2018 ANNUAL REPORT

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 20, 2019 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, 2017 as presented on pages 32 to 50 of the original French language version of the registration document filed with the AMF on May 18, 2018 (No. D.18-0492);

- 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 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 7
- 1.3.1. Market and strategies 7
- 1.3.2. Research and development, patents and licenses 9
- 1.3.3. Capital expenditures 10
- 1.3.4. Material contracts 11
- 1.3.5. Financial position of the Group 11
- 1.3.6. Business trends, outlook and significant post-closing events 11
- 1.3.7. Capital resources 12
- 1.3.8. Presentation of the financial statements and appropriation of earnings 12
- 1.3.9. Information on dividends 13

2. CORPORATE GOVERNANCE 14

2.1. Corporate governance bodies 14
- 2.1.1. Composition of corporate governance bodies 14
- 2.1.2. Practices of corporate governance bodies and conflicts of interest 15
- 2.1.3. Special committees 16

2.2. Compensation and benefits of executive officers and directors 16
2.3. Chair's report on corporate governance 19

3. EMPLOYMENT-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION 20

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 21

4.1. Consolidated financial statements for the year ended December 31, 2018 21
4.2. Statutory auditors' report on the consolidated financial statements 38
4.3. Annual financial statements for the year ended December 31, 2018 40
4.4. Statutory auditors' report on the annual financial statements 54
4.5. Pro forma information 55

5. INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL 56

5.1. Five-year summary of changes in the share capital 56
5.2. Major shareholders 57
5.3. Memorandum of incorporation and articles of association 58
5.4. Statutory information on Esker S.A. 59
5.5. Employees 60
- 5.5.1. Headcount and information on human resources 60

6. ADDITIONAL INFORMATION 62

6.1. Responsibility for the French version of the registration document 62
6.2. Statutory auditors 62
6.3. Documents on display 63

1. PRESENTATION OF THE GROUP AND ITS BUSINESS

1.1. FINANCIAL HIGHLIGHTS

Net sales (€ thousands)	
2018	86,871
2017	76,065
2016	65,990
2015	58,457

Operating profit (€ thousands)	
2018	11,611
2017	10,248
2016	9,734
2015	9,054

Net income (€ thousands)	
2018	8,843
2017	6,766
2016	6,325
2015	6,473

Earnings per share (€)	
2018	1.64
2017	1.28
2016	1.20
2015	1.30

(€ thousands)	2018	2017
Cash flows after net financial expense	16,019	14,134
Change in operating working capital	-650	-80
Net cash provided by operating activities	15,634	15,184
Net cash used in investing activities	-8,102	-19,935
Net cash used in investing activities	-5,493	4,867
NET CHANGE IN CASH AND CASH EQUIVALENTS	**2,039**	**116**

(€ thousands)	2018	2017
Non-current assets	39,635	37,912
Current assets	49,016	42,823
SHAREHOLDERS' EQUITY	**47,769**	**39,620**
Provisions for contingencies and expenses	1,492	1,193
Borrowings	9,318	13,716
Other payables	30,072	26,206

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**: Two venture capital companies acquired equity stakes.
- **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 (collections management 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.
- **2018**: Esker maintained its positive momentum with a 14% growth in revenue. The Group continues to invest to support this growth, with a 13.5% increase in average headcount to 580 employees at the end of December and the opening of a new subsidiary in Hong Kong.

1.2.2. ORGANIZATION

Legal structure of the Esker Group as of December 31, 2018

ESKER SA

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

Ownership	Subsidiary	Location / 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
100 %	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** Sales for Canada
100 %	CalvaEDI	**Paris, France** Sales for CalvaEDI
100 %	e-integration	**Düsseldorf, Germany** Sales for e-integration
100 %	Esker Document Automation (HK) Ltd	**Hong Kong** Sales for Hong Kong

All subsidiaries are wholly-owned and fully controlled by Esker SA.

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 2018, 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 2018, the amount invoiced by Esker S.A. on this basis to all subsidiaries totaled €11,081,000 (€10,029,000 in 2017). These subsidiaries in turn invoiced the parent company €1,679,000 (€1,400,000 in 2017). 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.

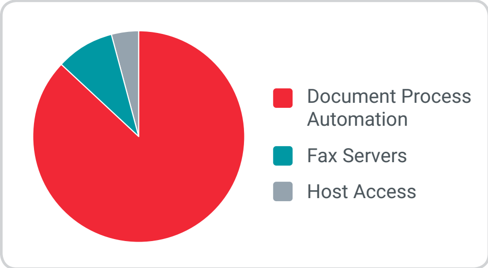
Segment information is provided in *note 1* to the consolidated financial statements presented in *Section 4.1.* of this document and information on related parties in *note 21* herein.

1.3. DESCRIPTION OF THE BUSINESS

1.3.1. MARKET AND STRATEGIES

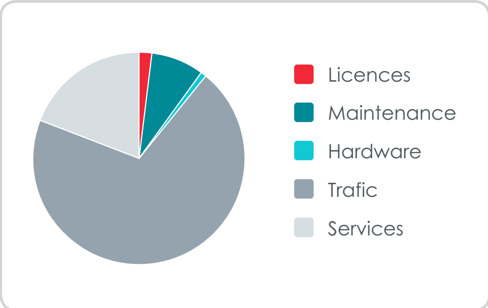
Sales by product segment

	2018		2017	
In thousands of euros	Amount	%	Amount	%
Document process automation software as a service (SaaS)	75,761	87%	64,314	85%
Document process automation solutions (license-based)	7,836	9%	8,124	11%
Historic products	3,274	4%	3,627	5%
TOTAL	86,871	100%	76,065	100%



Sales by product sub-segment

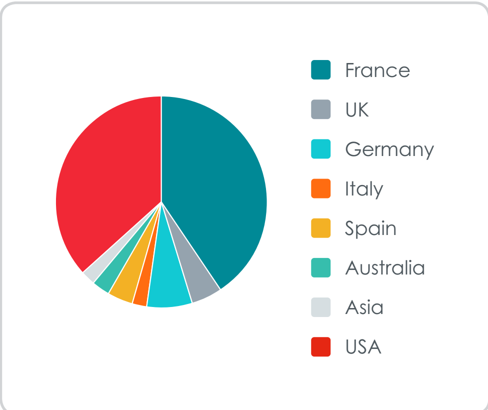
	2018		2017	
In thousands of euros	Amount	%	Amount	%
Licenses	1,901	2%	1,647	2%
Maintenance	7,370	8%	8,041	11%
Hardware	470	1%	605	1%
Traffic	60,516	70%	51,412	68%
Services	16,614	19%	14,360	19%
TOTAL	86,871	100%	76,065	100%



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

Sales by country

	2018		2017	
In thousands of euros	Amount	%	Amount	%
France	35,737	41%	29,020	38%
United Kingdom	3,919	5%	3,750	5%
Germany	6,112	7%	5,662	7%
Italy	1,382	2%	1,124	1%
Spain	3,359	4%	2,542	3%
Australia	2,707	3%	2,505	3%
Asia	1,872	2%	1,534	2%
Americas	31,783	37%	29,928	39%
TOTAL	86,871	100%	76,065	100%



Sales outside of France account for 59% of revenue, with the United States alone accounting for 37%.

Document process automation

Esker DeliveryWare

Competitors in the Esker DeliveryWare product segment include:

Company	2018 sales (1)
Coupa	€220,836m
Basware	€141m
Open Text	€2.387b
ITESoft	€24.3m

(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 software as a service (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 the *Section "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 2018, 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, 2018 at the site located in Villeurbanne, a team of 95 computer engineers work on developing Esker software programs. The R&D department also has a new team based in Madison (Wisconsin, USA) of ten 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 2* and *14* to the consolidated financial statements presented in *Section 4.1.* of this document:

In thousands of euros	12/31/2018	12/31/2017	12/31/2016
R&D expenses for the period	-9,331	-8,291	-6,754
Capitalized development expenditures	5,742	5,204	4,774
Amortization of capitalized development expenditures	-4,137	-3,633	-3,010
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-7,726**	**-6,720**	**-4,990**

Research and development expenditures are focused primarily on the document process automation lines.

Development expenditures recognized as assets in 2018 concern mainly 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. 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 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 2017 and 2018

(€ thousands)	2018	2017
Acquisitions	0	4,730
Esker on Demand	5,741	5,204
Of which finance leases recognized under assets	*0*	*0*
Buildings	0	1,856
Other fixed assets	2,051	2,189
TOTAL	**7,792**	**13,979**

The Company's capital investments are focused primarily on our software as a service (SaaS) solutions (Esker on Demand and 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 the 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 1.4.5.* of this document.

Principal future investments subject to firm commitments by Management bodies

None.

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. The reader is also invited to consult the information on trends in *section 1.4.3* and the notes to the consolidated financial statements in *paragraph 4.1.*

Analysis of Group revenue

Esker's annual revenue grew 14% in 2018 (+16% at constant structure and exchange rates) to €86.9 million.

This particularly dynamic performance was driven by continuing gains of cloud services. SaaS (Software as a Service) document process automation solution sales grew18% to account for 87% total Group revenue. This performance reflects a number of contracts signed in previous periods entering into effect as well as business growth by the portfolio of existing customers.

Revenue from traditional license-based document process automation solutions remained stable at €7.8 million (9% of total revenue) whereas legacy products accounted for less than 4% of revenue.

Accelerating growth investments and commercial successes

Beyond this growth in sales revenues, 2018 was an excellent year in terms of commercial performance. The minimum guaranteed value for the Group of contracts signed in 2018 (order intake) increased by 65% in relation to 2017, significantly outpacing growth in sales. This performance was also significantly higher than the same indicator in 2017 (+45%). In that respect, it should be noted that these multi-year contracts have a marginal impact on sales in the year of their signature, whereas their acquisition costs (mainly marketing and commercial expenses) are fully incurred. This commercial success has an adverse impact on the immediate profitability and the benefit of future results. For 2018, the corresponding estimated impact is €1.1 million in additional charges compared to 2017.

In 2018, the average number of employees of the Group rose 13.5% to 580 employees at December 31. The consulting and R&D departments accounted for 56% of these new recruits. Esker also devoted a significant percentage of its investments in human resources (22%) to the sales and marketing functions. In order to strengthen Group's commercial capacities for the years ahead, these efforts will continue in 2019.

After taking into account capital expenditures in the period and costs associated with preparing for the Group's future growth, current operating income rose significantly (14%) to more than €11.6 million in 2018, up from €10.2 million in 2017. This performance is fully in line with Esker's strategy of combining profitability with investments to support short and medium-term growth.

Profitability in 2018 was marginally impacted by adverse foreign exchange rate fluctuations (mainly of the US dollar) representing a currency effect of €0.5 million or 0.6% of sales.

Strong growth in net profit: +31%

Bolstered by the strong increase in operating profit, the absence of significant exceptional or non-recurring items, the good performance of equity-encountered investments and the significant decrease in the effective tax rate, net profit rose 31% to €8.8 million. With that performance, Esker's net margin exceeded 10% for the first time.

The change in the overall tax rate resulted primarily from the lower tax rate adopted in the United States.

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 (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 recurring 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 in marketing and integrating its solutions in other customer segments. Esker 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 (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 1.4.3.*

At December 31, 2018, 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 1.4.3. note 12* of the consolidated financial statements, presented in *paragraph 4.1.* of this document, financial liabilities at year-end amounted to €9,318,000 and included the following items:

- €1,998,000 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.
- €8,320,000 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 2019.

1.3.8. PRESENTATION OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF EARNINGS

It is proposed that the profit of the period of €4,495,715.88 be appropriated as follows:

▪ €25,719.80 will be allocated to the Legal reserve, increased accordingly from €1,096,073.20 to 1,121,793.00:	€25,719.80
▪ €2,299,675.65 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":	€2,299,675.65
▪ with the balance of €2,650,300 43 to be allocated to "Retained earnings", which would be increased accordingly from €24,640,077.09 to €27,290,397.52:	€2,650,300 43
Total equaling the profit of the period	€4,975,715.88

The dividends will be payable as of the date of the General Meeting within the statutory time limits in the amount of €0.41 per share.

In accordance with the provisions of article 26 of the Company's bylaws, a bonus dividend is awarded to any shareholder who at year-end has held shares in registered form for at least two years and continues to do so on the dividend payment date. This same bonus dividend can be granted under the same conditions when restricted stock units are distributed.

In consequence, the Annual General Meeting decided to set the amount of the bonus dividend per share at €0.041, thus increasing the dividend from €0.41 to €0.451 per share for shares eligible for the bonus dividend and corresponding to a maximum amount for the bonus dividend of €229,967.57.

1.3.9. INFORMATION ON DIVIDENDS

The company distributed its first dividend for fiscal 2010. The Executive Board will propose a dividend of €0.41 per share at the annual general meeting of June 20, 2019.

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
2017	0.32	26%
2016	0.30	25%
2015	0.30	23%

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 appointment**	**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	Supervisory Board member	Esker SA	French	Supervisory Board member	2017	2022	113 boulevard de Stalingrad 69100 Villeurbanne
		Actif DPS	French	Supervisory Board member	2016	2021	22 bis rue des Malines 91090 Lisses
T. Wolfe	Supervisory Board member	Esker SA	French	Supervisory Board member	1999	2022	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	16-12 Q Sentral, Jalan Stesen Sentral 2 50470 Kuala Lumpur
		Esker Document Automation (HK) Ltd	Hong Kong national	Vice President	2018	N/A	Units 2402-7 24TH floor Berkshire house NO.25 Westlands Rd Quarry Bay
		Esker Solution Canada Inc.	Canadian	Director	2012	N/A	Bureau 2800, 630 bld René Levesque Ouest, Montreal (Quebec) H3B 1S6 - Canada
		CalvaEDI	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 1898 she joined Oracle France to create the public sector division, and then became manager of Oracle Application. 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. She has been a director 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, Chairman of the Executive Board and Emmanuel Olivier, Chief Executive 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 2018 the Executive Board met four 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, 2003, 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 2018 in the presence of all members (100 % attendance rate).

The compensation committee is comprised of Supervisory Board members. This committee met once in 2018 with all members attending (100 % attendance rate).

2.2. COMPENSATION AND BENEFITS OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation of Supervisory Board members

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 October 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.

Corporate officer	Office or position exercised in Esker S.A.	Company paying the compensation	Compensation paid in 2018 (gross basis)	Nature of compensation paid for FY 2018			
				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 €	18,000 €			6,000 €
N. Pelletier-Perez	Supervisory Board member	Esker SA	24,000 €	15,000 €			9,000 €
T. Wolfe	Supervisory Board member	Esker Inc.	21,000 €	15,000 €			6,000 €
TOTAL			**108,000 €**	**78,000 €**	**€0**	**€0**	**30,000 €**

For information purposes, 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 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	Supervisory Board member	Esker SA	€ 12,000	€ 7,500			€ 4,500
T. Wolfe	Supervisory Board member	Esker Inc.	€ 21,000	€ 15,000			€ 6,000
TOTAL			**€ 96,000**	**€ 67,500**	**€0**	**€0**	**€ 28,500**

Compensation of executive corporate officers

	2018		2017	
(in €)	Amounts due	Amounts paid	Amounts due	Amounts paid
Jean-Michel Berard – Chair of the Executive Board				
Fixed compensation	201,620	201,620	195,612	195,612
Variable compensation	178,000	203,750	173,750	188,000
Attendance fees	None	None	None	None
Benefits in kinds	6,936	6,936	6,936	6,936
TOTAL	**386,556**	**412,306**	**376,298**	**390,548**
Emmanuel Olivier, Worldwide Chief Operating Officer, Executive Board member				
Fixed compensation	179,243	179,243	174,904	174,904
Variable compensation	125,000	100,774	80,774	74,843
Attendance fees	None	None	None	None
Benefits in kinds	7,488	7,488	7,488	7,488
TOTAL	**311,731**	**287,505**	**263,166**	**257,235**

The compensation of Executive Board members was approved by the Supervisory Board on March 21, 2018.

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, 2018.

Similarly, compensation paid to Mr. Emmanuel Olivier in 2018 includes variable compensation linked to achievement of commercial objectives relating to fiscal 2018. Only an advance on the variable compensation component linked to achieving objectives defined for fiscal 2018 was paid in that year, with the balance accrued for in the accounts at December 31, 2018.

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 concerned the company cars granted to Messrs. Jean-Michel Bérard and Emmanuel 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 €)	2018	2017
Jean-Michel Berard – Chair of the Executive Board		
Compensation due for the year	386,556	376,298
Measurement of options granted in the period	None	None
Measurement of performance shares granted in the period	None	115,875
TOTAL	**386,556**	**492,173**
Emmanuel Olivier, Worldwide Chief Operating Officer, Executive Board member		
Compensation due for the year	311,731	263,166
Measurement of options granted in the period	None	None
Measurement of performance shares granted in the period	None	92,700
TOTAL	**311,731**	**355,866**

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.

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

None.

Restricted shares vesting in the period for each company officer

In the period, the number of restricted shares vested in the period amounted to 9,000 shares for Mr. Jean-Michel Bérard and 7,200 shares for Mr. Emmanuel Olivier.

Summary of stock options awards

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

Mr. Emmanuel Olivier, Chief Executive Officer no longer hold stock options or share warrants that are still exercisable.

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	28,975	10.88	1,000	23,000	None	4,975	None

In 2018 the Executive Board decided in its meeting of June 1 to award 20,000 stock options of the company.

No restricted stock units were awarded by the Executive Board in 2018.

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 21, 2018 decided to grant all Supervisory Board members for the period ended December 31, 2018, a total annual gross amount of attendance fees of €30,000.

In addition, the Executive Board decided on March 21, 2019 to propose to the general meeting a total gross annual amount of attendance fees of €40,000 to be allocated to all Supervisory Board members for the period beginning on January 1, 2019.

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 AND THE STATUTORY AUDITORS' REPORTS ON THE CHAIR'S REPORT

None.

3. EMPLOYMENT-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION

None.

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

4.1. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

CONSOLIDATED BALANCE SHEET

ASSETS (€ thousands)	Notes	12/31/2018	12/31/2017
Goodwill	2	6,082	5,858
Intangible assets	3	22,014	20,815
Property, plant and equipment	4/5	7,050	7,115
Financial assets		4,489	4,124
Non-current assets		**39,635**	**37,912**
Inventories		147	176
Trade receivables		20,516	17,633
Deferred tax assets		524	762
Other receivables and accruals	6	5,035	3,620
Cash and marketable securities	7	22,794	20,632
Current assets		**49,016**	**42,823**
TOTAL ASSETS		**88,651**	**80,735**

SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands)	Notes	12/31/2018	12/31/2017
Share capital		11,218	10,961
Additional paid-in capital		19,681	19,277
Consolidated income (loss)		8,843	6,766
Reserves and retained earnings		8,027	2,616
Shareholders' equity	**8**	**47,769**	**39,620**
Attributable to the parent		**47,769**	**39,620**
Attributable to non-controlling interests		**0**	**0**
Provisions for contingencies and expenses	**11**	**1,492**	**1,193**
Borrowings and financial liabilities	12	9,318	13,716
Trade payables		6,157	4,824
Tax and employee-related payables		14,415	12,451
Deferred tax liabilities		430	210
Other payables and accruals	13	9,070	8,721
Payables		**39,390**	**39,922**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**88,651**	**80,735**

CONSOLIDATED INCOME STATEMENT

(€ thousands)	Notes	12/31/2018	% of sales	12/31/2017	% of sales
Sales	**14**	**86,871**	**100.0%**	**76,065**	**100.0%**
Own production of goods and services capitalized	15	5,742	6.6%	5,204	6.8%
Other operating income		1,324	1.5%	1,136	1.5%
Purchases consumed		-1,429	-1.6%	-1,457	-1.9%
Change in inventory		-25	0.0%	55	0.1%
Other operating expenses		-22,726	-26.2%	-20,134	-26.5%
Staff costs	16	-50,015	-57.6%	-43,216	-56.8%
Tax and similar expenses		-1,213	-1.4%	-1,063	-1.4%
Net allowances for amortization and depreciation		-6,626	-7.6%	-6,152	-8.1%
Net allowances for provisions		-292	-0.3%	-190	-0.2%
Operating profit		**11,611**	**13.4%**	**10,248**	**13.5%**
Net financial income /(expense)	**17**	**-57**	**-0.1%**	**-110**	**-0.1%**
Current operating income of consolidated operations		**11,554**	**13.3%**	**10,138**	**13.3%**
Net exceptional items	**18**	**-88**	**-0.1%**	**-456**	**-0.6%**
Income taxes	19	-2,940	-3.4%	-3,148	-4.1%
Share of income from equity-accounted associates		317	0.4%	232	0.3%
Allowances for goodwill amortization			0.0%		0.0%
Net income		**8,843**	**10.2%**	**6,766**	**8.9%**
Basic earnings per share in euros	*20*	*1.64*		*1.28*	
Diluted earnings per share in euros	*20*	*1.59*		*1.22*	

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, 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**
Retained earnings/(accumulated deficit)				-5,010	5,010	0
Annual profit/(loss)				8,843		8,843
Currency translation adjustments			526			526
Stock options	257	404				661
Treasury shares						0
Dividends				-1,756		-1,756
Other changes					-125	-125
BALANCE AS OF DECEMBER 31, 2018	**11,218**	**19,681**	**-446**	**8,843**	**8,473**	**47,769**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ thousands)	12/31/2018	12/31/2017
Consolidated net income	**8,843**	**6,766**
Adjustments to reconcile non-cash items to cash generated from operations :		
Net allowances for depreciation and provisions	7,170	7,424
Carrying value of assets sold	65	21
Proceeds from the disposal of assets	-59	-77
Cash flows after net financial expense	**16,019**	**14,134**
Tax liabilities	2,940	3,353
Taxes paid	-2,795	-2,258
Interest expense and income	120	35
Change in operating working capital	**-650**	**-80**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15,634**	**15,184**
Acquisition of intangible assets	-7,792	-13,155
Acquisition of property, plant and equipment	279	77
Proceeds from the disposal of PPE and intangible assets	-46	-3,106
Change in non-current investments	-543	-3,751
NET CASH USED IN INVESTING ACTIVITIES	**-8,102**	**-19,935**
Dividends paid to shareholders of the parent company	-1,756	-1,633
Capital increases or contributions		
Issuance costs for capital increases		
Amount received from the exercise of stock options	661	477
Change in treasury shares		
Repayment of borrowings – finance leases	-4,398	-3,977
Change in borrowings	0	10,000
NET CASH USED IN INVESTING ACTIVITIES	**-5,493**	**4,867**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**2,039**	**116**
Effect of exchange rate changes on cash	124	-822
Cash and cash equivalents at beginning of year	**20,632**	**21,338**
Cash and cash equivalents at end of year	**22,794**	**20,632**

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, 2018 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 21, 2019.

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 of 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 PLANS

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

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

- Estimated age of retirement
- Seniority of personnel on retirement date
- Probability of 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 are 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

The Group opened a new subsidiary in Hong Kong on August 21, 2018. The integration of this wholly-owned subsidiary of Esker SA did not have a significant impact on the Group's consolidated financial statements on December 31, 2018 reflecting the limited activity for the period.

Company	Head office	2018		2017		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)	100.0%	100.0%	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 Inc.	Montreal (Canada)	100.0%	100.0%	100.0%	100.0%	F
Esker Documents Automation (HK) Ltd	Hong Kong	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	12/31/2018	12/31/2017
Software sales	1,901	1,647
Fax card sales	470	605
Contracts for product updates and maintenance	7,370	8,041
Services	16,614	14,360
Traffic	60,516	51,412
NET SALES	**86,871**	**76,065**

■ INFORMATION RELATING TO GEOGRAPHICAL AREAS

As of December 31, 2018 In thousands of euros	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL Group
External sales	35,737	6,112	3,919	4,741	4,580	31,782	86,871
Property, plant and equipment and intangible assets	26,091	92	16	127	44	2,694	29,064

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

INFORMATION RELATING TO KEY CUSTOMERS

In fiscal 2018 the largest customer represented 7.4 % of total Group revenue.

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

NOTE 2: Goodwill

In thousands of euros	12/31/2018			12/31/2017
	Gross	Amortization	Net	Net
TermSync	5,052	94	4,958	4,734
CalvaEDI	137	2	135	135
e-integration	989	0	989	989
TOTAL GOODWILL	6,178	96	6,082	5,858

Business combinations are recorded on the basis of the purchase method of accounting. The assets, liabilities and contingent 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.

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

NOTE 3: Intangible assets

In thousands of euros	12/31/2018			12/31/2017
	Gross	Amortization	Net	Net
Development expenditures	33,922	22,868	11,054	9,560
Trademarks	1,627		1,627	1,605
Software	1,836	1,705	131	254
Customer-related intangible assets	7,410	982	6,428	6,772
Intangible assets in progress	2,774		2,774	2,624
TOTAL INTANGIBLE ASSETS	47,569	25,555	22,014	20,815

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, 2018

As of 12/31/2018 In thousands of euros	Opening balance	Increases	Decreases	Changes in Group structure	Other changes	Closing balance
Development expenditures	28,277	229			5,416	33,922
Trademarks	1,605				22	1,627
Software	1,818	48	-63		33	1,836
Customer-related intangible assets	7,410					7,410
Intangible assets in progress	2,624	5,512			-5,362	2,774
INTANGIBLE ASSETS – GROSS VALUE	41,734	5,789	-63	0	109	47,569
Development expenditures	18,717	4,137			14	22,868
Software	1,564	168	-53		26	1,705
Customer-related intangible assets	638	344				982
INTANGIBLE ASSETS – AMORTIZATION	20,919	4,649	-53	0	40	25,555
INTANGIBLE ASSETS – NET VALUE	20,815	1,140	-10	0	69	22,014

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

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

NOTE 4: Property, plant and equipment

In thousands of euros	12/31/2018			12/31/2017
	Gross	Amortization	Net	Net
Land	983		983	983
Buildings	873	58	815	859
Office and computer equipment		5,017	3,357	1,425
Fixtures and improvements	2,722	715	2,007	1,559
Equipment and tooling	6,695	5,689	1,006	1,881
Transport equipment	64	16	48	27
Furniture	816	285	531	381
TOTAL PROPERTY, PLANT AND EQUIPMENT	**17,170**	**10,120**	**7,050**	**7,115**

CHANGES IN THE FISCAL YEAR ENDED DECEMBER 31, 2018

As of 12/31/2018 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	4,412	982	-430		53	5,017
Fixtures and improvements	2,602	705	-604		19	2,722
Equipment and tooling	6,843	3	-165		14	6,695
Transport equipment	57	52	-45			64
Furniture	582	258	-42		18	816
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**16,352**	**2,000**	**(1,286)**		**104**	**17,170**
Buildings	14	44				58
Office and computer equipment	2,987	710	-372		32	3,357
Fixtures and improvements	1,043	264	-595		3	715
Equipment and tooling	4,962	878	-164		13	5,689
Transport equipment	30	14	-28			16
Furniture	201	109	-30		5	285
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**9,237**	**2,019**	**(1,189)**		**53**	**10,120**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**7,115**	**(19)**	**-97**		**51**	**7,050**

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

NOTE 5: Finance leases

In thousands of euros	Gross	Accumulated amortization	Net
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**
Increase	0	-849	-849
Decrease	-149	149	0
Translation difference	0	0	0
As of December 31, 2018	5,947	-4,973	974

Finance lease commitments for the periods ended December 31, 2018 and 2017 break down as follows:

In thousands of euros	12/31/2018				12/31/2017			
	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	621	215	0	**836**	863	819	0	**1,682**
Discounted value of future minimum lease payments	601	201	0	**802**	836	779	0	**1,615**

NOTE 6: Other receivables and accruals

In thousands of euros	Net 12/31/2018	Net 12/31/2017
Tax receivables	1,766	1,531
Other tax receivables	466	626
Other receivables	277	101
Prepaid expenses	2,526	1,362
TOTAL OTHER RECEIVABLES AND ACCRUALS	**5,035**	**3,620**

NOTE 7: Cash and marketable securities

At December 31, 2018, cash included the following items:

In thousands of euros	Net 12/31/2018	Net 12/31/2017
Marketable securities	493	3,394
Cash at banks and on hand	22,301	17,238
TOTAL CASH AND MARKETABLE SECURITIES	22,794	20,632

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 12/31/2016	**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**
Capital increase	125	62,600
Exercise of stock options and warrants	132	65,999
CAPITAL STOCK AT 12/31/2018	11,218	5,608,965

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 €0.32 per share was paid for the period.

NOTE 9: Treasury shares

Changes in treasury shares held by the Group in fiscal 2018:

	FY 2018	FY 2017
Opening balance	**151,553**	**196,623**
Purchase of own shares (liquidity agreement)	39,472	38,150
Sale of own shares (liquidity agreement)	-37,653	-41,440
Purchase of own shares (for external growth transactions)		
Sales of own shares (for external growth transactions)		-38,780
Closing balance	153,372	151,553

NOTE 10: Stock option, bonus share and warrants plans

Highlights of plans for stock options, stock purchase options and warrants outstanding at December 31, 2018 are presented below :

Type	Dates		Exercise price in euros	Number of options			Balance
	Grant	Expiry		granted	exercised	matured or forfeited	
Stock option plan	04/03/2009	04/02/2019	2.74	118,300	85,405	16,095	16,800
Stock option plan	06/01/2010	05/31/2020	6.37	48,000	28,656	2,344	17,000
Stock option plan	09/12/2011	09/11/2021	5.44	67,400	28,986	4,688	33,726
Stock option plan	04/10/2012	04/09/2022	8.26	19,750	13,477	2,782	3,491
Stock option plan	10/01/2012	09/30/2022	9.44	56,000	16,000	8,000	32,000
Stock option plan	04/19/2013	09/18/2023	13.04	27,500	11,748	1,000	14,752
Stock option plan	04/01/2014	03/31/2024	16.32	12,000	7,465	1,626	2,909
Stock option plan	04/01/2015	03/31/2025	19.62	24,500	5,322	563	18,615
Stock option plan	07/01/2016	06/30/2026	32.92	23,800	4,150	1,813	17,837
Stock option plan	05/04/2017	05/03/2027	46.55	20,750	625	875	19,250
Stock option plan	06/01/2018	05/31/2028	57.49	23,000	0	1,000	22,000
TOTAL STOCK OPTION PLANS				441,000	201,834	40,786	198,380
Bonus share issues	05/04/2017	05/03/2019		48,900			48,900
TOTAL BONUS SHARES				48,900	0	0	48,900

Changes in the number of stock options, restricted stock units and warrants granted to Group employees in the fiscal year ended December 31, 2018 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 December 31, 2017	**244,255**	**13.77**	**111,500**	**38.90**
Granted	23,000	57.49		
Exercised	-65,999	8.12	-62,600	34.30
Matured or forfeited for reason of departure	-2,876	44.74		
BALANCE EXERCISABLE AT DECEMBER 31, 2018	**198,380**	**20.27**	**48,900**	**46.55**

No restricted stock units were awarded in 2018.

NOTE 11: Provisions

In thousands of euros	12/31/2017	Increases, allowances of the period	Payments in the period	Reversals of provisions unused in the period	Other changes	12/31/2018
Provisions for contingencies and expenses	80	130	-80			130
Pension liabilities	1113	249				1362
TOTAL PROVISIONS	**1,193**	**379**	**-80**	**0**	**0**	**1,492**

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.

The assumptions used to estimate pension obligations at December 31, 2018 were as follows:

Assumptions for the measurement of pension obligations in France	
Discount rate	1.53%
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 €283,000 at 12/31/2018 and break down as follows:

In thousands of euros	12/31/2017	Increases in the period	Payments in the period	Other changes	12/31/2018
Severance benefits – Esker Italy	249	34	0	283	249

NOTE 12: Borrowings and financial liabilities

In thousands of euros	12/31/2018	12/31/2017
Finance leases	998	1,849
Bank borrowings	8,320	11,867
TOTAL BORROWINGS	**9,318**	**13,716**

FINANCE LEASES

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

BANK BORROWINGS

No additional amounts were borrowed by the Group in 2018.

NOTE 13: Other payables and accruals

In thousands of euros	12/31/2018	12/31/2017
Deferred revenue	6,250	6,044
Customer deposits and guarantees	2,765	2,514
Other payables	55	163
TOTAL OTHER PAYABLES AND ACCRUALS	**9,070**	**8,721**

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

NOTE 14: Revenue

In thousands of euros	12/31/2018	12/31/2017
Software sales	1,901	1,647
Fax card sales	470	605
Contracts for product updates and maintenance	7,370	8,041
Services	16,614	14,360
Traffic	60,516	51,412
NET SALES	**86,871**	**76,065**

NOTE 15: Research and development expenses

In thousands of euros	12/31/2018	12/31/2017
R&D expenses for the period	-9,331	-8,291
Capitalized development expenditures	5,742	5,204
Amortization of capitalized development expenditures	-4,137	-3,633
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-7,726**	**-6,720**

An analysis of development expenditures recorded under intangible assets in the fiscal period ended December 31, 2018 is presented in *note 2*.

NOTE 16: Staff costs

In thousands of euros	12/31/2018	12/31/2017
Employee compensation	37,806	32,894
Social security expenses	12,208	10,322
STAFF COSTS	**50,014**	**43,216**

Breakdown of personnel by country:

	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL
Headcount at 12/31/2018	**305**	**41**	**18**	**26**	**41**	**139**	**569**
Headcount at 12/31/2017	267	35	17	18	36	129	503
Headcount at 12/31/2016	243	5	14	21	28	116	427

NOTE 17: Net financial income /(expense)

In thousands of euros	12/31/2018	12/31/2017
Financial income	187	124
Net currency gains/(losses)	19	-46
Financial expenses	-67	-88
Provisions for bonds	-196	
Provisions for shares in non-consolidated subsidiaries		-100
NET FINANCIAL INCOME / (EXPENSE)	**-57**	**-110**

NOTE 18: Exceptional items

In thousands of euros	12/31/2018	12/31/2017
Exceptional income from non-capital transactions	-94	-3
Exceptional income from capital transactions	-4	30
Exceptional allowances and reversals	10	-483
NET EXCEPTIONAL ITEMS	**-88**	**-456**

NOTE 19: Income taxes

ANALYSIS OF TAX EXPENSES

In thousands of euros	12/31/2018	12/31/2017
Current tax income / (expense)	-2,499	-2,984
Deferred tax income / (expense)	-441	-164
TOTAL TAX EXPENSES/INCOME	**-2,940**	**-3,148**

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, 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)**
Deferred taxes in the period recognized under profit or loss	-236	-205
Effect of exchange rate fluctuations	-2	-15
BALANCE AT DECEMBER 31, 2018	**524**	**(430)**

As of December 31, 2018, Group tax loss carryforwards not resulting in the recognition of deferred tax assets amounted to €10,395,000.

RECONCILIATION OF TAX

In thousands of euros	12/31/2018	12/31/2017
Net income	8,843	6,766
▪ Share of income in equity-accounted associates	317	234
▪ Allowances for goodwill amortization	0	0
▪ Tax expense/income recognized (-/+)	-2,940	-3,148
Net income before tax	**11,466**	**9,680**
Ordinary tax rate of the parent company	33.33%	33.33%
Theoretical tax expense/income (-/+)	**-3,823**	**-3,227**
Permanent tax differences	589	65
Tax savings on loss carryforwards	-269	421
Non-recognition of deferred tax assets from loss carryforwards	-114	-195
Temporary tax differences	-162	-54
Tax base differences	830	-146
Other	8	-11
TAX EXPENSE/INCOME RECOGNIZED (-/+)	**-2,940**	**-3,148**

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.

	12/31/2018		12/31/2017	
	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	**8,843,000**	**5,397,351**	**6,766,000**	**5,291,403**
Dilutive stock options		128,781		175,472
Dilutive bonus shares		40,546		63,046
Basis of calculation for diluted earnings per share	**8,843,000**	**5,566,678**	**6,766,000**	**5,529,921**
BASIC EARNINGS PER SHARE	**1.64**		**1.28**	
DILUTED EARNINGS PER SHARE	**1.59**		**1.22**	

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 12/31/2018 (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	102	75			27
TOTAL	**750**	**446**	**263**	**14**	**27**

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	11,274	2,777	6,803	1,694	2,983
Irrevocable purchase obligations	-				
Other long-term obligations	-				
TOTAL	**11,274**	**2,777**	**6,803**	**1,694**	**2,983**

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			
	2018		2017		2018		2017		2018		2017	
	€ 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	43,550	54%	40,830	54%	36,450	46%	34,170	46%	0	0%	0	0%
▪ For fully consolidated subsidiaries	0	0%	0	0%	8,400	11%	53,004	70%	66,824	89%	22,497	33%
Ancillary assignments												
▪ For the Issuer												
▪ For fully consolidated subsidiaries												
Subtotal / Audit	**43,550**	**28%**	**40,830**	**27%**	**44,850**	**29%**	**87,174**	**58%**	**66,824**	**43%**	**22,497**	**15%**
OTHER SERVICES Legal, tax, employee-related assignments												
▪ Issuer												
▪ Fully consolidated subsidiaries									13,784	100%	7,534	100%
Other												
▪ Issuer												
▪ Fully consolidated subsidiaries												
Subtotal / Other Services	**0**		**0**		**0**		**0**		**13,784**	**100%**	**7,534**	**100%**
TOTAL	**43,550**	**26%**	**40,830**	**26%**	**44,850**	**27%**	**87,174**	**55%**	**80,607**	**48%**	**30,031**	**19%**

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, 2018.

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, 2018 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.

Villeurbanne and Lyon, April 30, 2019

The Statutory Auditors
[French original signed by]

ORFIS	**DELOITTE & ASSOCIÉS**
Valérie Malnoy	Nathalie Lorenzo Casquet

4.3. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

BALANCE SHEET

ASSETS (€ thousands)	Gross amounts	Depreciation, amortization and provi-sions	Net amounts at 12/31/2018	Net amounts at 12/31/2017
Intangible assets	35,927,899	23,053,766	12,874,133	11,503,219
Property, plant and equipment	7,192,011	2,530,875	4,661,135	3,910,812
Equity investments and investment-related receivables	50,956,669	4,245,361	46,711,308	46,258,109
Other financial assets	5,910,514	196,416	5,714,098	5,806,872
Total non-current assets	**99,987,093**	**30,026,418**	**69,960,675**	**67,479,012**
Inventories of raw materials, supplies	105,175		105,175	129,295
Trade receivables and related accounts	13,202,961	86,190	13,116,771	10,962,075
Prepayments to suppliers		165,466	-165,466	-129,324
Other receivables	3,023,245		3,023,245	2,815,661
Marketable securities	506,327	13,435	492,892	3,192,221
Cash at banks and on hand	4,425,447		4,425,447	3,127,212
Total current assets	**21,263,156**	**265,092**	**20,998,064**	**20,097,139**
Prepaid expenses	1,195,576		1,195,576	608,413
Translation differences (assets)	572,999		572,999	339,152
Total adjustment accounts	**1,768,575**	**0**	**1,768,575**	**947,565**
TOTAL ASSETS	**123,018,824**	**30,291,510**	**92,727,314**	**88,523,717**

SHAREHOLDERS' EQUITY AND LIABILITIES (€ thousands)	12/31/2018	12/31/2017
Share capital	11,217,930	10,960,732
Additional paid-in capital	19,723,196	19,319,577
Legal reserve	1,096,073	1,078,872
Other reserves	316,378	441,578
Retained earnings	24,640,077	22,764,270
Net income	4,975,716	3,648,772
Regulated provisions	148,916	82,723
Total Equity	**62,118,286**	**58,296,524**
Other equity		
Provisions for contingencies and expenses	**1,651,449**	**1,283,008**
Borrowings and financial liabilities	10,669,395	13,967,680
Trade payables and related accounts	5,294,742	3,722,404
Tax and employee-related payables	11,310,836	9,719,955
Other payables	49,493	98,391
Total payables	**27,324,466**	**27,508,430**
Deferred revenue	1,465,440	1,270,311
Unrealized gains on foreign exchange	167,673	165,444
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**92,727,314**	**88,523,717**

PROFIT AND LOSS STATEMENT

(in euros)	12/31/2018	12/31/2017
Sales of goods	31,511	20,706
Sale of services	38,233,347	31,287,736
Sales	**38,264,858**	**31,308,442**
Own production of goods and services capitalized	5,306,028	4,790,499
Operating grants	8,167	
Reversals of provisions, expense reclassifications	286,220	266,477
Other income	6,335,949	5,635,873
Operating income	**50,201,223**	**42,001,291**
Purchase of trade goods, raw materials and other supplies	996,588	877,750
Change in inventory	24,120	-57,107
Other purchases and external expenses	13,007,246	10,809,527
Taxes, duties and similar payments (other than on income)	1,108,282	946,823
Salaries and wages	18,652,633	15,516,895
Social security expenses	8,559,231	7,098,021
Allowances for depreciation and reserves	4,981,431	4,460,905
Other expenses	82,778	150,612
Operating expenses	**47,412,309**	**39,803,425**
OPERATING PROFIT	**2,788,913**	**2,197,866**
Financial income	4,138,334	2,259,906
Financial expenses	1,357,647	932,626
Net financial income /(expense)	**2,780,687**	**1,327,280**
CURRENT INCOME BEFORE TAX	**5,569,600**	**3,525,146**
Non-recurring income	315,636	1,320,223
Exceptional expenses	1,089,455	1,271,765
Net exceptional items	**-773,818**	**48,458**
Income taxes	179,934	75,168
NET PROFIT	**4,975,716**	**3,648,772**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The separate annual financial statements of Esker SA at December 31, 2018 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 21, 2019.

I. Annual highlights

Waiver of debt in favor of Esker Document Automation Asia Pte Ltd:

A waiver of debt was granted to Esker Document Automation Asia Pte Ltd in the amount of €235,437.00 corresponding to Group trade receivables.

Waiver of debt in favor of Document Automation Malaysia Sbn Bhd:

A waiver of debt was granted to Document Automation Malaysia Sbn Bhd in the amount of €136,064.27 corresponding to Group trade receivables.

Waiver of debt in favor of Esker Italia :

A waiver of debt was granted to Esker Italia in the amount of €362,617.02 corresponding to Group trade receivables.

New subsidiary in Hong Kong:

Esker Document Automation Hong Kong Ltd was created on August 31, 2018.

II. Significant accounting policies and statement of compliance

The annual financial statements for the period ending December 31, 2018 were prepared in accordance with French law and French GAAP, and notably articles L.123-12 to L;123-28 of the French commercial code, regulation No. 2016-07 of the French accounting standards authority (*Autorité des Normes Comptables* or ANC) of November 4, 2016 and on the French General Chart of Accounts (Plan Comptable Général) of France's Accounting Regulations Committee (*Comité de Reglementation Comptable* or "CRC")

Following the transposition of the 2013/34 UE European accounting directive changes were made to the French regulation ANC No. 2014-03 with the adoption of regulation 2015-06 relating to:

- The definition of goodwill
- The measurement of property, plant and equipment, intangible assets and goodwill after their initial recognition
- The treatment of negative goodwill

The Company has not been impacted by these changes at the level of the separate annual financial statements.

In accordance with ANC Regulation 2015-05 of July 2, 2015 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).

With the exception of foreign exchange results as indicated above, the accounting methods applied remain unchanged in relation to those used for the annual financial statements established on December 31, 2017.

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 Group estimations concern assumptions relating to:

- The measurement and depreciation of property, plant and equipment and intangible assets
- The measurement of pension obligations
- The measurement of provisions

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

Intangible assets

RESEARCH AND DEVELOPMENT EXPENSES

In accordance with French GAAP (CRC regulation 99-02) on assets applicable as from January 1, 2006, research costs are expensed when incurred and development expenditures recorded as intangible assets when the company can demonstrate that the following criteria have been met:

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

Development expenditures incurred by Esker concern mainly application developments and are destined to be tracked on an individual basis. These expenditures consist primarily of staff costs.

The company's development activities are divided into two categories:

- Developments to create new products or introduce new functionalities to existing products. Criteria for capitalizing expenditures under CRC regulation 2004-06 are determined by the marketing and R&D teams when these projects are launched.
- Developments to extend the life of existing products (adaptation to new operating systems, corrective maintenance, etc.). Such expenditures do not meet the criteria of the regulation and are consequently not capitalized.

Development expenditures recorded as intangible assets are amortized over useful lives estimated at five years. The corresponding expenses of projects not yet completed on the closing date are recognized under intangible assets in progress and tested for impairment.

OTHER INTANGIBLE ASSETS

Software acquired is recognized as intangible assets and amortized on a straight-line basis over useful lives defined as five years. Under special tax derogations, accelerated amortization rates may be applied to this software.

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.

The depreciation of property, plant and equipment is determined on a straight-line basis over the assets' estimated useful lives:

- Land:.. unlimited
- Buildings: .... 20 years
- Fixtures, improvements, fittings :.. 5 to 10 years
- Plant, machinery and equipment : .... 4 to 5 years
- Transport equipment:.. 3 to 4 years
- Office and computer equipment: .... 2 to 4 years
- Furniture:.. 5 years

Equity interests and other financial assets

The gross value of financial assets represents their purchase price excluding incidental expenses. A provision for impairment is set up when value in use is lower than the carrying value.

The company uses different methods to measure the value in use of equity securities held, based on each particular case. The methods of measurement used are as follows:

- Net book assets of the companies. In the case of negative net equity, the value of securities is fully written down and the share in negative net equity reverting to Esker is recognized as an impairment charge on receivables supplemented, as the case may be, by a provision for contingencies and expenses.
- Present value of future cash flows

Treasury shares

Treasury shares acquired by the company through the different share buyback programs approved by the French financial market authority, the AMF, and authorized by the general meetings of the company, are recognized at acquisition cost. On the closing date, a provision for impairment is recorded if their fair value corresponding to the average share price for the last month preceding the end of the reporting period is lower than the purchase price.

Treasury shares allocated to stock options destined for employees are classified under marketable securities. Shares acquired in connection with a liquidity contract and shares without a specified purpose are classified as fixed securities.

Inventories

Inventory is measured at acquisition cost according to the weighted average cost per unit method.

A provision for the impairment of inventory is recognized when the gross value is lower than the probable resale value after deducting the proportional selling costs.

Receivables

Accounts receivable are recorded at face value and subject to impairment based on a case-by-case assessment of the risk of default.

Marketable securities

Marketable securities are measure according to the "First in First out" (FIFO) method, and an impairment is recognized when the market price falls below the carrying value.

Regulated provisions

Regulated provision include special depreciation allowances which are allocated and reversed in accordance with applicable tax rules.

Foreign currency transactions

Income and expense items expressed in foreign currencies are converted into euros according to the exchange rate on the transaction date; Payables, receivables, cash balances in foreign currency are translated at year-end exchange rates. Translation differences resulting from the measurement of payables and receivables in foreign currency are recorded in the accrual accounts under assets in the case of an unrealized foreign exchange loss and a liability or in the case of an unrealized foreign exchange gain. Provisions for contingencies are recorded for hedged foreign exchange losses.

Disputes and provisions for contingencies and charges

As a general rule, each dispute known in which the company is a party is evaluated by management on the closing date, after obtaining an opinion from outside counsel, and as applicable, the necessary provisions were recorded to cover estimated risks.

Retirement severance benefits

Under French law, the company 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 in application of 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
- Discount rate

The obligations calculated in this manner are then recognized under a provision for contingencies and expenses. Gains and losses from changes in actuarial assumptions are recognized under income or expense when incurred. Retirement severance benefits are recognized under expenses when actually incurred.

Revenue

Revenue of the company is derived 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, it is noted that the CICE wage tax credit whose purpose is to improve the competitiveness of companies, is used by our entity namely for efforts in the following areas:

- Capital investments
- Research, innovation
- Training and recruitment

III. Notes to the balance sheet and income statement

NOTE 1 Intangible assets

As of 12/31/2018 (In thousands of euros)	Opening balance	Increases	Decreases	Closing balance
Development expenditures	27,658,815	5,123,532		32,782,347
Software	561,789	17,995	-56,014	523,770
Other intangible assets	59,363			59,363
Intangible assets in progress	2,379,923	5,306,028	-5,123,532	2,562,419
Intangible assets – gross value	**30,659,891**	**10,447,555**	**-5,179,546**	**35,927,899**
Development expenditures	18,541,683	3,938,840		22,480,522
Software	555,941	13,996	-55,647	514,289
Other intangible assets	59,048	274	-367	58,955
Intangible assets – amortization	**19,156,671**	**3,953,110**	**-56,014**	**23,053,766**
INTANGIBLE ASSETS – NET VALUE	**11,503,220**	**6,494,445**	**-5,123,532**	**12,874,133**

Changes involve mainly development expenditures recognized as assets in the period and concern namely software as a service (SaaS) solutions (Esker on Demand), capitalized every six-month period.

NOTE 2 Property, plant and equipment

As of 12/31/2018 (In thousands of euros)	Opening balance	Increases	Decreases	Closing balance
Plant, machinery and equipment	2,298,061	890,615	-593,965	2,594,711
Transport equipment	13,289	3,004	-950	15,343
Office and computer equipment	2,369,449	571,962	-215,472	2,725,939
Building and land	1,856,018			1,856,018
Property, plant and equipment in progress	0			0
Property, plant and equipment – gross value	**6,536,817**	**1,465,581**	**-810,388**	**7,192,011**
Plant, machinery and equipment	799,189	289,694	-422,665	666,218
Transport equipment	11,329	3,063	-630	13,762
Office and computer equipment	1,624,887	379,343	-211,082	1,793,148
Building and land	14,118	43,671		57,789
Property, plant and equipment in progress	0			0
Property, plant and equipment – depreciation	**2,449,524**	**715,771**	**-634,377**	**2,530,918**
INTANGIBLE ASSETS – NET VALUE	**4,087,293**	**749,811**	**-176,011**	**4,661,093**

Decreases in the period relate to the move in January 2018 to the new premises (€883,000 for installations and the retirement of equipment).

Acquisitions in the period concerned mainly computer equipment (€698,000 – servers and machines linked to growth in business, workstations linked to staff increases and the renewal of existing equipment), work carried out at the mail processing platform at Décines facility (€92,000), work and the cost of installations at the new premises (€552,000) and furniture (€192,000).

NOTE 3 Financial assets

As of 12/31/2018 (In thousands of euros)	Opening balance	Increases	Decreases	Closing balance
Equity investments	44,779,227	1,126		44,780,354
Investment-related receivables	6,150,857	2,335,240	-2,309,781	6,176,316
Esker shares	2,378,792			2,378,792
Bonds	2,994,425	417,205	-335,375	3,076,255
Other*	433,654	2,353,965	-2,332,153	455,467
FINANCIAL ASSETS – GROSS VALUE	**56,736,957**	**5,107,536**	**-4,977,309**	**56,867,184**
Equity investments	589,218			589,218
Investment-related receivables	4,082,758		-426,615	3,656,143
Esker shares	0			0
bonds	0	196,416		196,416
Other*	0			0
FINANCIAL ASSETS – DEPRECIATION	**4,671,976**	**196,416**	**-426,615**	**4,441,777**
FINANCIAL ASSETS – NET VALUE	**52,064,981**	**4,911,120**	**-4,550,694**	**52,425,407**

* including the liquidity account, deposits and guarantees

■ EQUITY INVESTMENTS

Information on equity securities (gross and net) is provided in the table of "subsidiaries and associates".

The main changes concerned provisions in the period estimated according to the method described in *section 2* of these notes under significant accounting policies.

As in previous periods, the Esker Inc. shares were tested for impairment on December 31, 2018. On that basis, no loss of value was identified requiring the recognition of the provision for the shares on this date.

Impairment tests determine the recoverable value of the cash generating unit (CGU) or CGU group defined as the higher of value in use and the carrying value. In practice, value in use is applied, determined on the basis of the present value of future operating cash flows expected over a five-year period and a terminal value.

The assumptions adopted for this purpose, i.e. a terminal value with respect to growth (3%) and a discount rate (8.7%) are in line with the data available on the market and conservative assumptions.

Tests were conducted to assess the sensitivity of the recoverable value to changes in certain actuarial assumptions, and mainly the discount rate, the perpetuity growth rate and the level of operating profit.

■ INVESTMENT-RELATED RECEIVABLES

Changes in investments-related receivables reflect mainly the following items:

A €60,000 increase in the Esker Australia receivable linked to the €310,000 increase and long-term receivables and the foreign exchange rate impact from the Australian dollar (€-294,000),

A €19,000 increase in the Esker Asia receivable linked solely to the conversion of this receivable in foreign currency and the change in the foreign exchange rate of the Singapore dollar at 12/31/2018,

A €19,000 decrease in the Esker UK receivable linked solely to the conversion of this receivable in foreign currency following the change in the foreign exchange rate of the pound sterling at 12/31/2018.

Esker shares

The change in treasury shares is presented below in *note 4* .

Bonds

The bond portfolio amounted to €3,076,000. A €198,000 loss and provision thereof was recorded in the amount at 12/38/2018

NOTE 4 Treasury stock

The number and value of treasury shares held by the company changed as follows in 2018:

Number of treasury shares	Fixed securities	Transferable securities	FY 2018
Number of treasury shares held at 01/01/2018	**144,196**	**7,357**	**151,553**
Transfers			
Purchase of own shares (liquidity agreement)		39,472	39,472
Sale of own shares (liquidity agreement)		(37,653)	(37,653)
Exercise of options			0
Number of treasury shares held at 12/31/2018	**144,196**	**9,176**	**153,372**
Treasury shares (in euros)	**Fixed securities**	**Transferable securities**	**FY 2017**
Gross balance at 01/01/2018	2,378,730	289,263	2,667,993
Provision	0	0	0
Net balance at 01/01/2018	**2,378,730**	**289,263**	**2,667,993**
Transfers			0
Purchase of own shares (liquidity agreement)		2,284,472	2,284,472
Sale of own shares (liquidity agreement)	0	(2,123,782)	(2,123,782)
Exercise of options			0
Gross balance at 12/31/2018	**2,378,730**	**449,953**	**2,828,683**
Provision	0	0	0
Net balance at 12/31/2018	**2,378,730**	**449,953**	**2,828,683**

The change in treasury shares corresponds to shares purchased and sold in connection with the liquidity contract. Treasury shares held in connection with the liquidity contract, previously recognized under financial assets, were reclassified under investment securities in light of the purpose of the liquidity contract which does not provide for share price stabilization measures.

At December 31, 2018 a provision for impairment in the amount of €13,000 were recorded for treasury shares.

NOTE 5 Trade receivables

In euros	12/31/2018			12/31/2017		
	Gross	Provision	Net	Gross	Provision	Net
Trade receivables - non-Group	9,612,915	-18,127	9,594,788	7,846,837	-5,668	7,841,169
Trade receivables - Group	3,590,046	-68,064	3,521,983	3,218,904	-97,999	3,120,905
TOTAL CURRENT RECEIVABLES	**13,202,961**	**-86,190**	**13,116,771**	**11,065,741**	**-103,667**	**10,962,075**

NOTE 6 Maturity of receivables and payables

STATEMENT OF RECEIVABLES

In euros	Gross amount	Up to 1 year	More than 1 year
Investment-related receivables	6,176,315		6,176,315
Other financial assets	5,910,514		5,910,514
Doubtful and disputed trade receivables	21,020		21,020
Other trade receivables	13,181,942	13,181,942	
Social security and related receivables	4,746	4,746	
Other taxes and similar items	1,848,102	1,489,888	358,214
Group current accounts	930,232	930,232	
Sundry debtors	2,421	2,421	
Prepaid expenses	1,195,576	1,195,576	
TOTAL	**29,270,869**	**16,804,806**	**12,466,063**

STATEMENT OF PAYABLES

In euros	Gross amount	Less than one year	Between 1 and 5 years	More than 5 year
Conditional advance	0	0		
Miscellaneous borrowings	10,690,329	5,556,736	5,133,593	
Trade payables and related accounts	5,294,742	5,294,742		
Employee payables and related accounts	5,671,627	5,671,627		
Social security and related receivables	3,827,457	3,827,457		
Value-added tax	1,020,128	1,020,128		
Other taxes and similar items	791,624	791,624		
Amounts payable to Group companies and share-holders	0			
Other payables	49,493	49,493		
Deferred revenue	1,465,440	1,465,440		
TOTAL	**28,810,841**	**23,677,248**	**5,133,593**	

NOTE 7 Translation of payables and receivables in foreign currency

In euros	Translation differences (assets)	Unrealized gains on foreign exchange
Investment-related receivables	0	167,673
Operating receivables	572,999	0
Operating payables	0	0
TOTAL	**572,999**	**167,673**

A provision for the balance of translation differences was reversed at December 31, 2018.

NOTE 8 Accrued income and expenses

In euros	2018
Trade receivables and related accounts	730,539
Other receivables	
Accrued credit notes - Suppliers	356
Employees - accrued income	0
Social security and equivalent - accrued income	4,746
Misc. - accrued income	358,214
TOTAL ACCRUED INCOME	**1,093,855**
Trade payables and related accounts	3,458,709
Tax and employee-related payables	
Income tax payables	201,951
State, other accrued liabilities	5,580,808
Personnel - provision for paid leave, bonuses and profit-sharing	2,819,673
Social security agencies	0
Taxes on wages	
Other payables:	
Accrued credit notes	0
Misc. - accrued liabilities	0
TOTAL ACCRUED EXPENSES	**12,061,141**

NOTE 9 Prepaid expenses and deferred income

Prepaid expenses include mainly current operating expenses.

Deferred income concerns:

- Maintenance contracts sold by the company The corresponding revenue is recognized on a straight-line basis over the total term of the contracts
- Subscriptions invoiced in advance with revenue recognized on a monthly basis
- Services for projects where revenue recognized on a percentage of completion basis is less than the amount invoiced

NOTE 10 Share capital and changes in shareholders' equity

	Value (in euros)	**Number of shares**
Capital stock at December 31, 2017	10,960,732	5,480,366
Capital increase	125,200	62,600
Exercise of stock options	131,998	65,999
Capital stock at December 31, 2018	**11,217,930**	**5,608,965**

In euros	Capital stock and additional paid-in capital	Net income	Reserves	Retained earnings	Regulated provisions	Closing balance
Balance as of December 31, 2017	**30,280,309**	**3,648,772**	**1,520,449**	**22,764,270**	**82,723**	**58,296,524**
Capital increase			-125,200			-125,200
Stock options	660,817					660,817
Other changes					66,193	66,193
Appropriation of net income for the year		-3,648,772	17,202	1,875,807		-1,755,764
Annual profit/(loss)		4,975,716				4,975,716
Balance as of December 31, 2018	**30,941,126**	**4,975,716**	**1,412,451**	**24,640,077**	**148,916**	**62,118,286**

65,999 stock options were exercised in 2018, resulting in a capital increase of €132,000 and share premium of €404,000.

Treasury shares at December 31, 2018 represented 2.73% of the company's share capital or 153,372 shares (compared to 2.77% at 12/31/2017). Excluding these shares which do not carry voting rights, there were 5,455,593 voting rights attached to the share capital at December 31, 2018.

On July 2, 2018, the Executive Board recorded the vesting of 62,600 shares awarded on July 1, 2016 under the restricted stock unit plan and decided to increase the share capital by €125,200 by creating 62,600 new shares of €2 per share, without share premium, deducted from "other reserves".

A dividend was distributed to shareholders in the period in the amount of €1,756,000.

NOTE 11 Stock option and warrants plans

Changes in the number of stock options, warrants and restricted stock units granted to Group employees in the fiscal year ended December 31, 2018 break down as follows:

	Stock options		Stock warrants		Restricted stock awards, not issued	
	Quantity	Weighted average exercise price in €	Quantity	Weighted average exercise price in €	Quantity	Weighted average exercise price in €
Balance exercisable at 12/31/2017	**244,255**	**13.77**	**0**	**0.00**	**111,500**	**38.90**
Granted	23,000	57.49				
Exercised	-65,999	8.12			-62,600	34.30
Matured or forfeited for reason of departure	-2,876	44.74				
Balance exercisable at 12/31/2018	**198,381**	**20.27**	**0**	**0.00**	**48,900**	**46.55**

No restricted stock units were awarded in 2018.

NOTE 12 Provisions for contingencies and expenses

In euros	Provisions at the beginning of the period	Increases in the period	Amounts used in the period	Reversals of provisions unused in the period	Provisions at the end of the period
Provisions for unrealized foreign exchange losses	339,152	1,023,984		-790,138	572,998
Provision for financial risk	1				1
Other provisions for contingencies	80,405		-80,405		0
Provision for retirement severance payments	863,450	215,000			1,078,450
Total	**1,283,008**	**1,238,984**	**-80,405**	**-790,138**	**1,651,449**

- Provisions for retirement severance benefits are analyzed above in *note 13*.
- The provision in the amount of €80,000 recognized in 2017 for refurbishing the premises at 10 rue des Emeraudes in Lyon was written back to income after the work was completed.

NOTE 13 Retirement severance benefits

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.

The assumptions used to estimate pension obligations at December 31, 2018 were as follows:

Assumptions for the measurement of pension obligations	
Discount rate	1.53%
Salary escalation rate	1.50%
Rate of social security charges	45%
Retirement age	65 years
Turnover rate	8.00%

A portion of the pension liabilities in the amount of €350,000 have been transferred to an outside fund for the last two years.

NOTE 14 Breakdown of revenue

BY BUSINESS SECTORE

In euros	12/31/2018	12/31/2017
Hardware sales	49,229	77,770
License sales, maintenance contracts	959,653	969,245
Services	10,201,765	6,450,724
Activity on Demand	27,054,211	23,810,703
NET SALES	**38,264,858**	**31,308,442**

GEOGRAPHIC SEGMENTS

In euros	12/31/2018	12/31/2017
France	24,250,456	20,340,083
International	14,014,403	10,968,360
NET SALES	**38,264,858**	**31,308,442**

NOTE 15 Expense transfers

In euros	12/31/2018	12/31/2017
Daily allowances for payments for social security and other entities	84,782	45,247
Benefits in kind for employees	128,171	123,426
Insurance reimbursements	832	
Reimbursements of training expenses for continuous vocational training	26,498	1,410
SME recruitment aid - French Ministry of Labor	7,350	16,783
Misc.		
TOTAL	**247,634**	**186,866**

16 Net financial income (expense)

In euros	12/31/2018	12/31/2017
Allowances for the impairment of financial assets	0	123,742
Allowances for foreign exchange losses	1,262,975	640,138
Allowances for contingencies and expenses	0	0
Other financial expenses	55,070	66,775
Foreign exchange losses	39,602	101,971
FINANCE EXPENSES	**1,357,647**	**932,626**
Reversal of provisions for foreign exchange losses	790,138	523,779
Reversal of provisions for financial assets	509,531	392,914
Reversals of provisions for contingencies and expenses	0	117,869
Net proceeds from the disposal of marketable securities and other investments	109,397	84,960
Income from equity investments	2,709,548	1,000,000
Other income	10,478	5,035
Foreign exchange gains from group purchases and sales	9,242	135,349
FINANCIAL INCOME	**4,138,334**	**2,259,906**
NET FINANCIAL INCOME / (EXPENSE)	**2,780,687**	**1,327,280**

An unrealized foreign exchange loss was recorded in the period of €193,000 compared to €116,000 in 2017. This amount resulted primarily from provisions for foreign exchange losses.

The company's foreign exchange exposure concerns primarily inter-company transactions in US dollars, pound sterling, Singapore dollars, Australian dollars, Malaysian ringgit and Canadian dollars.

The Company received dividends of €1 million from CalvaEDI and US$2 million from Esker Inc.

Net financial income (expense)

In euros	12/31/2018	12/31/2017
Debt waivers	734,119	696,188
Allowances for special depreciation allowances	66,193	66,193
Net carrying values of assets sold	43,000	5,327
Capital losses from the sale of treasury shares	0	0
Allowances for exceptional contingencies and expenses	147,706	42,838
Donations and gifts	0	16,914
Exceptional expenses for prior periods	4,787	
Other miscellaneous exceptional expenses	93,650	444,305
EXCEPTIONAL EXPENSES	**1,089,455**	**1,271,765**
Reversal of special depreciation allowances	0	0
Reversal of the provision for impairment of treasury shares	0	0
Gains from the sale of treasury shares	46,731	1,285,387
Proceeds from disposals of fixed assets	12,019	29,259
Exceptional income from prior periods	0	5,578
Reversals of provisions for contingencies and expenses	256,886	
Other misc. exceptional income	0	
EXCEPTIONAL INCOME	**315,636**	**1,320,223**
NET EXCEPTIONAL ITEMS	**-773,818**	**48,458**

Debt waivers granted to different Group subsidiaries (see details in *note 1*, page 5).

NOTE 18 Analysis of income taxes

Tax recognized for the period ended 12/31/2018 is analyzed as follows:

In euros	Tax recognized
Research tax credit	777,462
Additional tax contribution	3,069
Corporate income tax	-600,597
TOTAL TAX (EXPENSES)/INCOME	**179,934**

The breakdown of tax is analyzed below:

In euros	Pre-tax income	(Tax due) / savings	Net income
Current operating income	5,569,600	-1,215,335	6,784,936
Net exceptional items		777,462	-777,462
Research tax credit	-773,818	257,939	-1,031,758
Book results	**4,795,782**	**-179,934**	**4,975,716**

NOTE 19 Changes in future tax liabilities at the standard tax rate

In euros	12/31/2017		Change in results	12/31/2018	
	Assets	Liabilities		Assets	Liabilities
CERTAIN OR POTENTIAL TIMING DIFFERENCES					
1. Temporary disallowed deductions					
Paid leave	1,864,540		361,299	2,225,839	
French social solidarity contribution	8,789		7,451	16,240	
Provisions for retirement severance benefits	863,450		215,000	1,078,450	
2. Deductible expenses or taxable income not yet recognized					
Unrealized gains on foreign exchange	165,444		2,229	167,673	
TAXES TO BE ALLOCATED					
Loss carryforwards	0		0	0	
Long-term capital loss			0		
Long-term capital loss - change in tax regime			0		
TOTAL	**2,902,223**	**0**	**585,979**	**3,488,202**	**0**
Tax rate	31.00%	31.00%	31.00%	31.00%	31.00%
DECREASE / NCREASE AND FUTURE TAX LIABILITIES	**899,689**	**0**	**181,653**	**1,081,343**	**0**

NOTE 20 Financial commitments

■ LEASES

In euros	Value at inception	Total financing cost	Residual value of the purchase option	Charges from prior periods	Charges of the period	Commitments remaining due	Maturity of commitments remaining due		
							< 1 year	Between 1 and 5 years	> 5 years
Equipment and tool-ing	4,638,480	4,670,782	46,370	2,647,255	934,156	1,089,371	653,510	435,861	0
TOTAL	**4,638,480**	**4,670,782**	**46,370**	**2,647,255**	**934,156**	**1,089,371**	**653,510**	**435,861**	**0**

■ OTHER COMMITMENTS

Pledge of 131,250 shares of CalvaEDI allocated to CMT in the amount of €3 million maturing in April 2019.IV. Other information.

CICE wage tax credit

At December 31, 2018, the CICE wage tax credit recognized by Esker SA for the period amounted to €330,741. This tax credit is recognized under income as a deduction from staff costs (under the heading "social security expenses") and in the balance sheet as a deduction from income tax payable under "Tax and social security payables".

Of this tax credit, €322,449 were used to finance capital investments in 2018.

Subsequent events

None.

Executive compensation

As of 12/31/2018 In euros	Compensation paid (gross)	Nature of compensation paid			
		Fixed salary, fees	Variable compen-sation	Benefits in kinds	Attendance fees
Executive Board members	699,811	380,863	304,524	14,424	
Supervisory Board members	87,000	60,000			27,000
TOTAL	**786,811**	**440,863**	**304,524**	**14,424**	**27,000**

Average headcount

	12/31/2018	12/31/2017
Managers	262	217
Office staff and workers	38	26
TOTAL AVERAGE HEADCOUNT	**300**	**244**

Identity of the company preparing the consolidated financial statements

Esker
113 Boulevard de la Bataille de Stalingrad – 69100 Villeurbanne
Lyon Companies Register (RCS) No: B 331 518 498
www.esker.fr

Subsidiaries and associates

In euros	Capital stock	Share capital including earnings	Percentage of capital held (%)	Gross book value of shares held	Net book value of shares held	Loans and advances granted by the com-pany	Guarantees and pledg-es given by the com-pany	Revenue excluding taxes for the year ended	Earnings of the year ended	Dividends received	Comments
Subsidiaries (more than 10%-held)											
Esker Inc.	873	17,644,579	100%	33,390,187	33,390,187			31,108,885	4,295,284		
Esker Gmbh	26,000	909,736	100%	26,334	26,334			2,975,633	253,827		
Esker Ltd	112	2,880,500	100%	135	135	1,234,721		4,216,750	732,406		
Esker Italia SRL	10,400	10,400	100%	15,985	0			1,445,631	-362,391		
Esker Iberica SL	3,004	198,567	100%	3,087	3,087	0		3,515,892	-39,244		
Esker Australia Pty Ltd	215,783	-3,125,595	100%	249,125	0	4,229,346		2,768,712	198,019		(1)
Esker Asia Pte Ltd	(1)	(1)	100%	62,656	0						(2)
ESKER Document Automation Asia Pte Ltd	192,419	-436,486	100%	186,012	1	712,249		1,385,389	-6,851		(1)
Esker Document Automation Malaysia Pte ltd	63,402	-233,530	100%	75,440	0			766,161	-340		
Esker Solution Canada	1	497,513	100%	1	1			679,771	238,652		
CalvaEDI	42,000	1,024,708	100%	6,042,045	6,042,045			2,606,447	742,780		
e-integration GmbH	100,000	883,332	100%	4,588,918	4,588,918			3,240,159	111,309		
Esker Document Automation Hong Kong Ltd	1,115	3,121	100%	1,126	1,126			45,098	2,006		
Neotouch Cloud Solution	30,000	2,448,897	30%	9,000	9,000			7,272,719	1,050,717		(3)
PROmitea	25,000	NC	20%	100,000	0			NC	NC		
Axeleo				30,303	30,303						
Total				**44,780,354**	**44,091,138**	**6,176,315**	**0**	**62,027,246**	**7,216,174**	**0**	

4.4. STATUTORY AUDITORS' REPORT ON THE SEPARATE PARENT COMPANY 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 annual financial statements of Esker for the year ended December 31, 2018.

In our opinion, the annual financial statements of the period give a true and fair view of the financial position and the assets and liabilities of the company as at 31 December 2018 and the results of its operations for the year ended in accordance with French 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 Annual 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, 2018 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 annual financial statements for the period.

These matters were addressed in the context of our audit of the annual 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 annual financial statements.

- "Equity securities and other financial assets" in the section "Significant accounting policies" of the notes describe the rules and methods for the impairment of financial assets, and notably equity securities. As part of our assessment of the accounting principles and rules followed by your company, our work has consisted in following the appropriateness of these rules and methods, approving the data and assumptions on which the measurements adopted are based and verifying the calculations as well as the disclosures provided in the notes.
- The paragraph "Research and development expenditures" of this section describes the rules and methods for the 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 the disclosures provided in the notes.

SPECIFIC PROCEDURES AND DISCLOSURES

We also performed the specific procedures and disclosures required by law in accordance with professional standards applicable in France.

Information given in the management report and other documents addressed to shareholders with respect to the financial position and the annual financial statements

We have no matters to report in connection with the fair presentation and consistency with the financial statements of the information given in the report of the Executive Board and the other documents addressed to the shareholders in respect to the financial position and the financial statements;

Report on corporate governance

We certify that the Supervisory Board's report on corporate governance includes the information required by article L.225-37-4 of the French commercial code.

Other information

Pursuant to the law, we have verified that the management report contains the appropriate disclosures about the identity of holders of capital or voting rights.

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

It is our responsibility to produce a report on the annual financial statements providing a fair presentation in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The financial statements have been approved by the Executive Board.

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

Our role is to issue a report on the annual financial statements. Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 annual 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 annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Lyon and Villeurbanne, April 30, 2019

The Statutory Auditors
[French original signed by]

DELOITTE & ASSOCIÉS	**ORFIS**
Nathalie Lorenzo Casquet	Valérie Malnoy

4.5. PRO FORMA INFORMATION

None.

5. INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

The share capital is set at ELEVEN MILLION TWO HUNDRED SEVENTEEN THOUSAND NINE HUNDRED THIRTY EUROS (€11,170,930) and divided by FIVE MILLION SIX HUNDRED EIGHT THOUSAND NINE HUNDRED SIXTY-FIVE (5,608,965) 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			
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
07/01/2018	Capital increase through the capitalization of reserves	125,200		11,085,932	5,542,966	€2
2018	Exercise of stock options and warrants	131,998	403,619	11,217,930	5,608,965	€2
2018				**11,217,930**	**5,608,965**	**€2**

5.2. MAJOR SHAREHOLDERS

At December 31, 2018, the shareholder base was as follows:

Shareholders	As of 12/31/2018			As of 12/31/2017		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jean-Michel Bérard	385,797	6.9%	11.1%	377,386	6.9%	11.0%
Thomas Wolfe	270,895	4.8%	8.0%	270,895	4.9%	8.3%
Marie Claude Bernal	18,000	0.3%	0.5%	18,000	0.3%	0.6%
Emmanuel Olivier	62,502	1.1%	1.6%	64,332	1.2%	1.6%
Kleber Beauvillain	7,100	0.1%	0.2%	7,100	0.1%	0.2%
TOTAL MANAGEMENT	**744,294**	**13.3%**	**21.5%**	**737,713**	**13.5%**	**21.7%**
Treasury shares	153,372	2.7%		151,553	2.8%	
Registered shares	830,961	14.8%	18.3%	588,826	10.7%	19.1%
Free float	3,880,338	69.2%	60.2%	4,002,274	73.0%	59.2%
TOTAL	**5,608,965**	**100.0%**	**100.0%**	**5,480,366**	**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, 2018.

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 2018

By letter dated September 20, 2018, Allianz IARD (1 cours Michelet - CS 30051 - 92076 Paris La Défense Cedex), reported having crossed above the reporting threshold imposed by the bylaws of % of Esker's share capital and voting rights.

By letter dated October 11, 2018, La Financière de l'Echiquier (53 avenue Iena, 75116 Paris), reported having crossed above the threshold of 5% of Esker's share capital and 3% of the voting rights on October 10, 2018.

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 7, 1985

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

Registered office and legal form

Registered office: 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
57, 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
51, 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
53, 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
44, 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

57, 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,

52, 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

48, 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 12/31/2018	**305**	**41**	**18**	**26**	**41**	**139**	**569**
Headcount at 12/31/2017	267	35	17	19	36	129	503
Headcount at 12/31/2016	243	5	14	21	28	116	427

6. ADDITIONAL INFORMATION

6.1. RESPONSIBILITY FOR THE FRENCH VERSION OF THE REGISTRATION DOCUMENT

Jean-Michel Berard – 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
106 Cours Charlemagne
69286 Lyon Cedex 2

- **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, 2023

S.A Orfis – 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:** 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, 2023

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

NOTES

NOTES

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 – USA

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

Email: info@esker.com

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