22: Off-balance-sheet commitments and contingent liabilities

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

Contractual obligations (€ thousands)	TOTAL	Payables by maturity			
		Less than 1 year	1-5 years	More than 5 years	Expense of the period
Long-term debt	-				
Lease finance obligations	Information disclosed in note 4				
Operating leases	12,901	2,987	8,208	1,706	3,463
Irrevocable purchase obligations	-				
Other long-term obligations	-				
TOTAL	**12,901**	**2,987**	**8,208**	**1,706**	**3,463**

Most lease agreements concern premises occupied by Group companies. Lease terms (from three to ten 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 (€ thousands)	TOTAL	Commitments by period		
		Less than 1 year	1-5 years	More than 5 years
Credit lines(*)	0			
Letters of credit	-			
Guarantees	-			
Put options written over non-controlling interests	-			
Pledges, mortgages and collateral	-			
Other commitments given	-			
TOTAL COMMITMENTS GIVEN				
Other commitments received				
TOTAL COMMITMENTS GIVEN / RECEIVED				

* Undrawn authorized credit lines: €500,000

NOTE 23: Fees paid to auditors and members of their network incurred by the Group

	Deloitte & Associés				Orfis Baker Tilly				Other			
	2017		2016		2017		2016		2017		2016	
	€ ex-VAT	%	€ ex-VAT	%	€ ex-VAT	%	€ ex-VAT	%	€ ex-VAT	%	€ ex-VAT	%
AUDIT External audit, certification, review of separate and consolidated accounts												
▪ For the Issuer	40,830	54%	39,740	54%	34,170	46%	33,260	46%	0	0%	0	0%
▪ For fully consolidated subsidiaries	0	0%	0	0%	53,004	70%	45,324	71%	22,497	30%	18,847	29%
Ancillary assignments												
▪ For the Issuer												
▪ For fully consolidated sub-sidiaries												
Subtotal / Audit	**40,830**	**27%**	**39,740**	**29%**	**87,174**	**58%**	**78,584**	**57%**	**22,497**	**15%**	**18,847**	**14%**
OTHER SERVICES Legal, tax, employee-related assignments ▪ Issuer ▪ Fully consolidated subsidiaries									7,534	100%	13,668	100%
Other ▪ Issuer ▪ Fully consolidated subsidiaries												
Subtotal / Other Services	**0**		**0**		**0**		**0**		**7,534**	**100%**	**13,668**	**100%**
TOTAL	**40,830**	**26%**	**39,740**	**26%**	**87,584**	**52%**	**78,433**	**52%**	**30,032**	**19%**	**32,515**	**22%**

NOTE 24: Post-closing event

None.

4.2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and 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 balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To Esker's general meeting:

OPINION

In accordance with the terms of our engagement as auditors by your Annual general meetings, we have audited the accompanying consolidated financial statements of Esker for the year ended December 31, 2017.

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.

BASIS FOR OPINION

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any non-audit services prohibited by the French Code of ethics for statutory auditors.

JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of articles L.823-9 and R.823-7 of the French commercial code ("code de commerce") relating to the justification of our assessments, we bring to your attention our assessments that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

- *The paragraph "Goodwill" of note 1 hereto describes the accounting rules and methods for the measurement, recognition and amortization of goodwill. We analyzed the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.*
- *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 your 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.*

SPECIFIC VERIFICATION CONCERNING THE GROUP PRESENTED IN THE MANAGEMENT REPORT

In accordance with professional standards applicable in France, we have also performed the specific procedures required by law regarding the group information given in the executive board's report.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, necessary information relating to its status as a going concern unless it is expected to liquidate the company or to cease its operations.

The consolidated financial statements have been adopted by the executive board

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L.823-10-1 of the French commercial code ("code de commerce"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we issue a qualified opinion or no opinion at all;*
- *Evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;*
- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.*

Paris, April 27, 2018

The Statutory Auditors
[French original signed by]

ORFIS BAKER TILLY
Valérie Malnoy

DELOITTE & ASSOCIÉS
Nathalie Lorenzo Casquet

5. INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

The share capital is set at TEN MILLION SEVEN HUNDRED EIGHTY EIGHT THOUSAND SEVEN HUNDRED SIXTEEN (€10,788,716) and divided by FIVE MILLION THREE HUNDRED NINETY-FOUR THOUSAND THREE HUNDRED FIFTY-EIGHT (5,394,358) ordinary shares of TWO EUROS (€2) per share, fully paid up.

5.1. FIVE-YEAR SUMMARY OF CHANGES IN THE SHARE CAPITAL

Date	Corporate action	Amount of changes in share capital		Successive capital amounts	Cumulative number of shares	Nominal value per share
		Nominal value	Share premium			
2012	Exercise of stock options and warrants	167,180	197,295	9,413,494	4,706,747	€2
07/04/2013	Capital increase pursuant to stock dividend payments	34,178		9,447,672	4,723,836	€2
09/13/2013	Capital increase through the capitalization of reserves	59,000		9,506,672	4,753,336	€2
2013	Exercise of stock options and warrants	294,380	674,709	9,801,052	4,900,526	€2
04/11/2014	Capital increase through the capitalization of reserves	57,000		9,858,052	4,929,026	€2
2014	Exercise of stock options and warrants	333,628	400,546	10,191,680	5,095,840	€2
04/20/2015	Capital increase through the capitalization of reserves	92,600		10,284,280	5,142,140	€2
2015	Exercise of stock options and warrants	211,950	370,708	10,496,230	5,248,115	€2
04/02/2016	Capital increase through the capitalization of reserves	108,000		10,604,230	5,302,115	€2
2016	Exercise of stock options and warrants	184,486	486,963	10,788,716	5,394,358	€2
06/20/2017	Capital increase through the capitalization of reserves	85,500		10,874,216	5,437,108	€2
10/13/2017	Capital increase through the capitalization of reserves	3,600		10,877,816	5,438,908	€2
2017	Exercise of stock options and warrants	82,916	304,671	10,960,732	5,480,366	€2
2017				**10,960,732**	**5,480,366**	**€2**

5.2. MAJOR SHAREHOLDERS

At December 31, 2017, the shareholder base was as follows:

Shareholders	As of 12/31/2017			As of 12/31/2016		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jean-Michel Bérard	377,386	6.9%	11.0%	396,508	7.4%	12.3%
Thomas Wolfe	270,895	4.9%	8.3%	270,895	5.0%	8.7%
Marie Claude Bernal	18,000	0.3%	0.6%	19,000	0.4%	0.7%
Emmanuel Olivier	64,332	1.2%	1.6%	74,432	1.4%	1.8%
Kleber Beauvillain	7,100	0.1%	0.2%	7,100	0.1%	0.2%
TOTAL MANAGEMENT	**737,713**	**13.5%**	**21.7%**	**767,935**	**14.2%**	**23.7%**
Treasury shares	151,553	2.8%		193,623	3.6%	
Registered shares	588,826	10.7%	19.1%	863,746	15.8%	17.6%
Free float	4,002,274	73.0%	61.5%	3,569,054	66.2%	57.1%
TOTAL	**5,480,366**	**100.0%**	**100.0%**	**5,394,358**	**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, 2017.

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.

Changes in the shareholder structure in 2017

By letter dated April 5, 2017, AXA Investment Manager (9-6, place de la Pyramide, 92800 Puteaux), reported having crossed above the thresholds under the articles of association of 1% of Esker's share capital and voting rights on March 31, 2017.

By letter dated June 15, 2017, Covea Perspectives Entreprises (8-12, rue de Boissy d'Anglas, 75008 Paris), reported having crossed above the thresholds under the articles of association of 1% of Esker's share capital and voting rights on June 14, 2017.

By letter dated July 17, 2017, AXA Investment Manager (9-6, place de la Pyramide, 92800 Puteaux), reported having crossed below the 1% threshold under the articles of association of Esker's share capital and voting rights.

By letter dated August 11, 2017, La Financière de l'Echiquier (53 avenue d'Iéna, 75116 Paris), reported having crossed below the threshold of 3% under the articles of association of Esker's voting rights on August 8, 2017.

5.3. MEMORANDUM OF INCORPORATION AND ARTICLES OF ASSOCIATION

Corporate purpose

In accordance with article 2 of the Articles of Association, the Company's purpose is:

- The design, development, and operation of information technology products
- The provision of mail services for third parties including printing, envelope stuffing, and postage metering
- Fax, SMS, and e-mail transmission services for third parties
- More generally, any processing (sending, receiving, archiving) of documents or data for third parties, regardless of their format or means of transmission
- All industrial, commercial, financial, securities and real estate activities relating directly or indirectly to the object of the Company or to any similar or related purposes
- Participation through all means in undertakings or companies created or to be created, that relate to its corporate purpose, and notably by the creation of new companies, capital contributions, partnerships, or by way of subscription, or acquisition of shares or ownership rights, alliances, joint ventures or economic interest groupings (*groupement d'intérêt économique*) or lease management arrangements

Provisions of the issuer's articles of association with respect to members of corporate governance bodies

The articles of association updated on January 02, 2018 describe the operation of the Company's corporate governance bodies. The rules governing the Executive Board and Supervisory Board are those established by the French commercial code.

The Supervisory Board's rules of procedure (charter) signed on June 12, 2002 set forth the conditions for participation by its members in meetings through videoconferencing. On that basis, Supervisory Board members participating in the meeting through videoconferencing are considered present for the purpose of calculating the quorum and majority. However, videoconferencing technologies may not be used for adopting the following decisions:

- Appointment of Executive Board members (article L.225-59 of the French commercial code);
- Removal of Executive Board members (article L.225-61 of the French commercial code);
- Appointment of the Chair and Vice Chair of the Supervisory Board and setting their compensation (article L.225-81 of the French commercial code).

Rights, preferences and restrictions attaching to each class of existing shares

All shares belong to the same class. Article 9 of the articles of association stipulates in particular that each share shall entitle its holder to a portion of the corporate profits proportional to the share of the capital that it represents, taking into account any amortized and unamortized, fully paid up or not, of the nominal value of the shares and the rights of shares of different class; and in particular, subject to these conditions, any share grants entitlement, during the company's term, as in the event of liquidation, to the payment of an identical net amount for any distribution or redemption, so that as applicable all tax exemptions or credits and all taxes which can be incurred by the company shall be aggregated among all shareholders.

Actions necessary to change the rights of holders of shares indicating where the conditions are more significant than is required by law

Actions necessary to change the rights of shareholders are those provided by law.

General Meetings

According to articles 20 to 22 of the articles of association, general meetings are called and conduct proceedings according to the conditions provided by law. These meetings are to be held at the registered office or at any other venue indicated in the notice of meeting. General meetings are comprised of all shareholders regardless of the number of shares they hold, subject to the provisions of statute. All shareholders are entitled to as many votes as the shares they possess or represented, without restrictions other than those provided for by law. The articles of association also provide for the possibility of double voting rights.

Provisions that would delay, defer or prevent a change in control of the issuer

No provisions exist under the articles of association that would delay, defer or prevent a change in control of the company.

The crossing of an ownership threshold

In accordance with article 13 of the articles of association, in addition to the legal obligation of informing the Company and the French market regulators of holding certain percentages of capital, any shareholder, a natural person or legal entity, acting alone or in concert, who acquires proportion of the share capital equal to 3%, or whose holdings or voting rights fall below or rises above this threshold, must notify the Company of the total number of shares of voting rights possessed within fifteen days after crossing this threshold by registered letter with acknowledgment of receipt.

Failure to inform the Company within fifteen days will result in the loss of voting rights for a period of two years after the date on which the requisite disclosure is finally made, if the failure to disclose has been duly noted and recorded in the minutes of the General Meeting and if requested by one or more Shareholders separately or together holding at least 3% of the company’s share capital or voting rights.

Procedure for changing the capital

The conditions for modifying the share capital provided for by article 10 of the articles of association are those of French law.

5.4. STATUTORY INFORMATION ON ESKER S.A.

Corporate name

Esker

Place of incorporation and registration number

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

APE code: 5829 C

Date of incorporation and term

Date of incorporation: February 07, 1985

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

Registered office and legal form

Registered office: 113 Boulevard de la Bataille de Stalingrad - 69100 Villeurbanne – France - 04 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

5.5. EMPLOYEES

5.5.1. HEADCOUNT AND INFORMATION ON HUMAN RESOURCES

Management team

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

Jean-Michel Bérard
56, Chair 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
50, Worldwide 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
52, 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 June1998, he was named Executive Vice President, Research and Development. In this capacity, Jean-Jacques Bérard implements product strategy and oversees product planning and development.

Eric Bussy
43, 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
56, 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,
51, Vice President of Business Development and invited member of the Executive Board

Eric Thomas joined Esker in September 1997 and started as Managing Director for France and then South European Director during 3 years. When Esker launched Esker DeliveryWare, in 2001, Eric's mission changed to Director of European Business Development. In this position, Eric actively participated in the successful launch of Esker SaaS offer today called FlyDoc / Esker on Demand. After Business Administration studies in the USA (BA), Eric started his career at France Telecom EGT where he successfully held various positions in sales and sales management.

Anne Grand-Clément
47, 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.

ESKER PERSONNEL

	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL
Headcount at 12/31/2017	**267**	**35**	**17**	**19**	**36**	**129**	**503**
Headcount at 12/31/2016	243	5	14	21	28	116	427
Headcount at 12/31/2015	209	7	14	17	29	99	375

5.5.2. STOCKS OPTIONS AND/OR OTHER BENEFITS GRANTED TO CORPORATE OFFICERS

Holdings of Supervisory Board and Executive Board members in the share capital is disclosed in *section 5.2* of this registration document, and options existing on the shares is disclosed in *section 2.2.*

6. ADDITIONAL INFORMATION

6.1. RESPONSIBILITY FOR THE FRENCH VERSION OF THE REGISTRATION DOCUMENT

Jean-Michel Bérard – Chair of the Executive Board

Responsibility statement

"I declare, after having taken all reasonable measures in this regard that to the best of my knowledge the information in this registration document is accurate and there are no omissions likely to alter its import.

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable financial reporting standards and give a true and fair view of the assets and liabilities, financial position and results of the operations of the Company and consolidated companies and that the management report, referenced in the concordance table, faithfully presents business trends, the results and financial position of the company and describes the main risks and uncertainties.

I received a completion of work letter from the Statutory Auditors confirming that they have verified the information relating to the financial position and the financial statements set out in this registration document and read the whole registration document. This letter does not contain any emphasis of matter paragraphs."

Jean-Michel Bérard
Chair of the Executive Board

6.2. STATUTORY AUDITORS

Principal Statutory Auditors

S.A. Deloitte & Associés - represented by Nathalie Lorenzo Casquet
81 boulevard Stalingrad
69100 Villeurbanne

- **Date of appointment:** June 19, 2000, reappointed on June 28, 2006 and June 14, 2012
- **Expiration of appointment:** General Meeting called for the purpose of approving the annual financial statements for the financial year ending December 31, 2017

S.A Orfis Baker Tilly – represented by Valérie Malnoy
149 boulevard Stalingrad
69100 Villeurbanne

- **Date of appointment:** June 26, 2009
- **Expiration of appointment:** General Meeting called for the purpose of approving the annual financial statements for the financial year ending December 31, 2020

Alternate Statutory Auditors

SARL B.E.A.S.
7/9 Villa Houssaye
92200 Neuilly sur Seine

- **Date of appointment:** 19 June 2000, reappointed on June 28, 2006 and June 14, 2012
- **Expiration of appointment:** General Meeting called for the purpose of approving the annual financial statements for the financial year ending December 31, 2017

Jean-Louis Fleche
149 boulevard Stalingrad
69100 Villeurbanne

- **Date of appointment:** June 26, 2009
- **Expiration of appointment:** General Meeting called for the purpose of approving the annual financial statements for the financial year ending December 31, 2020

6.3 DOCUMENTS ON DISPLAY

For the period that of validity of this document,, the following documents (or copies thereof) may, as applicable, be consulted and are available to any person who so requests from the company's registered office:

- Memorandum of incorporation and articles of association of the company,
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document,
- The historical financial information of the company and subsidiaries for each of the two financial years preceding the publication of the registration document.

The registration document is also available for consultation at the following websites.

- **The company's website:** http://www.esker.fr
- **Euronext website:** http://www.euronext.com

ESKER FRANCE ▪ HEADQUARTERS

Esker SA
113 Boulevard de Stalingrad
69100 Villeurbanne
France

Tel.: +33 (0)4 72 83 46 46
Fax : +33 (0)4 72 83 46 40

Email: info@esker.fr

www.esker.fr

UNITED STATES

Esker Inc.
1850 Deming Way
Suite 150
Middleton, WI 53562

Tel.: +1 800-368-5283
Fax : +1 608-828-6001

Email: info@esker.fr

www.esker.com

ESKER WORLDWIDE

Germany ▪ www.esker.de

Australia ▪ www.esker.com.au

Spain ▪ www.esker.es

Italy ▪ www.esker.it

Malaysia ▪ www.esker.com.my

United Kingdom ▪ www.esker.co.uk

Singapore ▪ www.esker.com.sg