



Extending the Reach of Information

DOCUMENT OF REFERENCE 2000 FINANCIAL PERIOD

Pursuant to its regulation No. 95-01, the Commission des Opérations de Bourse has registered the french version of this annual report (document de référence) which includes a management report and a financial report on 05/07/2001 under No. R.01-363. It is not authorized for use as an offer of sale or a solicitation of an offer to buy shares unless accompanied by an offering circular (note d'opération) approved by the COB.

This document has been prepared by the issuer and the signatories assume responsibility for its content. This document was registered after review of the relevance and consistency of the information provided concerning the situation of the company and does not imply verification of the accounting and financial information.

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1. Responsibility for the Document and Declarations

1.1 Document Authority

Jean-Michel BÉRARD – Chairman of the Board of Directors

1.2 Declaration of Document Authority

To the best of my knowledge, the data contained in this document is correct and includes all information necessary to enable investors to formulate an opinion concerning the assets and liabilities, business, financial situation, earnings and prospects of the company and the rights attached to the shares offered. It contains no omission which could affect the meaning of this document.

Lyon, July 4, 2001

Jean-Michel BÉRARD

1.3 Financial Auditors

- **Statutory auditors:**

S.A. Deloitte Touche Tohmatsu
represented by Joël JULLIEN and Dominique VALETTE
185 Avenue Charles de Gaulles - 92200 NEUILLY s/ SEINE - France
Date of appointment : June 19, 2000
Expiration of appointment: Shareholders' meeting called to approve the financial statements for the period ending December 31, 2005.

Yves FOURNAND
55 avenue Galline - 69100 VILLEURBANNE - France
Date of appointment: May 30, 1997
Expiration of appointment: Shareholders' meeting called to approve the financial statements for the period ending December, 31 2002.

- **Alternate auditors:**

SARL B.E.A.S.
7/9 Villa Houssaye – 92200 NEUILLY SUR SEINE - France
Date of appointment: June 19, 2000
Expiration of appointment: Shareholders' meeting called to approve the financial statements for the period ending December 31, 2005.

Jacques TAFFIGNON
Parc d'affaires Crecy-Telebase
18 avenue du Général de Gaulle - 69370 St DIDIER AU MONT D'OR - France
Date of appointment: May 30, 1997
Expiration of appointment: Shareholders' meeting called to approve the financial statements for the period ending December 31, 2002.

1.4 Auditors' Declaration

As auditors of the Company (Esker), in accordance with COB regulation 95-01, we have audited the financial and accounting information contained in this document according to generally accepted accounting principles in France.

This document was established under the responsibility of the Chairman of the Executive Board. It is our duty to express an opinion on the fair presentation of the information contained herein concerning the financial situation and financial statements.

Our review has consisted in verifying, according to generally accepted accounting principles in France, the conformity of the data with the financial statements as reported, based on the nature of the accounting and financial data presented. It has also consisted in reviewing other information contained in this document, with the aim of identifying any inconsistencies or errors should they exist (with reference to our knowledge of the Company as gained throughout our continued involvement with them). This review has taken into account the hypotheses adopted by management and the resulting forecasted figures in respect to the isolated use of forecasted data developed through the application of a systematic approach.

The corporate and consolidated annual financial statements for the periods ending December 31, 1998, established by the Board of Directors and those of 1999 and 2000 established by the Executive Board have been audited by us and certified without qualification or comments.

On the basis of this review, we have no doubts regarding the sincerity and fairness of the financial and accounting information presented herein.

Villeurbanne, July 4, 2001

The Auditors

S.A. Deloitte Touche Tohmatsu
represented by Joël JULLIEN and Dominique VALETTE

Yves FOURNAND

1.5 Authority for Financial Information

Emmanuel OLIVIER - Chief Financial Officer
10 Rue des Émeraudes - 69006 LYON - France
Tel. : +33 (0) 472 834 646

2. General Information Concerning the Company and its Capital

2.1 General Information Concerning Issuer

2.1.1 Company Name

ESKER

2.1.2 Registered Office

10 rue des Émeraudes
Immeuble "GEO CHAVEZ"
69006 LYON - France

2.1.3 Legal Form

Public Limited Company (*Société Anonyme*) established under French law with an Executive Board and Supervisory Board, governed by the French Companies Act of July 24, 1966.

2.1.4 Duration

Fifty years from the date of its registration with the Companies Register (February 7, 1985), except in the case of extension or early liquidation as provided by law.

2.1.5 Corporate Service

Under article 2 of its bylaws, the purpose of the company is as follows:

- the design, development and operation of information technology products and all industrial, commercial and financial, securities and real estate transactions directly or indirectly related to the corporate purpose or any similar or related activities;
- the participation, by any means, in all companies created or to be created, which may be related to the corporate purpose, notably through the creation of new companies, providers, limited partnerships, subscription to or purchase of shares or ownership interests, mergers, alliances or joint ventures, or hired businesses.

2.1.6 RCS No. & APE code

R.C.S. : LYON B 331 518 498 - Code APE : 722 Z

2.1.7 Fiscal Year

The company's fiscal year begins on January 1st and ends on December 31st of each calendar year.

2.1.8 Distribution of Profits Under Bylaws

From the profits of the period, less prior period losses when applicable, are first deducted:

- upwards of five percent, to fund the legal reserve. This deduction ceases to be mandatory when this amount corresponds to ten percent of the value of authorized capital. When the legal reserve falls below ten percent, for whatever reason, it again becomes mandatory,
- any amounts appropriated in reserve, as required by law.

The balance, increased by retained earnings, constitutes the distributable profit which may be allocated to shareholders as a dividend, appropriate to all reserves or retained earnings, as deemed appropriate in a General Meeting.

The General Meeting may in addition, result in a decision to distribute amounts from reserves at its disposal. In this case, the decision must expressly indicate the accounts from which the deductions are made.

The annual meeting of shareholders, in ratifying the financial statements of the period, may allow each shareholder the option of receiving a payment in cash or stock dividends, for all or part of the dividends to be distributed.

2.1.9 Shareholders' Meetings

Shareholders' meetings are called and proceedings are conducted according to conditions provided under law.

Meetings are held at the registered office or any other location specified in the notice.

Meetings are open to all shareholders, regardless of the number of shares they possess, subject to the provisions of the law.

Double voting rights are not provided for under the bylaws.

2.1.10 Special Provisions of Bylaws

Disclosure of information concerning holders of bearer shares

- According to the provisions of article 263-1 of the law of July 24, 1966, the company may request at any time that the clearing organization disclose information regarding the identity of shareholders and the number of shares they hold, as well as other information authorized under current legislation.

Share ownership thresholds

- In addition to the legal obligation to inform the company and the *Conseil des Marchés Financiers* of the holding of certain fractions of the capital, any individual or legal entity, acting individually or jointly, which acquires a percentage of the capital or voting rights equal to 3%, or increases or decreases its holdings in the capital or voting rights by more than 3 %, must inform the Company of the total number of shares it holds, within 15 days of this change, by registered letter with acknowledgement of receipt.
- Failure to notify the company within 15 days will result in the loss of voting rights for a period of two years following the date of the regularization of this notification, when a request is formulated and placed on the record in the minutes of the Meeting, by one or more shareholders with a share of the capital or voting rights equal to 3%.

2.1.11 Company Repurchase of its Own Shares

The Company made use of the authorization granted by the combined meeting of the shareholders of June 19, 2000 by virtue of the approval of the *Commission des Opérations de Bourse* under No. 00-948 dated May 31, 2000.

Within this framework, the Company acquired a total of 24,925 Esker shares in 2000 which break down as follows:

- May 2000 : 5,000 Esker shares for an average price of 39.75 €,
- December 2000 : 19,925 Esker shares for an average price of 9.39 €.

As the shares thus acquired in 2000 are not destined for a specific application, they are recorded as fixed securities. In addition, the company has not cancelled nor sold any shares during the period under review. The number of treasury shares on December 31, 2000 was 108,281 with an average cost price per share of 15.10 €.

This authorization to purchase treasury shares was renewed.

By decision of the combined meeting of the shareholders of June 18, 2001, the company was authorized, for a period which expires with the shareholders' meeting called to approve the financial statements for the 2001 financial period, and in accordance with article 225-209 of the French Commercial Code, to trade in its own shares for the following purposes:

- Share price stabilization of the Company's shares by systematically buying company shares on price rises and selling on declines within the framework of a market-making agreement,
- Purchasing and selling shares of the company according to market conditions,
- Allotting shares to company employees,
- Facilitating financial operations or acquisitions of the company, with the shares thus acquired able to be, in part or in their entirety, sold, retained, lent, transferred or exchanged,
- the eventual retirement of repurchased shares, up to a maximum amount of 10% of the share capital and according to the conditions to be determined by an exceptional shareholders' meeting called specifically for this purpose.

Under this authorization, the maximum purchase price is 100 € per share and the minimum sale price is 2 € per share. The maximum number of shares able to be acquired under this authorization is 10% of the share capital.

This stock buyback program was implemented by the Board of Directors' meeting dated June 18, 2001 and will shortly be approved by the *Commission des Opérations de Bourse*. All shareholders will then be provided, upon request with information on this program.

The maximum percentage of capital authorized by the shareholders' meeting, after the implementation of this program decided by the Board of Directors' meeting of June 18, 2001 is 10% of the company's existing capital, i.e. 340,030 shares (on the basis of 3,400,296 shares after the capital increases carried out following the exercise of stock options in 2000 and approved by the general meeting of the shareholders of June 18, 2001).

Given the number of shares already held on December 31, 2000 (111,460, i.e. 3.28% of the capital), 228,570 shares may be purchased on this day (i.e. 6.72% of the capital).

In consequence, the maximum amount that the company Esker is susceptible to pay, in the case whereby shares are purchased at the maximum price fixed by the shareholders' meeting (100 €) is 22,857,000 €, (approximately FRF 149,932,091). However, on the basis of the current stock price of approximately 6 €, this amount totals FRF 9 million.

In the case of a change in capital, the authorization would apply to 10% of the new capital.

Esker undertakes to remain at all times within the limit of 10% of its capital (on a direct or indirect basis), in compliance with the provisions of the French Commercial Code (Art. L225-209 et seq.).

It also undertakes, in compliance with the provisions applicable to companies listed on the *Nouveau Marché* of the Paris stock exchange, to maintain a minimum float of 20%.

2.2 General Information Concerning Share Capital

2.2.1 Issued capital

The capital of the company on December 31, 2000 was FRF 37,136,880, divided into 3,376,080 shares with a nominal value of FRF 11, fully paid up and all of the same category.

Pursuant to the capital increase carried out following the exercise of stock options in the year duly noted by the combined meeting of the shareholders of June 18, 2001, the capital of the company totaled FRF 37,403,256 divided into 3,400,296 shares with a nominal value of FRF 11 per share.

The combined meeting of the shareholders of June 18, 2001 adopted the resolution concerning the conversion of the share capital into Euro. To this purpose, the capital was increased through the capitalization of reserves to increase the nominal value of the share to 2 € (+1,098,502.38 €). The resulting capital of the company was 6,800,592 € (3,400,296 shares with a nominal value of 2 € per share).

2.2.2 Other shares available for issuance: options to subscribe for shares

Within the framework of authorization granted by the extraordinary shareholders' meetings referred to in the following table, the Board of Directors followed by the Executive Board granted certain members of personnel of the Company options to subscribe for shares as follows.

- These options were granted under 5 successive plans which remain in force, summarized below:

Stock option plans — options to subscribe for shares Shareholders' meeting date	PLAN 2	PLAN 2 (EXTENSION)						
	7/19/96	4/18/97						
Board of Directors (CA) Executive Board (D) meeting date	11/12/96 01/03/97 03/24/97	04/21/1997 CA	10/16/1997 CA	04/30/1998 CA	09/01/1998 CA	04/09/1999 CA	11/15/1999 D	10/13/2000 D
Potential number of shares available for subscription or purchase (at origin)	92,500	58,500	9,800	5,250	32,500	4,000	30,000	17,700
* including number of shares available for subscription or purchase by members of the management board (for current members)	4,000	-	-	-	-	-	15,000	-
Employees concerned	FR-USA	USA	USA	USA	USA-D	UK-AU	USA-UK	UK-SP-IT
Beginning of the exercise period for 1st options	11/12/97	4/21/98	10/16/98	5/1/99	9/1/99	4/9/00	11/15/00	10/13/01
Expiration date for last options	3/5/02	4/21/02	10/16/02	4/30/03	8/31/03	4/8/04	11/15/04	10/12/05
Subscription price in French francs	28.80 F	28.80 F	137.10 F	191.10 F	240.00 F	137.62 F	196.79 F	82.39 F
Subscription price in Euros						20.98 €	30.00 €	12.56 €
Number of shares subscribed on 12/31/2000	42,050	40,170	2,160	0	0	0	0	0
Number of shares becoming available after the departure of employees (reallocated by future C.A. or D.)	33,650	6,610	6,884	5,250	30,000	0	15,000	0
Balance of shares available for subscription on 12/31/2000	16,800	11,720	756	0	2,500	4,000	15,000	17,700

(1) See section 3.1.1 "The Development Phase (1992-2000)" on page 17

- Stock option plans – options to subscribe for shares (continued): Plan 5

Stock option plans — options to subscribe for shares Shareholders' meeting date	PLAN N° 5					
	03/19/99					
Board of Directors (CA) Executive Board (D) meeting date	04/09/1999 CA	06/18/1999 CA	11/15/1999 D	01/14/2000 D	06/16/2000 D	10/13/2000 D
Potential number of shares available for subscription or purchase (at origin)	40,000	65,250	1,092	6,000	11,200	8,000
* including number of shares available for subscription or purchase by members of the management board (for current members)	-	20,000	-	-	-	8,000
Employees concerned	USA	USA	USA	USA	USA-UK	USA
Beginning of the exercise period for 1st options	4/9/00	6/18/00	11/15/00	1/14/01	6/16/01	10/13/01
Expiration date for last options	4/8/04	6/18/04	11/15/04	1/14/05	6/15/05	10/12/05
Subscription price in French francs	137.62 F	125.29 F	196.79 F	258.45 F	178.75 F	82.39 F
Subscription price in Euros	20.98 €	19.10 €	30.00 €	39.40 €	27.25 €	12.56 €
Number of shares subscribed on 12/31/2000	6,454	6,127	0	0	0	0
Number of shares becoming available after the departure of employees (reallocated by future C.A. or D.)	16,228	14,050	0	720	1,200	0
Balance of shares available for subscription on 12/31/2000	17,318	45,073	1,092	5,280	10,000	8,000

- Stock option plans – options to subscribe for shares (continued): Plans 6 – 7 and 8

Stock option plan — options to subscribe for shares Shareholders' meeting date	PLAN N° 6			PLAN N° 7	PLAN N° 8	
	8/30/99			1/5/00	10/10/00	
Board of Directors (CA) Executive Board (D) meeting date	08/31/1999 D	10/29/1999 D	11/15/1999 D	01/10/2000 D	10/13/2000 D	12/14/2000 D
Potential number of shares available for subscription or purchase (at origin)	170,800	10,000	7,950	169,392	103,600	2,500
* including number of shares available for subscription or purchase by members of the management board (for current members)	17,500	-	-	50,000	15,000	-
Employees concerned	USA-UK-D	UK	USA-UK	FR	USA	IT
Beginning of the exercise period for 1st options	8/31/00	10/29/00	11/15/00	1/10/01	10/13/01	12/14/01
Expiration date for last options	8/30/04	10/29/04	11/15/04	1/10/05	10/12/05	12/13/05
Subscription price in French francs	168.06 F	194.62 F	198.82 F	262.78 F	117.61 F	86.59 F
Subscription price in Euros	25.62 €	29.67 €	30.31 €	40.06 €	17.93 €	13.20 €
Number of shares subscribed on 12/31/2000	0	0	0	0	0	0
Number of shares becoming available after the departure of employees (reallocated by future C.A. or D.)	40,398	0	5,250	47,296	600	0
Balance of shares available for subscription on 12/31/2000	130,402	10,000	2,700	122,096	103,000	2,500

- On December 31, 2000, the situation per plan may be analyzed as follows:

PLANS	No. 2	No. 5	No. 6	No. 7	No. 8
Total number of options attributable	155,000	100,000	200,000	170,000	200,000
Number of shares subscribed	84,380	12,581	0	0	0
Number of shares available for subscription	68,476	86,763	143,102	122,096	105,500
Balance of shares to be attributed	2,144	656	56,898	0 *	94,500

* Plan 7 corresponds to founders' warrants (Bons de Souscriptions de Parts de Créateurs d'Entreprise) attributed to employees of the French parent company in January 2001. Under French law, the warrants which became available following the departure of certain employees are not able to be reattributed.

2.2.3 Other Securities Conferring Rights to Capital

None.

2.2.4 Stock option plans – options to purchase shares

Within the framework of the authorizations granted by the extraordinary shareholders' meetings referred to in the following tables, the Board of Directors and Executive Board granted certain personnel of the Company stock purchase options as follows.

- These options were granted under 2 successive plans which remain in force and are summarized below:

Stock option plans — options to subscribe for shares Shareholders' meeting date	PLAN N° 3				
	18/04/97				
Board of Directors (CA) Executive Board (D) meeting date	04/21/1997 CA	12/19/1997 CA	09/01/1998 CA	04/09/1999 CA	10/13/2000 D
Potential number of shares available for subscription or purchase (at origin)	37,500	27,750	320	2,500	3,500
* Including number of shares available for subscription or purchase by members of the management board (for current members)	-	-	-	-	-
Employees concerned	AU-UK-IT-SP-D	FR-IT-D-SP-UK	FR	FR	FR
Beginning of the exercise period for 1st options	4/21/99	12/19/99	9/1/00	4/9/01	10/13/02
Expiration date for last options	4/21/02	12/19/02	8/31/03	4/8/04	10/13/05
Subscription price in French francs	28.80 F	92.10 F	240.00 F	137.62 F	82.39 F
Subscription price in Euros				20.98 €	12.56 €
Number of shares subscribed on 12/31/2000	27,351	2,166	0	0	0
Number of shares becoming available after the departure of employees (reallocated by future C.A. or D.)	2,086	11,264	0	1,000	0
Balance of shares available for purchase on 12/31/2000	8 063	14 320	320	1 500	3 500

- Stock option plans – options to purchase shares (continued): Plan 4

Stock option plans — options to subscribe for shares Shareholders' meeting date	PLAN N° 4							
	04/09/98							
Board of Directors (CA) Executive Board (D) meeting date	09/01/1998 CA	02/10/1999 CA	04/09/1999 CA	06/18/1999 CA	07/02/1999 CA	08/31/1999 D	11/15/1999 D	10/13/2000 D
Potential number of shares available for subscription or purchase (at origin)	40,000	8,000	200	4,000	10,600	10,000	16,100	15,000
* Including number of shares available for subscription or purchase by members of the management board (for current members)	-	5,000	-	-	-	-	3,000	-
Employees concerned	USA	USA-AU-UK	USA	USA	USA-SP-IT-UK	USA	AU-USA-SP UK-D	USA-AU D-UK-SP
Beginning of the exercise period for 1st options	09/01/00	02/10/00	04/09/00	06/18/00	07/02/00	08/31/01	15/11/01	10/13/01
Expiration date for last options	8/31/03	2/9/04	4/8/04	6/17/04	7/1/04	8/31/03	11/15/04	10/12/05
Subscription price in French francs	240.00 F	133.48 F	137.62 F	125.29 F	168.91 F	177.44 F	196.79 F	82.39 F
Subscription price in Euros		20.35 €	20.98 €	19.10 €	25.75 €	27.05 €	30.00 €	12.56 €
Number of shares subscribed on 12/31/2000	0	774	0	1,050	0	0	0	0
Number of shares becoming available after the departure of employees (reallocated by future C.A. or D.)	40,000	0	0	1,950	1,200	0	10,600	0
Balance of shares available for purchase on 12/31/2000	0	7,226	200	1,000	9,400	10,000	5,500	15,000

- On December 31, 2000, the situation per plan was as follows:

PLANS	NO. 3	NO. 4	TOTAL
Total number of options attributable	63,750	50,163	113,913
Number of shares purchased	29,517	1,824	31,341
Number of shares available for purchase	27,703	48,326	76,029
Balance of shares to be attributed	6,530	13	6,543

2.2.5 Changes in Share Capital Since January 1, 1990

DATE	NATURE OF THE TRANSACTION	CHANGING CAPITAL (FRF)		SUCCESSIVE AMOUNTS OF CAPITAL (FRF)	TOTAL NUMBER OF SHARES	NOMINAL VALUE PER SHARE (FRF)
		NOMINAL	PREMIUM			
1-Jan-1990				411,000	1,096	375
22-Dec-1995	148 new shares issued for cash at the price of FRF 36,000 per share	55,500	5,272,500	466,500	1,244	375
2-Apr-1996	Capitalization of premium and increase in the nominal value of shares	5,131,500	-	5,598,000	1,244	4,500
	250-for-1 stock split	-	-	5,598,000	311,000	18
27-Jan-1997	Exercise of 2,500 options to subscribe for shares at FRF 18.40 per share	45,000	1,000	5,643,000	313,500	18
23-May-1997	Exercise of 6,750 options to subscribe for shares at FRF 18.40 per share	121,500	2,700	5,764,500	320,250	18
30-May-1997	Capitalization of premium and increase in the nominal value of share	11,849,250	-	17,613,750	320,250	55
	5-for-1 stock split	-	-	17,613,750	1,601,250	11
2-Jul-1997	Issuance of shares for cash upon the listing of the shares on the Nouveau Marché	4,347,970	54,151,990	21,961,720	1,996,520	11
1997	Exercise of 10,000 options to subscribe for shares at FRF 3.68 per share	110,000	-73,200	22,071,720	2,006,520	11
17-Jul-1998	Issue of 336,000 new shares reserved for Mr. Russell Tebner (1)	3,696,000	59,737,440	25,767,720	2,342,520	11
1998	Exercise of stock options	500,159	835,771.40	26,267,879	2,387,989	11
19-Mar-1999	Capital increase pursuant to the acquisition of Alcom (1)	659,989	8,104,762	26,927,868	2,447,988	11
31-Aug-1999	Capital increase pursuant to the acquisition of Persoft (1)	7,245,337	84,048,350	34,173,205	3,106,655	11
1999	Exercise of options to subscribe for shares	300,036	900,516	34,473,241	3,133,931	11
10-Oct-2000	Capital increase pursuant to the acquisition of V.S.I. (1)	2,663,639	38,445,568	37,136,880	3,376,080	11
2000	Exercise of stock options	266,376	1,517,061	37,403,256	3,400,296	11

(1) See section 3.1.1 "The Development Phase (1992-2000)" on page 17

2.2.6 Analysis of Capital and Voting Rights

- Changes in the breakdown of capital (since the end of 1995):

In December 1995:

Two new groups of private investors became shareholders:

- GALILEO S.A. (Groupe WORMS et Cie)
- THOMPSON CLIVE INVESTMENTS plc and THOMPSON CLIVE INTERNATIONAL Ltd with 148 shares with a nominal value per share of FRF 375 for each of the two groups (i.e. 185,000 current shares after the stock-splits), through the:
 - sale of 148 shares by four prior shareholders,
 - capital increase through the issuance of 148 new shares.

This sale and subscription for shares was carried out at a price of FRF 36,000 per share (i.e. FRF 28.80 after the stock-split).

In January 1997:

The Company Esker S.A. acquired from two shareholders (individuals) 12,750 shares with a nominal value of FRF 18 per share (i.e. 63,750 shares after the stock-splits), at FRF 144 per share action (i.e. FRF 28.80 after the stock-splits), in order to implement stock option plans in favor of management of certain subsidiaries.

In 2000, the company purchased 24,925 of its own shares as follows:

- May 2000: 5,000 Esker shares for an average price of 39.75 €,
- December 2000: 19,925 Esker shares for an average price of 9.39 €.

As these shares are not currently destined for a specific purpose (allotment of shares to employees within the framework of stock option plans and/or share price stabilization), they have been recorded under the securities in the financial statements of Esker S.A, in accordance with the applicable accounting rules.

- On December 31, 2000, the breakdown of capital and voting rights was as follows:

On December 31, 2000			
Shareholders	Number of shares	% of capital	% of voting rights
Jean-Michel Bérard	301,820	8.94%	9.24%
Thomas Wolfe	279,095	8.27%	8.54%
Russell Teubner	233,000	6.90%	7.13%
David Droman	217,821	6.45%	6.66%
Benoît Borrits	192,788	5.71%	5.90%
Treasury shares (registered & bearer)	108,281	3.21%	0.00%
Other registered shareholders	180,660	5.35%	5.53%
Public	1,862,615	55.17%	57.00%
Total	3,376,080	100.00%	100.00%

2.2.7 Shareholders' Agreements/ Pledging of Esker Shares

- Shares pledged: none
- Shareholders' agreements: Existing shareholders' agreements were dissolved pursuant to the listing of the company's shares.

2.2.8 Lockup Agreements with Management Shareholders

- Following the public listing of the Company's shares on the *Nouveau Marché*, Mr Benoît Borrits and Mr Jean-Michel Bérard undertook to retain 80 % of their holding of shares for three years (i.e. until July 2, 2000).

- Mr Russ Teubner had also undertaken to retain 80 % of his shares until this same date. These commitments lapsed on July 2, 2000.

2.2.9 Other Lockup Agreements

To demonstrate their support of the project, the following shareholders undertook to retain 100% of the Esker shares they held when the company was listed on the *Nouveau Marché*, for nine months. This commitment expired on April 2, 1998.

- Anne-Marie BORRITS
- Pierre RABIER
- GALILEO S.A.
- THOMPSON CLIVE INTERNATIONAL (Jersey)
- Didier RABIER
- Nicole RABIER
- THOMPSON CLIVE INVESTMENTS (UK)

2.3 Recent Dividends

No dividends have been paid for the last three financial periods.

2.4 The Market for Issuer's Shares

The shares of the company have been listed on the *Nouveau Marché* of the Paris stock exchange since July 2, 1997, date of the Esker's IPO (Code SICOVAM / EUROCLEAR: 3581).

The following table presents monthly stock prices and trading volume during the last 24 months:

Month	Stock price (€)		Stock price (FRF)		Volume	
	high	low	high	low	Total	Capital mE
January 1999	28.41	19.00	186.36	124.63	136,281	3.22
February 1999	25.00	19.20	163.99	125.94	87,819	1.88
March 1999	25.79	20.90	169.17	137.10	96,709	2.32
April 1999	23.59	20.00	154.74	131.19	53,783	1.16
May 1999	23.00	20.17	150.87	132.31	60,714	1.33
June 1999	26.00	18.57	170.55	121.81	74,062	1.59
July 1999	32.85	25.00	215.48	163.99	173,455	5.10
August 1999	29.30	26.20	192.20	171.86	45,569	1.25
September 1999	34.00	27.05	223.03	177.44	420,061	12.68
October 1999	34.50	30.00	226.31	196.79	166,410	5.36
November 1999	40.00	29.05	262.38	190.56	262,736	9.19
December 1999	42.00	34.60	275.50	226.96	209,329	8.21
January 2000	50.90	38.25	333.88	250.90	311,678	13.33
February 2000	71.00	42.20	465.73	276.81	357,259	18.84
March 2000	85.00	45.00	557.56	295.18	480,064	30.95
April 2000	58.00	32.00	380.46	209.91	193,177	8.08
May 2000	38.10	23.30	249.92	152.84	182,647	5.76
June 2000	33.83	24.10	221.91	158.09	122,368	3.40
July 2000	25.40	16.00	166.61	104.95	136,136	2.62
August 2000	26.89	11.98	176.39	78.58	356,580	6.54
September 2000	24.90	16.50	163.33	108.23	96,894	1.99
October 2000	17.00	10.50	111.51	68.88	159,159	2.06
November 2000	14.40	10.11	94.46	66.32	148,279	1.85
December 2000	10.94	6.80	71.76	44.61	333,859	3.01
January 2001	9.70	6.50	63.63	42.64	145,698	0.10
February 2001	7.55	5.16	49.52	33.85	83,821	n/s
March 2001	6.30	4.40	41.33	28.86	91,050	n/s
April 2001	6.30	4.55	41.33	29.85	81,846	n/s
May 2001	6.30	5.50	41.33	36.08	79,450	n/s

The following graph presents the performance of the Esker stock since it was listed on July 2, 1997:



Evolution of the Bob share price – in Euros

(since the Bob IPO)

3. General Information Concerning the Business, Recent Developments and Outlook of the Issuer

Terms followed by an asterisk are included in a Glossary (commencing page 48 of this document)

3.1 The Business

Esker designs and delivers product software* for businesses. Business computing platforms are generally comprised of heterogeneous* components (servers, databases...), acquired over several years and frequently not compatible with each other. Esker provides solutions for connectivity* between a company's existing technology and emerging technologies as was the case for PC under Windows and now Internet*, intranet* or mobile phone applications. The objective of these solutions is to optimize existing software* and resources (applications, databases, peripherals...) by rapidly integrating the new technologies.

Esker develops and markets two principal product families:

- “Host Access*” applications which enable PC platforms to communicate with host computers. The Host Access applications developed by Esker may include modules for terminal emulation*, peripheral sharing (printers, hard disks...) and access to databases. The Host Access products make use of several different technologies which may be divided into two major categories: traditional products (PC-to-Host) and new products taking advantage of internet technologies (Web-to-Host).
- “Intelligent Information Delivery” (IID) products which ensure the distribution of documents or information generated by the information system to clients, partners or employees of the company, regardless of its nature, and in all electronic formats which currently exist in business environments. The delivery capabilities provided include notably e-mail (eg. with PDF, HTML or text attachments, secured or not), web content, fax, short messages for mobile phones, hybrid mail*, etc.

3.1.1 Historical Overview of the Company

Esker was founded in 1985 by two computer engineers with the objective of designing software applications for businesses. The Company's development can be divided into several phases:

- **The Start-Up Phase (1985-1988)**

The founders created Esker with limited means after completing their studies. Because the cost of entry in the software development sector was relatively high, Esker devoted this period to an activity generating immediate income: systems integration services.

In parallel to this activity, the company developed the basis of its current software products. This initial period also enabled the managers to develop experience in the market of open systems*. For the 1998 financial period, the Company recorded sales of FRF 1.6 million.

• The Transition (1989-1991)

In March 1989, Esker marketed its first Host Access software products, notably the TUN product which provided the basis for the company's development over the following years. Management decided to position the Company as a developer of software products and opened up its capital to outside investors.

The first contracts were signed with European distributors. During this period, Esker progressively abandoned the service activity, with the exception of services related to software sales. In July 1991, Esker established a subsidiary devoted to technology watch in the U.S. in partnership with the founding manager of this entity. In the 1991 financial period, the company recorded sales of FRF 6.1 million.

• The Development Phase (1992-2000)

Esker launched a strategy to become a world player, initially focusing on European development. While marketing its products primarily through a network of distributors and retailers, Esker created subsidiaries in the key industrialized countries to strengthen ties with the end-user and reinforce sales:

- 1992 - Creation of a branch in Germany
- 1994 - Creation of subsidiaries in the UK and Canada
 - Transformation of the German branch into a subsidiary
 - Acquisition of the minority stake (35%) held by the founding manager of Esker Inc (USA)
- 1995 - Creation of Italian and Spanish subsidiaries
- 1997 - Creation of a subsidiary in Singapore
 - Creation of a subsidiary in Australia and acquisition of the business of its Australian distributor, Unitract Pty Ltd
 - Closure of the Singapore and Canadian subsidiaries and redeployment of the activities to the Australian and U.S. subsidiaries respectively.
- 1998 - Acquisition of Teubner & Associates in the U.S.
 - Merger of this company with the San Francisco subsidiary
- 1999 - Acquisition of Alcom in the U.S., merger of this company with the Stillwater subsidiary
 - Acquisition of Persoft (Madison, Wisconsin) in the U.S. which became the U.S. center for Host Access expertise
 - Merger of this company with the Stillwater subsidiary of Stillwater which became the U.S. center of expertise for fax servers
- 2000 - Acquisition of the Californian company VSI, experts in fax servers under UNIX environments
 - Announcement of the strategy concerning the development of the line of fax servers in the form of intelligent electronic document servers called PULSE

In December 1995, Esker opened up its capital to two investment companies: Galiléo (Groupe Worms) and Thompson-Clive UK. The funds raised by the company contributed notably to strengthening the San Francisco subsidiary which became the company's marketing division.

On July 2, 1997, Esker listed its shares on the *Nouveau Marché* of the Paris stock exchange. Raising FRF 102 million, this operation strengthened the company's equity capital by FRF 52 million through the issuance of new shares (after deduction of listing costs).

In June 1998, Esker acquired Teubner & Associates, a U.S. company based in Stillwater, Oklahoma. This acquisition provided Esker complementary technology in the Web-to-Host* segment (e-business for host-based applications), a diversification in the fax server market and a client base of large North American accounts.

In April 1999, Esker acquired Alcom, based in Mountain View, California. This acquisition was financed through the issue of 59,999 new shares and completed the line of Esker fax servers by contributing an entry-level product and midrange line and provided access to a network of international distributors and resellers in the fax segment. In 1998 Alcom had recorded sales of USD 1.8 million and an operating loss of USD 100,000.

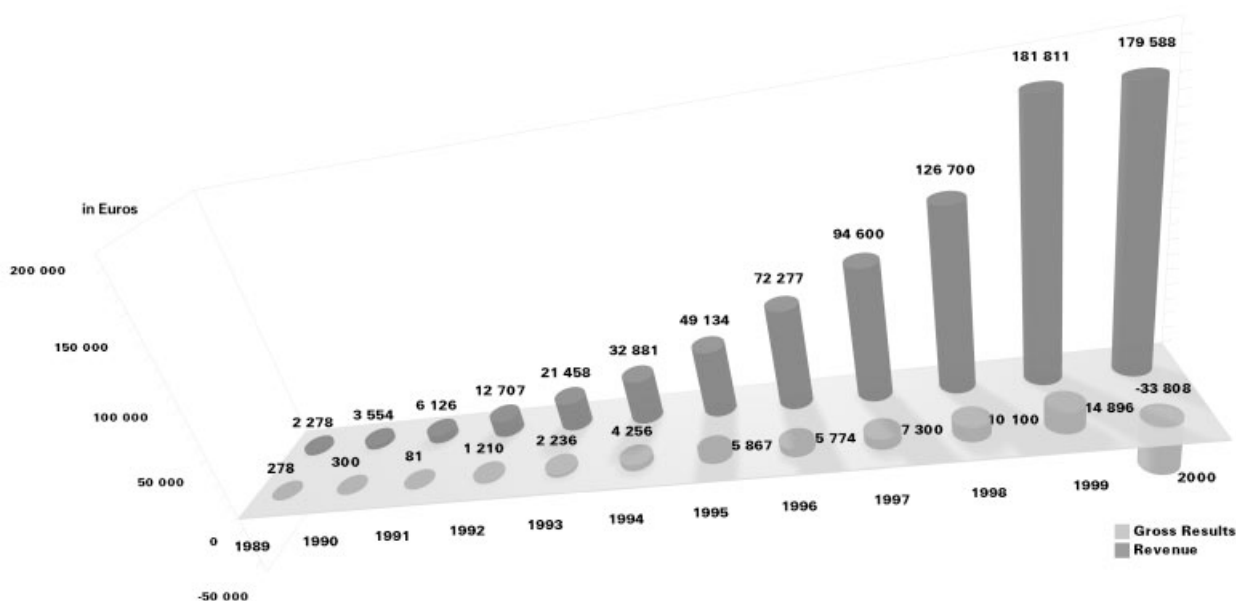
In September 1999, Esker acquired Persoft, a U.S. company based in Madison, Wisconsin. This acquisition was financed in part through the issue of 658,667 new shares and a cash payment of USD 4.4 million. Persoft contributed complimentary technology to Esker in the Web-to-Host area, critical marketshare in the PC-to-Host and Web-to-Host arenas and finally access to major North American distributors. In 1998 Persoft reported sales of USD 16.8 million and net income of USD 1.89 million.

In October 2000, Esker acquired the U.S. company VSI based in Lake Forest, California. VSI completes Esker's line of fax servers under UNIX. This acquisition was financed through the issue of 242,149 new shares and a cash payment of USD 235,000. In 1999, VSI recorded sales of USD 7.2 million and net income of USD 0.6 million (this result does not take into account the bonuses paid to the principal manager of the company in the form of a distribution of dividends).

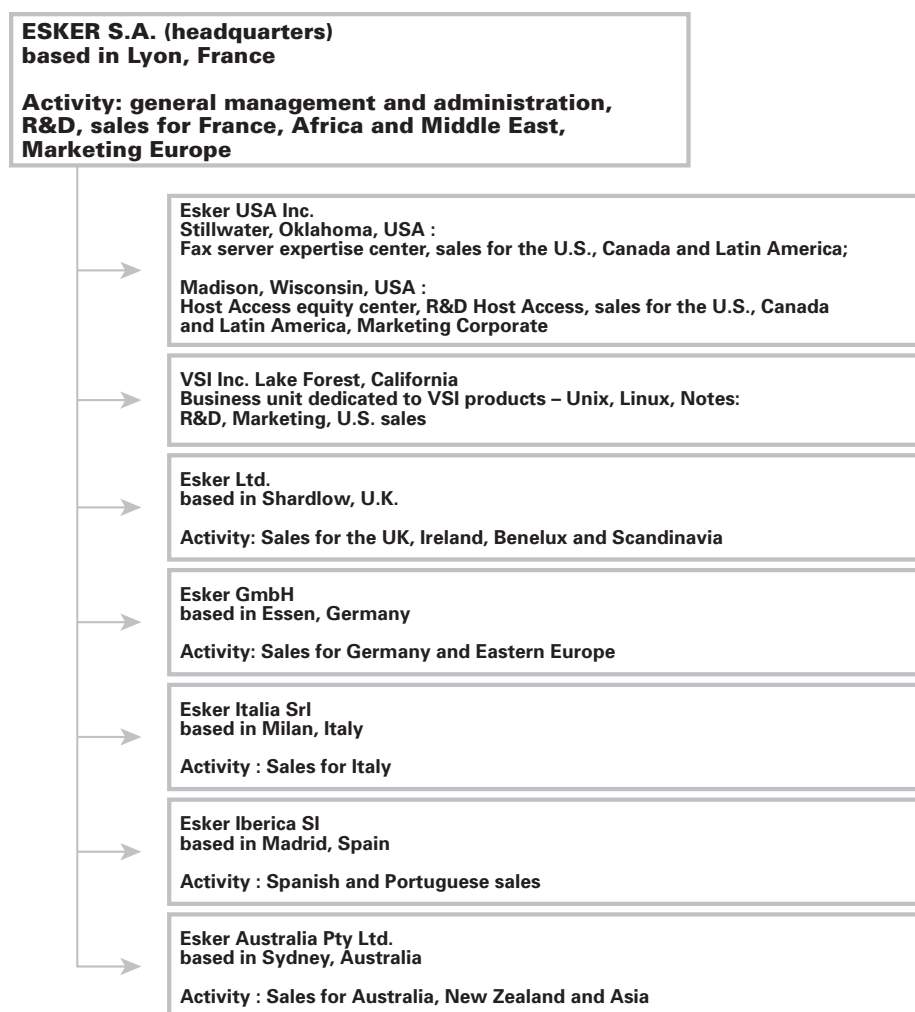
	Sales	Net income
1989	2,278	278
1990	3,554	300
1991	6,126	81
1992	12,707	1,210
1993	21,458	2,236
1994	32,881	4,256
1995	49,134	5,867
1996	72,277	5,774
1997	94,600	7,300
1998	126,700	10,100
1999	181,811	14,896
2000	179,588	-33,808

From 1989 to 2000, Esker sales increased from FRF 2.2 million to FRF 179.6 million representing annual growth of 48%. Since launching its first product in 1989, Esker has consistently generated a profit, with the exception of 2000, for the reasons presented in paragraph 4.4 of the management report included in this document

• Sales and Net Income of the Company – 1989 to 2000 (FRF '000)



On December 31, 2000 the organization of the Esker Group was as follows:



Research and development (R&D) is based in Lyon (France) for IID: (Intelligent Information Delivery), Madison, Wisconsin for Host Access and Lake Forest, California for IID Unix and Lotus Notes, while marketing is primarily based in Madison, Wisconsin. All the subsidiaries are wholly-owned and fully controlled (with the exception of the Spanish subsidiary held at 99.80%) by Esker SA.

3.1.2 Presentation of the Company's activity

Esker designs and develops applications for businesses and professionals marketed as software products (software packages), i.e. user licenses generally materialized in the form of a CD-ROM and user documentation. All Esker products are sold without complementary third party products, with the exception of the fax server product which is frequently sold by Esker jointly with an intelligent fax-modem card.

Software products represent 82% of Esker sales, with the balance corresponding to services (re-invoicing of transport, training and installations assistance, etc.), or the sale of maintenance and product upgrade contracts, and finally hardware (fax cards) related to these products. In this respect, Esker defines itself as a software company and not a service company or product distributor.

3.1.3 The Products

The company has two major product groups:

- Host Access* applications covering all technologies (Tun PLUS, SmarTerm, Persona, Corridor and A-Net)
- Intelligent Information Delivery (IID) products (Pulse, Faxgate, VSI-Fax, VSI-Fax for Notes)

Host Access* Products

➤ **This product category responds to the following needs:**

- **Terminal emulation:**

Esker considers that a significant share of business management applications (accounting, inventory management, sales management, sales follow-up...) are centralized in servers: they operate on multi-user computers (IBM, HP, DEC or UNIX) with dumb terminals* (keyboard + screen) providing dialog with the user. With the development of PCs in companies, dumb terminals were progressively replaced by workstations*, personal computers (PCs) operating in a Windows environment.

In response to this new type of PC-Host architecture, companies seek to develop applications able to communicate with these new types of workstations. However, the previous alphanumeric applications*, frequently numerous in the company, must be able to be accessed from these workstations.

Host Access products respond to this need. These products enable the user to activate alphanumeric applications from a Windows-based workstation. In this respect, these products may be described as “terminal emulators”: they enable a user to open a window on the Windows screen (with PC-to-Host) or Web browser (with Web-to-Host) in which an alphanumeric application will function.

Dumb terminals are generally designed by server manufacturers: IBM, DEC, HP, WYSE, BULL... With more than 20 terminal emulations available, Esker considers that it has the most complete line in this market segment today and is able to meet the needs of virtually any configuration.

Accustomed to the graphic interfaces of workstations (Windows in particular), users wish to update the look their older applications. Host Access products also provide a graphic interface for alphanumeric applications. With this technology, the older management applications are able to be integrated in new working environments. This enables companies to use these applications for a longer period and in this way protect their investment.

- **Resource Sharing:**

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

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

- **Database Access:**

Most applications today use a relational database. For various reasons (existence of legacy systems, multiple IT solutions, heterogeneity of equipment...), businesses are frequently faced with the existence of a multitude of Relational Data Base Management Systems (RDBMSs)*: Oracle, Informix, Sybase, Progress, DB/2, etc.

To respond to growing user demand for improved client-host integration, Esker's Host Access solutions provide a software access to databases (middleware*) enabling the individual workstation to access host application data through the Microsoft programming interface ODBC (Open Data Base Connectivity). This functionality allows access to a wide range of RDBMS (Oracle, Informix, Sybase, Progress, DB/2 etc) from a client-based program identical to that used by the RDBMS (ODBC driver* under Windows) regardless of the RDBMS used. Host components are available for a large range of UNIX equipment. The exchanges are carried out through the network protocol* TCP/IP*.

In addition, to facilitate consultation of varied host databases which are frequently characterized by complicated structures, Esker's Host Access solutions integrate a "datamart"* tool which provides every user, activity or department, with a simple overview of the database. This overview is presented in a few tables, of clearly defined fields for the user. The "datamart" tool provides each overview of the database in the form of ODBC data, which can be used by standard office software applications. Esker believes that this solution in conjunction with office automation tools responds to most user needs. As a result, businesses are not required to equip workstations with business intelligence* applications.

➤ **Host Access technologies**

- **PC-to-Host technologies**

Initially, the functions described above were developed under a "PC-to-Host" technology, meaning that software access to host systems (terminal emulation, resource sharing, database access) was written in PC specific languages such as C or C++ and had to be installed on the hard disk of the PC.

This traditional technology nevertheless has certain disadvantages:

- Only PC type workstations are able to be equipped;
- It is necessary to install the software on all the company's PCs which can be a long and cumbersome process especially if all the workstations are not located in the same location.

- **Web-to-Host technologies**

- ➡ **Web-to-Host intranet**

To resolve these two problems, Esker decided to rewrite and adapt its software for "Web-to-Host" technologies. The host access software is no longer developed exclusively with the language of PC for Windows but also with the assistance of Java, able to be executed on any type of workstation (PC, Macintosh, Linux, Network Computer...). In addition, it is no longer necessary to manually install the software on every workstation. It suffices to copy the application just once on the Web server for all users to be able to benefit from immediate access from their Web browser (Netscape Navigator or Internet Explorer).

In this context, the product line integrates a resource manager based on the LDAP* standard, enabling each user or group of users, to define the resources or applications for which access is authorized. With this module, it is possible to provide each user with an environment limited to the resources required.

Esker considers that many companies will want to converge their workstations to a single Web interface (intranet). This technology represents a perfect response to this demand.

➔ **Web-to-Host internet (Legacy Extension)**

A significant proportion of business software applications (accounting, inventory management, sales management, sales follow-up...) are centralized on servers: they operate on multi-user computers (IBM, HP, DEC or UNIX) with dumb terminals* (keyboard + screen) enabling dialog with the user. With the development of Internet, some companies can render all or part of these applications accessible directly from the Web or from WAP mobile phones, to service remote users (clients, partners or suppliers). Companies can in this way quickly offer “e-Business” or “m-Business” applications, while optimizing legacy systems.

In a pure Internet environment, the production of an HTML flow is preferable to downloading applets* (Java or ActiveX for intranet), as it is not possible to know in detail the configuration of workstations which may connect to the applications. These workstations may be PC, Macintosh, or other Internet terminals (those used by the general public, PDA etc.) guaranteeing only compatibility with HTML 2.0 protocol.

➔ **“Thin client” computing of Citrix and Microsoft**

In parallel with the advance in business intranet development, another technology referred to as “thin client” computing was developed by the U.S. based company, Citrix. This technology consists in adapting Windows NT servers (starting with the 3.51 version) so they can be exploited by several users simultaneously. These users may be equipped with PC, specific terminals (less-expensive) terminals or even a Web browser to access all the functions of the NT server. This technology was integrated by Microsoft in its company servers (NT/2000). The key advantage of this technology is the elimination of the requirement to install software on each workstation.

Esker has adopted its host access product line to this “thin client” technology.

➤ **The Host Access product line**

Since the acquisition of Persoft (1999), Esker proposes four product lines offering access to host systems:

- Tun PLUS (PC-to-Host & Web-to-Host) and Tun PLUS for Citrix (thin client), original company products
- SmarTerm (PC-to-Host), SmarTerm for Terminal Services (Citrix) and Persona (Web-to-Host) developed by Persoft.
- Corridor (Web-to-Host extranet / internet) for conversion of IBM 3270* or IBM 5250* flows into HTML.
- A-Net

• **The Tun PLUS line**

The Tun PLUS product can be acquired as a single package or in the form covering all available Host Access technologies or in the form of separate functional components:

- Tun EMUL for host access
- Tun NET for resource sharing with host systems
- Tun SQL for access to host data

The Tun PLUS product line is marketed primarily for IBM (390 and AS/400), IBM (UNIX AIX), HP (UNIX HP-UX) and SCO (SCO UNIX) host platforms. Traditional clients of this product line include large accounts equipped with IBM systems and value added retailers which provide solutions for UNIX environments. The attractiveness of this product line is its flexibility and ability to integrate global solutions developed by integrators, value added retailers other software companies, etc.

- **The SmarTerm line**

The product can be acquired as a complete package (SmarTerm Enterprise Suite) or as individual functional components:

- SmarTerm Office for access to applications located on several types of hosts;
- SmarTerm Essential for access to applications located on a single type of host;
- SmarTerm 3270/5250 for access to large IBM hosts;
- SmarTerm X for access to X-Window applications (graphic terminals operating under Unix).

The line of SmarTerm products is sold primarily in the segment of Digital (VAX/Open VMS), Data General, IBM and X-Window servers. Users of this product line include companies and administrations of all size equipped with these servers.. The advantage of this product line is its ability to provide solutions adapted to large accounts and integration VT environments.

- **The Corridor product**

Corridor is a Web-to-Host software package, permitting the conversion of IBM 3270* or IBM 5250* datastreams into HTML*. It enables users activate a host-based application from a Web browser. Corridor does not require any modification at the level of the host application to function and can consequently enable companies to rapidly deploy e-business applications.

Corridor is equipped with a “Builder” which permits the development of a simple user interface by eliminating unnecessary or confidential screens or data input fields, simplifying the browsing function to switch from one screen of the application to another or including information contained in several screens on a single page. Esker believes that this function enables companies to provide Web-based e-business applications of quality comparable to those developed directly for this medium.

For clients seeking to enhance their resulting e-business application with other HTML pages or even other applications full-fledged Web applications, the Corridor product integrates perfectly with environments of Web page creation or the development of Microsoft applications (FrontPage and Visual InterDev).

Corridor is also available in a wireless version providing access to host applications through WAP technologies.

- **The A-Net line**

A-Net is a mainframe-based product, which enables mainframe terminals (IBM 3270) to access applications based on “non-IBM” systems such as UNIX, DEC or HP. A-Net emulates a session of an asynchronous terminal on a 3270 terminal.

The product optimizes information technology investments for companies with SNA networks while at the same time permitting the deployment of new technologies in this environment.

A-Net provides the company a significant volume of business and a strong margin. Approximately, 56% of A-Net sales in 2000 represents the renewal of annual user licenses, with the balance provided by new sales and updates.

IID (Intelligent Information Delivery) products

The IID market originated from the fax server applications marketed by Esker following its acquisition in 1999 of the U.S. company, Teubner & Associates. In the early '90s, the company developed a software product enabling a mainframe*-based application to automatically dispatch documents by fax without manual intervention. During the '90s, the fax server market developed at the worldwide level, generating significant growth until reaching overall maturity in 2000. The growth of new electronic media and new forms of digital commerce (e-business, m-business, c-business,...) has led to the development of three major priorities for existing applications to be able to communicate with each other:

- Management of multi-channel distribution (use of different media) through a single platform ;
- Ease of integration with legacy systems, regardless of their nature;
- Traceability of documents sent and tracking of the completion of transmissions.

Given the significant functionalities and level of sophistication offered by these new products, Esker and the technological analysts of this sector have identified a new market which goes beyond the simple fax server segment which the company has designated as "Intelligent Information Delivery" (IID).

➤ Needs covered by this type of product

• The fax server:

At the end of the 1980s, fax had become a key means of communicating as much with the outside world as within a company between subsidiaries and distant offices. Since then, the volume of pages transmitted by fax by companies has not ceased to increase.

With the development of the PC, word processing tools and local networks, users wanted to be able to dispense with to print the documents before faxing them and send them directly from their workstations. The concept of the fax server was born. Software products today (such as Esker's Faxgate) enable users to send faxes without interrupting their work, by standing in line at the fax machine or other actions related to manual faxing. A fax server permits the transmission of faxes directly from the "print" command in word-processing applications, thus offering significant productivity gains for companies.

Fax server applications can be divided into two major categories, each with clearly distinct functions, user advantages, technologies, etc...

➡ The production fax server:

Fax documents are particularly useful for transmitting information from information systems outside the company (orders, delivery slips, proposals, estimates, contracts, reminders...). The fax offers many clear advantages over other means of communications. Among the most important are:

- Instantaneous transmission;
- Universal application of the media (able to be used in virtually all situations internationally);
- Confirmation of document delivery (transmission receipt);
- Faithful presentation of the documents transmitted (page formatting is in no way modified by fax transmission);

- Integrity of the document content through a semi-open proprietary network (the telecommunications network) and not through Internet;
- Integrity of the document content because a fax is not easily modified;
- Less expensive than mail.

All these advantages continue to apply today and represent important factors for selecting fax to transmit important company documents and information.

Many companies request fax server solutions providing a direct connection to the company's main information system (ERP, IBM major systems, CRM applications...) to improve the response time of the company vis-à-vis clients and reduce total expenses.

➔ **The fax server integrated in messaging applications:**

With the growing use of internal messaging systems (Lotus Notes, Microsoft Exchange, Novell Groupwise), there is an increasing demand to move away from multiple messaging sources (faxes, email) to a single messaging tool. Users want to be able to send faxes as email, directly from their messaging application. In the same way, users want to be able to receive and read faxes through their messaging applications.

This function provides enhanced user-friendly features and improved personnel productivity.

➔ **Intelligent electronic document delivery systems:**

From the point of view of their functionalities, production fax servers were historically the first B-to-B* e-business tools largely deployed by companies. In effect, they represent the first software tools able to extract data from company information systems, format the data and deliver it to external partners in a dematerialized form.

In the early 2000s, with the massive expansion of electronic commerce, demand by companies in respect to the automatic production and delivery of documents within the context of these new types of commerce (invoices, order forms, delivery slips, account statements, etc) had developed significantly. Production fax servers respond well to this need, though their application is limited by the use of a single media, poorly adapted to a world characterized by the heterogeneous preferences of information recipients. In addition, the fax is penalized by a negative image which conflicts with the notion of modernity and innovation of these new types of commerce.

For this reason, Esker has significantly expanded the technical capabilities of its fax server products to respond to the needs of a new market: intelligent multi-channel distribution of electronic documents (IID).

➤ The Esker fax server product line

The Esker fax server product line includes two major product families: Faxgate and VSI-Fax.

- **The Faxgate line**

- ➔ **The platforms**

Faxgate operates on a Microsoft NT/2000 server and includes the following products:

- “Faxgate for Workgroup” for small organizations and small and medium-sized subsidiaries of major groups, complementing large servers.
- “Faxgate for Enterprise” for large companies using several messaging systems
- “Faxgate Production” for major companies using several messaging systems wishing also to connect the fax server to the corporate information system.

In terms of user interfaces, all the versions described above are available in versions compatible with Exchange (a Microsoft email application) or Lotus Notes (an IBM business communications application). For companies which do not benefit from these infrastructures, Faxgate also offers compatibility with the most other messaging applications (Novell GroupWise, SMTP/POP3, etc), and a dedicated user interface.

- ➔ **Information system integration**

In a production environment, Faxgate provides several specific connection solutions (SAP, LPD, LPR, APPC, RJE...) for most existing company information systems providing optimal performances. When a specific connector for an environment or application does not exist, Faxgate uses GDR technology (General Document Recognition) specifically developed by Esker. GDR acts as a universal connector for Faxgate as it is capable of receiving, analyzing and formatting printer flows from any application and dispatch the resulting document in the form of a fax. GDR is based on the application of a certain number of analysis rules specific to a predefined document type. According to the content of the document, GDR determines the name and fax number of the document recipient or automatically consults the LDAP* directory or external ODBC database LDAP* to extract this data.

GDR contributes significantly to simplifying the automation of the flow of faxes from host systems. Until now, fax automation solutions required a specific parameterization of the source application through proprietary codes. These codes provided the fax server with the information needed to transmit the document (for example, the fax number). This required the company to modify its host system. Henceforth, the Esker GDR technology permits the recognition, conversion and faxing of documents originating from other traditional applications or software packages solely on the basis of other content. In simplified terms, GDR enables the fax server to adapt to the company's information system and not the reverse.

Esker considers that with GDR it benefits from a unique technology in the fax server market. A request for patent for GDR was filed with the American patent authorities. This request was accepted. Until the decision of this body, GDR is protected by the reference “Patent Pending”.

The Esker GDR technology has enabled Faxgate in 2000 to win several professional awards, the most significant of which include:

- The Davidson Consulting “Analyst’s Choice Award” for the most innovative electronic multimedia document solution of the year. This award was granted in connection with the annual conference concerning the unification of messaging systems, MailVerge FaxDirections 2000, held in San Diego, California, in August.
- The award for the Best Fax Software Package of 2000. This award, granted for the most practical and user-friendly fax communications solution of the market was announced in the January 2001 issue of the U.S. magazine Teleconnect, the industry reference for communications software applications.

➔ **Advanced functions:**

Faxgate is specially designed to handle large volumes of faxes and has several mechanisms for optimization or load balancing. Faxgate supports intelligent multi-channel fax cards (Brooktrout and Dialogic) enabling it to manage up to 60 lines per server. Esker believes that Faxgate is one of the best products of its category for handling large volumes of faxes.

The development of the Internet has offered a means of transmitting faxes, at virtually no cost, directly to the final recipient for the price of a local phone call. To take advantage of this opportunity, last year the Faxgate product added the Least Cost Routing function (LCR) which enables the transmission of a fax to another Faxgate server which will handle the transmission of the fax to the final recipient.

Finally, the Faxgate functions handle the administration of the fax server via the most recent Microsoft interface (MMC or Microsoft Management Console), to permit comprehensive reporting on incoming and outgoing faxes to determine the actual use of the server and further optimize fax communication costs.

• **The VSI-Fax line**

This line of fax servers was developed and marketed by California-based VSI. Following Esker’s acquisition of VSI in October 2000, VSI’s products were added to the range of Esker fax products.

The VSI-Fax line includes two major product groups:

- VSI-Fax: this product has many of the same functionalities as Faxgate. The major advantage of VSI-Fax in relation to Faxgate is its simplicity of integration in third party applications and compatibility with all platforms currently used by companies (NT/2000, but above all Unix and Linux). In this respect, VSI-Fax is typically a production fax server, frequently integrated in vertical applications (i.e. dedicated to a specific division or economic sector).
- VSI-Fax for Notes, while benefiting from the fax technology of the traditional VSI product, also includes a specific interface for Lotus Notes platforms. At present and following the withdrawal in December 2000 of the Lotus’ fax server application, VSI-fax for Notes represents the only fax solution in the world which proposes a user interface and administrator fully integrated in Lotus Notes. VSI-Fax for Notes is moreover one of the two products recommended by Lotus to take the place of its server and service Lotus’ installed base.

➤ Electronic document servers

To respond to the need of companies for intelligent electronic document delivery, on February 1, 2001, Esker launched its new product, PULSE. Even though this product was not available in 2000, given the strategic importance for the company of this emerging segment for the coming years we present its key characteristics below.

• Presentation of the product

Esker's PULSE is the first intelligent multi-channel company information delivery solution. Benefiting from Esker's expertise in information system connections, PULSE collects documents and information produced by company applications which it formats and dispatches through various electronic channels(e-mail, fax, SMS, hybrid mail, ...).

• The applications of PULSE

➔ Back-office applications:

Esker noticed that the process for delivering key business documents (orders, factures, customer reminders, purchase request, account statements, transaction receipts, etc) does not currently benefit from the same level of sophistication and automation available for front office processes. For many companies, they are the result internal applications (ERP, sales management, accounting, purchasing management, etc) and frequently distributed in hard copy format. However, the potential savings generated by transferring all or part of the documents to electronic format are considerable. However, the absence of a universal platform for the automation of the distribution of the documents, regardless of their origin, format or delivery channel, represents an obstacle to achieving the savings. Esker considers that PULSE provides a response to this need, enabling all companies to optimize the costs of their document delivery process.

➔ Front-office applications:

By digitizing documents transmitted and consequently reducing the cost of delivering information included in company information systems, PULSE increases the efficiency of information exchange processes. As a result, critical information can be shared more frequently, even in real time, at acceptable costs. PULSE in this way contributes to improved client relations and gains in time are significant. Advantages in terms of satisfaction, while difficult to quantify, are certainly greater within the context of the development of customer relations management.

➔ Multi-channel mailing applications

As a result of its universal character, designed to manage diverse electronic media used by consumers and companies, PULSE can ensure that information is actually transmitted to its recipient, or that the sender is notified in the event of nondelivery. PULSE permits the use of the most appropriate channel to communicate with each recipient and ensures the traceability of documents sent. In this respect, management warning notifications (notifications to health authorities, withdrawal of contaminated products, etc) and the area of enterprise marketing and communications applications (EMA: Enterprise Marketing Automation) can fully benefited from the extensive capabilities and flexibility of the PULSE server.

- **Delivery channels covered by PULSE**

Currently, the following document delivery channels are available through the PULSE product:

- E-mail: at present PULSE accommodates as many as 10 different e-mail formats, among which may be cited:
 - text-based e-mail (can be secured S/MIME): universal format, limited formatting capability;
 - HTML (can be secured S/MIME): universal format allowing better formal presentation;
 - PDF (eventually secured S/MIME): guaranteeing reception of documents that look exactly as they were created;
 - e-mail with Web page links (can be secured): the document is not delivered through Internet and the user is provided with acknowledgement of receipt ;
- Messages for SMS mobile phone able to access more than 250 million mobile phones in Europe.
- Fax
- Fax Service Provider (service for decentralized fax transmission).
- Web-content publishing.
- XML: standard worldwide format for the presentation of data in a B-to-B environment.
- A hybrid mail format based on the Mailev® of the French postal service. Hybrid mail permits delivery through PULSE of an electronic message to the French Postal Service with a simple IP* connection. The Postal Service then converts this message to a traditional mail format, eventually registered.

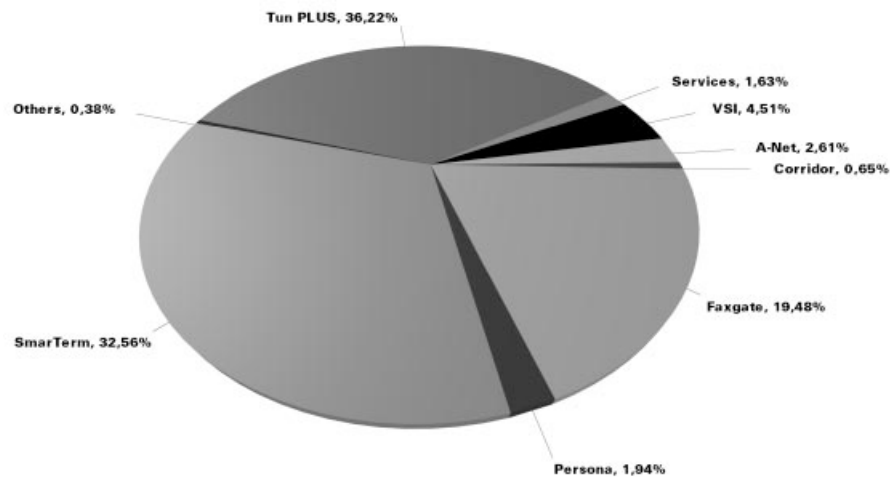
- **Connectivity to company applications**

PULSE offers three means to connect to company applications:

- Dedicated connectors (examples: SAP, Mainframe, UNIX, Web,...).
- A specific Application Programming Interface (API): included in the product, this functionality facilitates integration of PULSE with other applications to offer a global electronic document management solution.
- GDR (see above): PULSE benefits from the latest version of GDR (General Document Recognition) guaranteeing connectivity with all applications capable of generating print flows.

3.1.4 Analysis of sales

- Sales mix by product (2000)

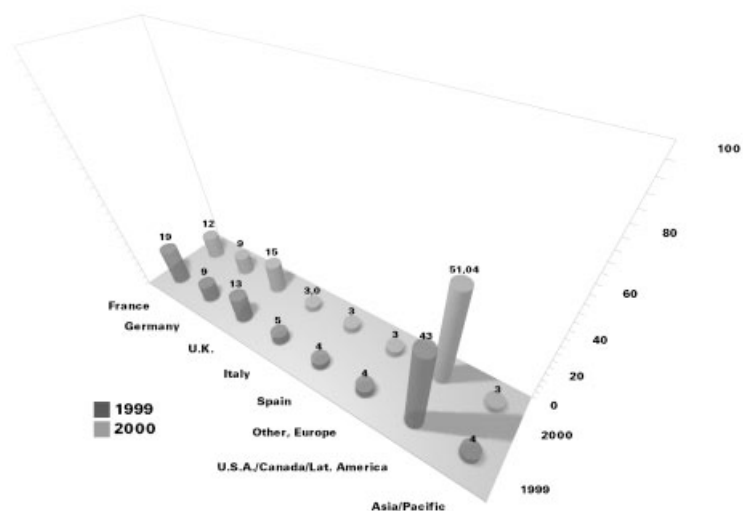


	Number of licenses		Number of updates		Sales (000s €)		Sales (FRF 000)	
	2000	1999	2000	1999	2000	1999	2000	1999
Tun	77,699	147,703	30,546	67,691	9,916	16,323	65,044	107,070
Smarterm	52,659	0	29,186	0	8,915	4,211	58,478	27,624
Persona	4,986	0	2,371	0	532	175	3,491	1,151
Corridor	470	101	389	160	179	212	1,172	1,390
A-Net	167	213	3,833	0	715	774	4,689	5,074
Faxgate	3,518	8,550	4,889	640	5,333	5,304	34,984	34,789
V.S.I.	4,528	n/a	346	n/a	1,236	n/a	8,108	n/a
Services					447	569	2,930	3,733
Other					105	149	691	980
TOTAL	144,027	156,567	7,156	68,491	27,378	27,717	179,587	181,811

Sales outside France account for 88% of Esker's business according to a mix which reflects the worldwide trend in breakdown of IT markets. For example, according to various market studies, the U.S. alone accounts for 50 percent of the world market for business applications. The U.S. is also the market of reference in which the major players operate and the principal alliances are made and unmade. In 2000, this market accounted for more than 50% of Esker sales through a commercial base which is equally balanced between the U.S. and Europe.

However, sales in Asia remain marginal. The Australian subsidiary now manages all business in this region. Commercial and marketing initiatives will be launched in 2001 to improve Esker's activities in this region through the recruitment of retailers and local integrators backspace.

- Sales by region



Country/region	Percentage of sales	
	2000	1999
France	11,62%	18,57%
Germany	9,45%	8,77%
U.K.	14,90%	13,46%
Italy	2,96%	4,65%
Spain	3,36%	3,69%
Other Europe	3,44%	4,02%
U.S.A./Canada/Lat. Ame.	51,04%	43,30%
Asia/Pacific	3,23%	3,54%

3.1.5 The markets

Because of the diversity of the technologies covered by Esker, the company considers it is useful to provide information on the following markets:

- Host access
- IID (including fax and electronic document servers).

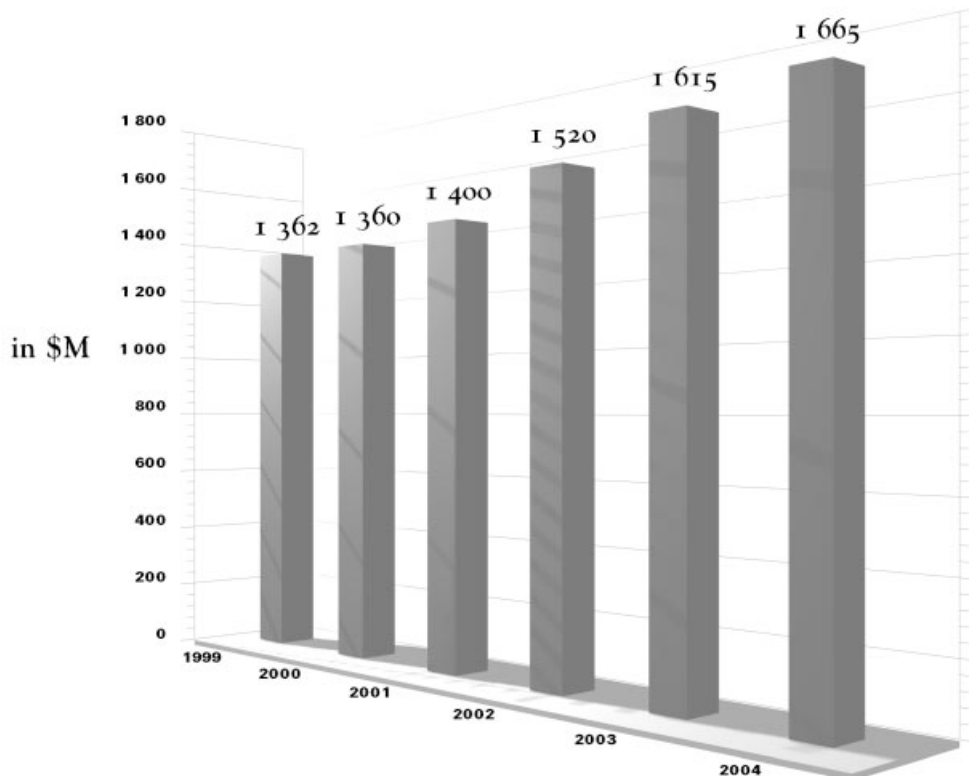
• The Host Access market

The company has drawn upon the study by the research firm IDC published in September 2000. The total market of Host Access applications in 2000 (including PC-to-Host, Web-to-Host, Legacy Extension, ...) applications is estimated by this study at USD 1.360 billion (on the basis of a end-user sale price and not on sales by software companies to distributors).

It should nevertheless be noted that approximately 50% of this market is dominated by hardware manufacturers (IBM) which market their own emulation solutions for their installed hardware base, and benefit from virtually captive markets. Esker accordingly considers that the real size of the world Host Access market is 50% of the figure proposed by IDC.

- IDC growth forecasts for the Host Access market:

Source : IDC 09/00



IDC forecasts an average annual rate of growth for these markets over the 1999-2004 period of 4%. Key factors on which the IDC forecasts are based include:

- an average annual decline in the PC-to-Host product market of 32%
- average annual growth for Web-to-Host solutions of 44%

Esker furthermore considers that:

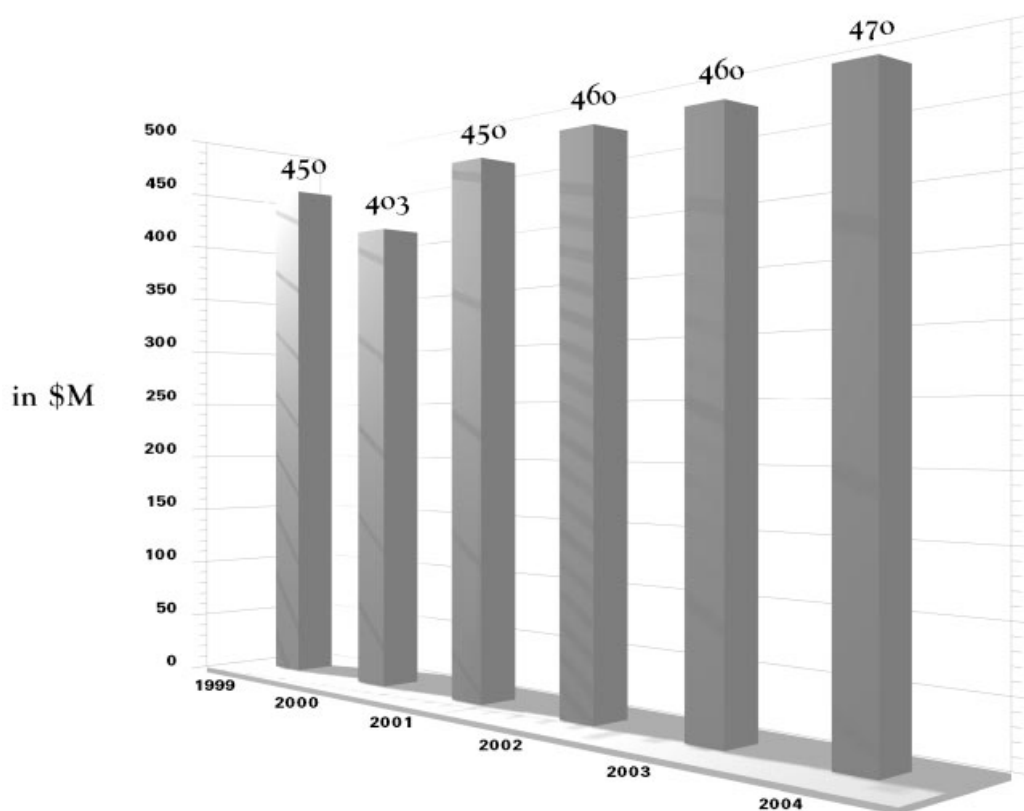
- a significant portion of the growth forecasted by IDC will be in favor of hardware manufacturers like IBM, notably in the Web-to-Host area ;
- the adoption of Web-to-Host technologies, even if the underlying factors behind this trend remain, will be slowed by the absence of sufficient motivation by companies to carry out the migration ;
- conversely and in consequence, the decline in traditional technologies will be less significant than initially foreseen, especially since Windows multi-user thin computing solutions (Citrix, NT Terminal Server, Windows 2000) represent an important growth opportunity for these products.

Overall, Esker forecasts an average annual decline in the Host Access markets of 10% to 20% per year. This is a conservative estimate concerning the outlook for these markets. These forecasts would be significantly improved if the Web-to-Host technologies are adopted more quickly than expected.

• The IID markets

➤ The fax server market

According to a recent IDC study, this market is expected to expand significantly in 2001 and stabilize over the following years.



Evolution of the worldwide fax server market (Source: IDC 2001)

These figures nevertheless do not reflect the diverse performance for the different fax server segments. In effect, according to IDC, production fax servers (see above) in 1998 represented only 15% of worldwide sales compared to an estimated 45% for 2003. The stable outlook forecasted for the fax server market accordingly conceals contrasting trends: the strong decline in fax servers destined exclusively for messaging and a significant increase for production servers, exceeding 30% until 2004.

This change in the market focus in favor of production fax servers points to the use of fax servers as e-business tools to distribute documents and information generated from critical company information systems to external recipients. In this context, fax servers which operate under UNIX seemed to be well-positioned to respond to these types of needs.

IDC furthermore emphasizes the growth opportunities for software companies offer by fax applications in the form of incoming fax processing, an application until now neglected in favor of outgoing fax applications.

Finally, IDC noted, though without providing figures, the opportunities represented by multi-channel information delivery, primarily for production fax software companies, which may apply their expertise in the area of the integration of document delivery to information systems.

In summary, the IDC study highlights the considerable growth potential of this sector for players positioned to take advantage of market trends.

➤ **Multi-channel information delivery**

The market for multi-channel information delivery represents an emerging market for which few technology research firms have carried out studies. Electronic document delivery is still largely based on non-integrated processes which accommodate only a single channel (for example, fax).

The market for hard copy document delivery represents USD 300 billion a year. Furthermore, 90% of documents delivered through traditional mail, originate from an electronic source (Aberdeen). The stakes of dematerializing these exchanges to migrate to electronic platforms are consequently considerable. However, this trend is not possible without the technological management of the flows produced by enterprise applications to convert and then retransmit documents via the most appropriate channel. According to Killen & Associates the market for the conversion and presentation of electronic documents should reach USD 3.3 billion in 2005. The Gartner Group in turn forecasts hypergrowth in the markets for the management of electronic content up until 2005. Furthermore, in a study published in February 2001, this firm identified content delivery as one of the major challenges facing companies in the coming years. It also emphasized the need to assure coordinated delivery through multiple channels. The growing diversity of available equipment and infrastructures, in line with the need for an increasingly rapid and efficient information delivery process requires the grouping in single infrastructure platforms providing heterogeneous communications capabilities. In other words, Gartner recommends that companies deploys fully unified information delivery architectures (Enterprisewide Output Architecture) and suggests that this structure be designed to cover the majority of company needs in this area.

Based on its extensive experience in the markets for information delivery by fax, Esker considers that the opportunities offered by new electronic media (email, mobile phone, hybrid mail, ...) will multiply the applications for this type of product. Because they are not limited to the restrictions related to a single channel, the automation of electronic information and document delivery should develop quickly. Esker considers in consequence that the size of this market will be approximately three times greater than the fax server market in 2003, i.e. approximately USD 1.4 billion.

3.1.6 Competition

➤ Competition in the Host Access market

The significant competitors identified by Esker in this market include:

Companies	Products or product families
IBM	Websphere
Attachmate (Estimated sales: 200 M\$)	Irma 3270, 5250, Extra!, e-Vantage
NetManage/Wall Data (Estimated sales: 104 M\$)	View/Now, Rumba, Salvo
WRQ (Estimated sales: 109 M\$)	Reflexion
Open Connect (Estimated sales: 20 M\$)	Web Connect Pro
Century Software (Estimated sales: 5 -10 M\$)	Term, Tiny Term
J. River (Estimated sales: 5 -10 M\$)	Ice TEN, Ice TCP
Jacada (99 sales: 20 M\$)	Jacada for HTML
Seagull (99 sales: 40 M\$)	Winja

The sales figures are those of the company and not the product line. With the exception of NetManage (listed on the NASDAQ), Seagull (on the Amsterdam stock exchange) and IBM (on the SRD deferred settlement market of the Paris stock exchange), the companies mentioned above are not listed and consequently do not publish their figures. In consequence, the figures mentioned above represent estimates.

According to figures published in September 2000 by IDC, Esker is number five worldwide in the Host Access market. However if one excludes IBM which benefits from a particular status due to its installed hardware base, Esker ranks number four for pure software companies in the sector behind the three U.S. software companies, Attachmate, NetManage and WRQ.

Esker considers that it has leadership positions in certain platforms, notably SCO UNIX with Tun PLUS. The company also believes that the integration in a single product, Tun PLUS, of more than 20 different emulations compatible with PC-to-Host, Web-to-Host and Windows multi-user configurations represents a decisive factor for its success in this market. Tun PLUS today represents one of the most open Host Access solutions available on the market, whether in terms of technology, emulation or environments supported. Furthermore, Esker considers that its product SmarTerm occupies a dominant position in the Digital and Data General server segment, and the sectors of health and public administrations in the U.S..

Concerning the function of revamping applications, Esker believes it benefits from an original technology able to offer a Windows-type graphic user interface (GUI) for traditional alphanumeric applications without additional programming. The company believes this is a major advantage for companies as it enables them to extend the lifespan of their installed software base without significant additional development investments.

In conclusion, Esker believes it has a comprehensive line of Host Access products which can effectively cover virtually all user needs in this area from traditional PC-to-Host needs to intranet-type architectures and even the extension of information systems of the company in the form of extranet or Internet sites. Given its extensive functionalities, the wide range of environments supported and its worldwide position, Esker believes that it is well-positioned to significantly benefit from the development of the Host Access market.

➤ Competition in the fax server market

The fax server market is particularly fragmented and, with the exception of the world leader AVT with 24.3%, no player has a market share exceeding 6%. In this market, Esker considers the following constitute significant competitors:

Companies	Products or product family
AVT (Sales on 12/31/00: 101 M\$)	RightFax, Commerce Path
TopCall (Sales on 12/31/00: 37.2 m€)	Vienna
Omtool (Sales on 12/31/00: 16.9 M\$)	Fax Sr.
Equisys	Zetafax

These sales figures are those of the company and not the competing product line.

According to the ranking established in February 2001 by IDC, Esker is number three in the fax market worldwide after AVT and TopCall.

Esker believes that one of the key distinctions of Faxgate is its production fax capability which enables it to connect to all IT environments including mainframes compatible with IBM S/390, AS/400, Unix systems, Windows, and all servers equipped with TCP/IP. The company believes that another decisive advantage is its ability to handle significant fax transmission and reception volumes.

The acquisition in October 2001 of VSI provided Esker with extensive expertise and a significant installed base in the segment of production fax servers operating under UNIX and Linux.

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

➤ **Competition in the market of multi-channel electronic document servers**

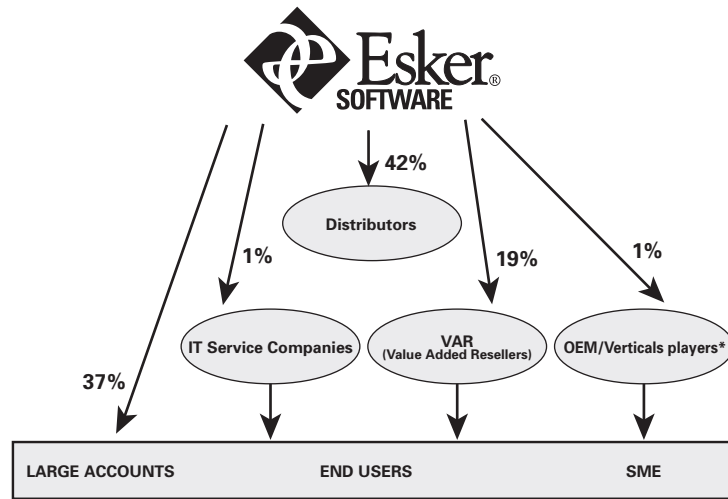
At present, the company is not aware of any players in this market which offer connectivity solutions as extensive and diversified as those offered by PULSE. Recently, Esker has noted with interest the introduction in this market of the Document Router product of Hewlett Packard however, considers that its software product offers performances which are at least identical to the hardware/software package of Hewlett-Packard, while permitting an administration of the product which is considerably simplified and consequently offering lower utilization costs.

3.1.7 The sale strategy and organization

The potential market size of final clients is particularly large, ranging from small companies of 50 employees to major private or public organizations. To cover this market, Esker has favoured the development of distribution while nevertheless maintaining a significant direct sales force. The distribution strategy is pursued through different types of players:

- Distributors of software products: These distributors purchase, store and sell software products. They are distinguished from each other by the level of technical and sale support they provide, their sales conditions, storage and logistics capacities.
- Vertical market software developers and OEM. These entities integrate the technologies of third parties in their applications before resale.
- Systems integrators. These companies work primarily on the basis of information technology projects invoiced according to a flat fee. The projects frequently integrate a variety of software products.
- Value added resellers. Their vocation is to provide global solutions (frequently equipment + software) for companies through the integration of different components. Their added-value is primarily at the level of the service they provide to the products.

Esker approaches this market primarily through distributors and value-added resellers. The programs of “authorized retailers” (Tun Communication Partner, Fax Automation eXpert) further contributes to the performance of Esker indirect sales.



Esker distribution for the 2000 financial period.

The percentages indicate the breakdown of Esker sales.

Esker has pursued a systematic strategy of creating subsidiaries in industrialized nations. These subsidiaries generally start with limited staff (a salesperson/manager, technician and sales assistant) and subsequently develop. As they reach maturity, each sales structure integrates employees responsible for the following functions:

- Subsidiary manager, responsible for the management of sales, the management of the subsidiary and the negotiation of distribution agreements.
- Operational marketing, in cooperation with management, defines and coordinates marketing actions to be carried out in his region to develop business opportunities.
- Telephone marketing initiates the first contact with the customers and is responsible for identifying business opportunities and referring the contact to distribution or the sale engineer.
- Sales administration, responsible for the coordination of the distribution network.
- Sales engineer, representing the Esker contact with the final client and coordinating activity with distribution.
- Pre-sales technical support assists the sales engineer with the client and provides technical support to our distributors and retailers.
- After-sales technical support provides regular phone assistance for Esker distributors, retailers and final clients.
- Administration.

This organization permits the optimization of the company's distribution network through commercial presence in the field, both vis-à-vis distributors and retailers and final clients, reinforced by local service assured in the languages of the different markets.

The clientele of Teubner & Associates consists primarily of major accounts which the company approaches directly and not through a network of distributors. Esker considers that this expertise in sales to major accounts is critical to further develop this segment and support its distribution network.

The clientele of Persoft consists of major companies which the Company approaches directly even if it sometimes shifts the sales figures in the distribution networks. Esker considers that this expertise in semi-direct sales for large companies is critical for the development of products such as Corridor, Faxgate and Pulse.

The clientele of VSI is, in many respects, very similar to Esker's historical customer base of its product TUN. It is comprised primarily of value-added resellers (VARs*) and integrators of vertical solutions which have incorporated the Esker product in their own software product.

3.1.8 The clients

Esker's principal clients include distributors and large accounts to which it sells on a direct basis.

- Key distributors (in alphabetical order):

ADD	Spain
FRAME	France
INGRAM MICRO	U.S.A.
LANDIS	Germany
LANDIS SA	France
LOGIX	France
OPEN COMPUTING	U.K.
RAAB KARCHER	Germany
STRHOLD SISTEMI	Italy
TECH DATA	U.S.A.

The profiles of the distributors are varied. Their total sales for 2000 varies from USD 2 million to more than USD 300 million.

The contribution of major distributors to total Esker sales is as follows:

- the largest distributor account for 7.65% of total Group sales
- the top five distributors account for 20.93% of total Group sales,
- the top 10 distributors account for 28.12% of total Group sales.

Concerning the principal European markets (UK, Germany, France), Esker software products are distributed by companies representing the leading value-added resellers for UNIX software products. The most important distributor accounts for approximately 8% of Group sales.

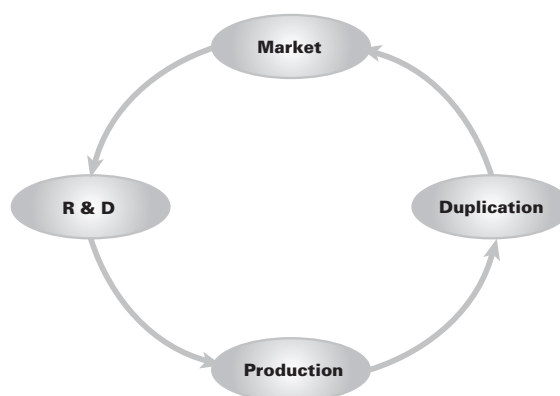
No single final client (through the distribution network) in 2000 accounted for more than 2% of Esker sales. The products of the company have been installed for a large number of major public and private accounts in France, Europe, and the Americas. The key direct clients in 2000 include (alphabetical order):

AMERICAN GENERAL FINANCE	USA	AUGUST GROUP	UK
BELLSOUTH TECHNOLOGY SERVICES, Inc..	USA	BRYAN EQUIPMENT SALES	USA
CITY OF NEW YORK	USA	COMAREG	France
COMPUSA, Inc.	USA	CSC RA GROUP	UK
GREENWICH HEALTHCARE	UK	HARINGEY COUNCIL	UK
HEWITT ASSOCIATES	USA	HOME DEPOT	USA
HUMANA, Inc.	USA	MILLER BREWING CO	USA
NATIONAL FAST FREIGHT	USA	NISSAN MOTOR CO. PTY LTD	Australia
PARTNERS HEALTH CARE	USA	RANK HOLIDAY DIVISION	UK
SAGA SERVICES	UK	STADTSPARKASSE	Germany
STAPLES OFFICE SUPER STORE	USA	TRANSCO ENERGY	USA
YVES ROCHER	France		

To guarantee rapid delivery to clients, Esker ensures distributors benefit from a permanent stock of one week's inventory to respond to the most common orders. In this type of sales environment, the notion of 'order book' is of particularly limited significance. This characteristic is offset by level of repeat business.

3.1.9. Production

The production of software products is divided into three activities:



➤ Research and development

Decisions concerning R&D are made on the basis of needs expressed by users and in coordination with the technology watch. The company considers that it has initiated in this way several innovations among which may be cited the following:

- In 1988, Esker decided to develop a UNIX terminal under DOS. This decision was motivated by the need expressed by Esker clients which indicated that they were unable to find satisfactory products on the market.
- In 1990, IBM launched the RS/6000 with a specific type of screen: the 3151. Foreseeing the commercial success of this hardware, Esker immediately developed the emulation corresponding to this terminal, thus gaining an advance on the competition.
- In 1994, Esker decided to develop the database access middleware in response to the needs expressed by certain clients with Informix-based applications.
- In 1996, Esker diversified into the Web-to-Host market by adapting its PC-to-Host technology to intranet.
- In 1998, Esker decided to invest in the growth market of fax servers through the acquisition of Teubner & Associates.
- In 2000, Esker accelerated the development of the functionalities of its future multi-channel information delivery product, PULSE, which includes GDR, a universal connector for business applications.

Within the framework of Esker's expansion in the U.S., the participation of the company's marketing product team (based in the U.S.) was increasingly solicited in the determination of technical choices.

On December 31, 2000, in the Lyon offices, a team of 25 computer engineers developed the software products of tomorrow. Esker's own computing platforms included the principal servers on the market: Sun Sparc, IBM AS/400, RS/6000, Mainframe MVS, DEC OSF/1, SCO UNIX, HP-9000.... This team is further strengthened by 15 computer engineers based in Madison, Wisconsin.

In 2000, R&D expenses represented 6.37 M€, corresponding to 23 % of consolidated sales, an increase in absolute value terms in relation to 1999. This increase is primarily due to R&D expenses incurred by companies acquired in the 1999 and 2000 financial periods.

➤ Production

Two teams based in Lyon and Madison, totaling a staff of 25, are responsible for this phase which consists in the following operations:

- Quality control,
- The development of installation procedures,
- The development of user manuals and online technical support,
- Localization (adaptation and translation).

Esker has the ability to internationalize its products. Starting in 1989, the first product of the company was able to store messages in different languages. A significant portion of Esker's products is today available simultaneously in five different languages: English, French, German, Spanish and Italian.

➤ Fabrication

Esker manages two fabrication centers, one in Lyon for European sales, the other in Madison, Wisconsin for sales in the Americas. These centers are responsible for filling orders of the different clients and assuring the assembly of different components including:

- User manuals,
- CD-ROM,
- The product box,
- The license number,
- The user license agreement,

The company generally fill orders within 24 hours.

3.1.10 Suppliers

The cost of components for production (CD-ROM, user manuals...) has always represented less than 10% of company sales. This percentage has tended to decline in the past due to the replacement of diskettes by CD-ROM and greater economies of scale. However, fax server activity has tended to increase this ratio as customers demand that the software company provide an intelligent fax card, or even a complete system.

3.1.11 Human resources

➤ The management team

The Esker management team has been progressively developed around one of the founders, Jean-Michel Bérard. To date, it includes:

- Jean-Michel Bérard (39) is President of the Board of Directors and European Chief Executive Officer. He is also Esker spokesperson to potential partners, the European technological community, IT analysts, and trade press. He received a degree in Computer Engineering in 1984 from the renowned French National Institute of Applied Science (INSA) in Lyon.
- Dan Speer (44) is the US Chief Executive Officer and permanent member of the Board of Directors. He joined Teubner & Associates (now Esker) in 1997. Dan is a graduate of Washburn University with a Bachelor of Business Administration and has undertaken postgraduate studies at The Netherlands School of International Business in Amsterdam.

- Jean-Jacques Bérard (35) is the Director of Research Development and guest Board Member. He joined Esker in 1995, first as project leader for the SQL team and then advancing to R&D manager in 1997. Jean-Jacques gained a degree in Engineering in 1988 from the INSA of Lyon.
- Emmanuel Olivier (33) joined Esker in 1999 as Chief Financial Officer and oversees all of Esker's financial communications. Emmanuel is a guest member to the Board of Directors. In 1991, he gained an MBA from the Ecole Supérieure de Commerce. He then worked as audit manager for Ernst & Young for seven years, including two years in Philadelphia (USA).
- Lynn Weatherby (48) is Vice President of Marketing and guest member to the Board of Directors. Lynn graduated in 1986 with a doctorate from the University of Wisconsin. She joined Persoft, Inc. (now Esker) in 1997.
- Mitch Baxter (39) is Chief Executive Officer of VSI (an Esker company) and a guest board member. Prior to joining VSI in 1997, he followed a career in sales and marketing in the Telecommunications domain. Mitch holds a Bachelor of Science degree in Electrical Engineering from the University of California, Irvine.

➤ Esker personnel

Average number personnel in 2000 (1999):

	R&D	Sales	Marketing	Admin.	Duplication	Total
France	40 (38)	17.75 (22)	8 (7)	20 (12)	2 (2)	88 (81)
Germany	0 (0)	7 (9)	1 (1)	1 (1)	0 (0)	9 (11)
U.K.	0 (0)	19 (13)	2.5 (2)	2.5 (1)	0 (0)	24 (16)
Italy	0 (0)	3 (3)	0 (0)	0 (0)	0 (0)	3 (3)
Spain	0 (0)	3 (4)	0 (0)	1 (0)	0 (0)	4 (4)
Australia / Asia	0 (0)	5 (3.5)	1 (0,75)	1 (0,75)	0 (0)	7 (5)
U.S.A.	44 (23)	66 (46)	28 (15)	33 (16)	6 (4)	177 (104)
Total	84 (61)	120.75 (100.5)	40.5 (25,75)	58.5 (30.75)	8 (6)	312 (224)

R&D staff includes production and international technical support.

Sales staff includes local technical support.

➤ Compensation policy

Esker sales staff benefits from a variable compensation based on results in accordance with the current practice in the different countries. The variable portion can represent up to 50% of their total compensation.

R&D engineers also benefit from a variable compensation (20%) based on the quality of the development and compliance with deadlines.

An employee profit-sharing plan has been implemented for French employees. A 401(k) funded pension scheme was created in the U.S. to enhance the performance bonuses. Similar measures have been implemented in the major subsidiaries.

Various stock option and warrant plans (cf. 2.2.3 and 2.2.5) have been implemented to motivate company management and employees. They are allotted on the basis of the seniority of employees and their advancement in the company.

3.2 Risk Factors

3.2.1 Technology risks

- **Launching of the software products or models**

Esker plans to launch on the market new modules and software products. It is not possible to guarantee that the new technologies deployed in these applications will be successful. They may even contain errors not detected at the time of their launching despite the implementation of internal controls.

Similarly, a development which it is technically successful does not guarantee that the applications will be accepted by the market. This may adversely impact the achievement of sales forecasts.

- **Access to technical information from IT market players**

In the development of its computer programs, the Company may require technical information (source licenses, protocol specifications, etc.) which are not in the public domain but rather the property of an equipment or computer software designer. In such a case, it is necessary to obtain access to this information which frequently requires the authorization of the owner. In the past, Esker has succeeded in obtaining the information necessary for its development. However there is no guarantee that the company will be able to obtain this information in the future under acceptable conditions.

- **Modification of market conditions**

The information technology market is subject to constant changes. Esker is not able to guarantee at a given moment that a major IT player does not significantly alter the situation of the market.

In particular, Esker has based a significant part of its success on the Web-to-Host and fax server markets. The commercial success will only be achieved if this market grows according to the forecasts of the Company as indicated in paragraph 3.1.5. The arrival in one of these markets of a major software player could adversely affect the business plans of Esker. However, Esker considers that the likelihood of this eventuality is limited.

- **Risk of software bugs**

Most software applications on the market include bugs which may adversely impact their performance, or even result in damage to third parties. Even though Esker has taken measures to ensure quality control, the company is not exempt from this possibility. In consequence, it is not possible to guarantee that dissatisfied customers do not file suits for damages.

However, the licenses of use are in general delivered without guarantee and with the risks at the responsibility of the user. In consequence, the risk of damages related to the use of Esker products by third parties is not covered by insurance, excluding the U.S. and the UK where the subsidiaries are covered by product liability insurance for USD 2 million and GDP 2 million.

- **Integration of OEM components in the company's products**

Products of Esker origin include only components developed by Esker or in the public domain.

The products of Teubner & Associates origin (A-Net, Corridor et Faxgate) as well as Pulse include components acquired from OEMs (Original Equipment Manufacturers). However, the purchase of these component has only a limited effect on its margins and Esker's strategy is to move away from the dependence on these components to the extent possible.

3.2.2 Financial and commercial risks

- **Seasonal fluctuations in sales**

Historically, Esker has always achieved a significant share of its sales in the last quarter of the year, and in particular, December. A variation or delay in sales expected during this period could consequently have a significant and unforeseen impact on the annual commercial performance.

In the same way, quarterly sales are in turn heavily weighted towards the last days of the quarter. Any internal or external events could eventually disrupt this period and consequently have a significant impact on the performance of the company.

- **Cost Structure**

As with all software companies, Esker's cost structure consists primarily of fixed costs (personnel expenses, premises, amortization of investments, etc.). This cost structure, through the effect of a positive leverage, enables Esker to generate significant profits which has characterized its past performance. In a less favorable context however, this same leverage effect would have an adverse impact on the company's profitability.

- **Delayed Growth in Acquired Companies**

Esker's future growth is based in part on a strategy of mergers and acquisitions. Even though the Company carries out an in-depth study of every company acquired and its business plan, there is no guarantee that the development of the company will adhere to the initial plan. It is in consequence possible that an acquisition adversely affects the company in terms of growth and profitability.

- **New market entrants**

Certain potential competitors have financial and other resources much more important than those of Esker. As a consequence, these companies are able to devote more resources to the development, promotion and sales of their products and respond more quickly to new or emerging technologies and changing client requirements. It cannot be guaranteed that pressures related to this competition do not adversely affect the company's business, operating results and financial situation.

- **Price declines**

Past trends have demonstrated that software prices tend to decline. This risk is inherent in the business of software companies. However, Esker has always sought to maintain its prices by adding new functions to its products. Esker will pursue this strategy in the future, though it is not possible to guarantee that this will always be the case.

The primary competition of the company is today in North America. A decline in the U.S. dollar in relation to European currencies could give an additional competitive advantage to these companies. Such advantage could result in downward pressures on the prices applied by the company in the market. However, in light of the growth objectives of the company's business in the U.S., the exposure to this risk should decline.

- **Computer software piracy**

Software is marketed in the form of user licenses. The illicit copying or piracy of software constitutes a copyright infringement and an operating loss for all software companies. Even though the market has implemented stricter standards in recent years in the principal industrialized countries, there is no indication that this situation will not further deteriorate in the future. However, the company individualizes every license by the issuance of a serial No. and activation key. In addition, the company is able to identify any license holder with its registration system via the Web. The Company believes that these measures reduce the risks of piracy of its own products.

- **Customer risks**

As all commercial companies, Esker is subject to collection risks on customer receivables.

Esker has nevertheless obtained a classic coverage from the SFAC and COFACE for most of its clients. It should be noted that at any moment the COFACE or the SFAC may withdraw their guarantee for a given client, and that the risk is never fully covered. The method of commercialization, in large part through indirect sales, results in a concentration of invoicing with a small number of accounts (cf. 3.1.8). In consequence, a termination of relations between the company and one of its distributors or the failure of one of them could adversely affect Esker sales and earnings. The company is unaware of the existence of significant risks concerning its relations with its current distributors or their solvency.

- **Foreign exchange risks**

The share of the consolidated sales of the company invoiced in currencies included in the Euro is 40%. The balance is invoiced in USD, GBP or AUD.

Concerning inter-company billings, the parent company has chosen to bear the foreign exchange risk itself. These invoices are always issued in the currency of the subsidiary. In 2000, the company pursued its hedging policy vis-à-vis the British pound and when possible the U.S. dollar.

Esker has developed a strategy of self-hedging vis-à-vis the U.S. dollar to the extent that the greater part of sales invoiced in this currency is done so directly by the U.S. subsidiary. This practice may moreover be applied to all invoicing in currencies issued directly by the subsidiaries.

Products fees are invoiced by Esker S.A. to its U.S. subsidiary in U.S. dollars . The foreign exchange risk related to these amounts is largely covered by the inter-company invoicings issued in dollars by the subsidiary, notably for its contribution to total Group marketing activities.

3.2.3 Legal risks

- **Risks related to mergers and acquisition**

Esker's future growth is based in part on a strategy of mergers and acquisition. Even though the company carries out an in-depth study of the company acquired and the associated legal risks, and even though the company negotiates with the sellers a reasonable liabilities and asset warranty, Esker cannot fully guarantee that the acquisition of a company is not subject to legal, tax or other risks for the company.

- **Protection and enforcement of intellectual property rights**

The Esker trademarks are filed in the U.S., Europe and Asia and in the principal industrialized countries.

Under current French and U.S. law, the computer programs developed today by Esker do not qualify for patent protection. The protection of the company is consequently based on its knowledge and compliance with copyrights and licenses concerning its software: however, there does not exist an effective copyright protection in every country and legal action may be found necessary and have an impact on the performance of the company.

The company has never been the object of litigation nor initiated proceedings concerning the infringement of copyrights, trademarks, secrets of fabrication or other intellectual property rights, based on an eventual infringement of the copyrights of third parties.

- **Tax risks**

The company may be subject to an audit in France and abroad in respect to compliance with labor and tax regulations.

Esker S.A. was subject to a tax audit, for the period from 01/01/1997 to 30/11/1999, which ended in April 2000 and did not result in significant additional tax assessments.

No other audits have been carried out in any other country.

- **Litigation**

The company may be involved in France and abroad in various legal actions. To the company's best knowledge, there do not exist other extraordinary items or litigation which may have a material adverse effect on the business, assets, financial situation or earnings of Esker or its subsidiaries other than those mentioned in section 3.6 of this document.

3.2.4 Industrial environmental risks

- **Security**

The Research and Development activity is located at the Esker headquarters and is protected by security measures customarily applied in the profession. In particular, the company systematically makes two backup copies weekly of source codes of its software which are stored at two distinct geographical sites.

- **Insurance**

Esker has insurance coverage for the following risks:

- Industrial risks: fire, explosion, sundry risks, climactic incidents, natural catastrophes, water damage, riots, loss of records, glass breakage, theft, vandalism, electrical damage,
- All computer risks: property coverage only, as computer equipment is insured only for its balance sheet and lease value. The coverage is extended to physical damage resulting from transport or handling in France or the occasional utilization in bordering countries.

- ➔ Civil liability: for loss which may result from the use by personnel of computer equipment, with the exception of the design, development and sale of software.
- ➔ Business interruption: resulting from damage. The period of coverage is limited to 12 months and concerns of the gross margin of Esker France.
- ➔ Product liability: the U.S. and UK subsidiaries have taken out product liability insurance for Esker products vis-à-vis third parties up to USD 2 million and GBP 2 million respectively.

However, it is not certain that losses that may be caused to company will be fully covered.

3.2.5 Other risks

- **YK₂ risks**

The company experienced no internal dysfunctions relating to the changeover to year 2000. This equally applies for the software products sold by the company.

- **Dependence on key personnel**

The company's success depends on the continued services of its key senior management and its research and development and sales personnel and their departure could have a material adverse effect on the performance of the Group. Most of this personnel are not bound by clauses of noncompetition. Esker considers that the implementation of stock option plans for key personnel should contribute to the stability in the management of the company.

- **Risks related to the adoption of the 35 hour work week in France**

The changeover to the 35 hour work week in France was carried out in 2000 without any difficulty. No additional costs related to this change are foreseen for the coming years.

- **Risks related to the changeover to the euro**

Esker S.A had planned for the changeover to the euro for its different functions in the beginning of 2000. No dysfunctions were experienced as a result of this changeover.

- **Potential volatility of the company's stock price**

The market price of the stock of high-tech companies like Esker is particularly volatile and subject to fluctuations which may be unrelated to the financial performance of the companies themselves. Several factors may have a significant impact on the stock prices, notably, fluctuations in financial results, the behavior of shareholders, announcements of new products or product improvements by the Company or its competitors and market conditions.

- **Dividends**

It is not the vocation of a strong growth company to apply an aggressive dividend distribution strategy. Even though Esker distributed dividends for the 1995 and previous financial periods, the company does not plan to distribute dividends in the coming years.

- **Dilution**

In light of Esker's business, the company does not exclude the eventuality of new contributions of equity. Such operations could result in a dilution of the existing shareholders.

3.3 Investment Strategy

3.3.1 Principal investments in progress

The investments of the company consist primarily of expenses related to the development of existing software products and marketing efforts.

3.3.2 Future investments

Future investments of the company will focus principally on the launching of new versions of documents server software (PULSE). Two versions of this product are scheduled to be launched in November 2001 and will include several additional functionalities in relation to the version launched in February 2001.

3.4 Recent Developments

In the first quarter of 2001, Esker sales increased 11.6% to 7.42 M€ (FRF 48.7 million) compared with 6.7 M€ (FRF 43.9 million) in 2000. On a like-for-like consolidation basis, total sales nevertheless declined by 6.7%. This latter performance included a 10.5% increase in IID products and a 14.9% drop in Host Access sales. This performance is in line with Group forecast for 2001.

3.5 Strategy and Outlook

Esker pursues a strategy consisting of optimizing the complementarity of its expertise in different technologies in the area of software interfaces between existing and new computer technologies.

The achievement of this objective is based on the following actions:

3.5.1 Maintaining the company's technological position

The company must maintain its R&D efforts, notably for IID markets. This will be assured through the recruitment of new staff or other operations such as the acquisition of new technologies.

3.5.2 Diversification of product sales

The company intends to pursue the diversification of its sales, notably in the fax server and electronic document segments.

3.5.3 Alliances with partners

Esker is strongly committed to developing partnerships with other software companies, telephone operators and hardware manufacturers to promote its solutions to companies.

3.5.4 Diversification of distribution channels

While maintaining its current distribution network, the company intends to extend it to other distributors who are not competitors of its current distributors or servicing countries not currently covered (in particular in Asia and Latin America).

In addition to this diversification, Esker wishes to develop partnerships with indirect retailers in respect to joint marketing programs, technical assistance and business referral opportunities, in order to further contribute to the performance of the existing distribution network. The company will develop in priority these programs with service companies and value-added resellers.

3.5.5 Pursuit of investments in the U.S.

Esker intends to pursue its strategy of development in the US. Esker considers that in the course of its development it must create branches notably on the East Coast. This creation of branches should eventually be carried out within the framework of a future acquisition.

3.5.6 Increased investments in Europe

Esker intends to pursue the development of its sales in Europe and increase its presence notably through recent acquisitions in the fax server segment and the launching of Pulse.

3.5.7. Development in the Asia-Pacific region

Through its subsidiary created in Australia in 1997, the Company should continue to develop sales in this region, notably in the countries of the region speaking a Western language. Since the suspension of the "Asianization" of its software, Esker does not have versions of these products in Asian languages.

This subsidiary also serves as the commercial base for Esker's development in Asia. New technical investments may become necessary to provide the support for DBCS (Double Byte Character Set, indispensable for Asian languages) if significant new commercial opportunities in Asia are identified.

3.6 Extraordinary Items and Litigation

The Company has initiated proceeds to liquidate the subsidiary in Singapore.

Within the framework of this liquidation, a creditor was granted damages of SGD 82 638 i.e. 49,384 €. On the basis of information provided by his attorney based in Singapore, a provision of 38,000 € for this risk was recorded on 12/31/00.

Two suits are in progress with former Esker distributors. They have initiated proceedings against the company for payment of FRF 9.6 million (1,464,000 €) in damages for wrongful breach of a distribution agreement.

For these suits, the evidence submitted to the court contradicts this claim. In 2000, the first distributor lodged an appeal of a decision in first instance which resulted in a dismissal of his claims. The appeal hearing was scheduled for May 2, 2002. Esker has maintained a provision of 30,000 € for this case to cover potential legal costs. Concerning the second case, a provision of 76,000 € was recorded, which represents a conservative estimation of cost incurred by Esker, on the basis of information available to date.

With the exception of these suits, to Esker's best knowledge, there exist no extraordinary items, litigation or arbitration proceedings which may have a material impact on the financial situation, assets, business and performance of the Company or its subsidiaries.

Alphanumeric	Application functioning in character mode only, without graphic interface, customary in legacy computer systems.
Applet	Program executable from a Web browser Usually written in Java
“Asianization”	Because of the relative technical complexity of Asian written language (several alphabets, many thousands of characters) the adaptation of a software product for Asian markets is not limited to a simple translation. It is necessary to integrate, the different alphabets in the software before the translation of the interface of messages.
B to B / B to C	Business to Business / Business to Consumer: commercial relations between businesses (B to B) or between a business and a final consumer (B to C).
Business Intelligence	Computer applications for extracting, analyzing and reporting data.
Client/Server	Architectural model in which the processing of data can be distributed between workstations of a network (client) and one or more hosts. Previously, the processing of data was carried out by a host system.
Connectivity	Technical solutions (hardware and/or software) that enable communications between different applications.
Database Management System (DBMS)	Software designed for the purpose of optimizing information storage.
Datamart	Software enabling presentation of information contained in databases according to a schema which is simple, accessible and adapted to the needs of a given user group.
Driver	An interchangeable software layer enabling access between a program and equipment or specific software peripherals. Drivers enable the accessory to execute the various demands of the program.
Dumb terminal	A keyboard+screen configuration without local processing capacity which only provides communication between the user and a computer system.
EAI	Enterprise Application Integration. All software tools enabling the integration of applications and company databases through an interface which is simplified and able to be understood by all users.
Fax server	Equipment destined to receive or transmit facsimile documents (or faxes).

Firewall	Software or equipment destined to protect an internal network from outside incursions.
Heterogeneous	In computing, refers to hardware and software that is not compatible except in the case where specific mechanisms have been put in place to achieve compatibility.
Host Access	Describes a category of software applications enabling PC communication with hosts (IBM Mainframe or AS/400, Unix hosts, etc.), shared peripherals or access associated databases.
Host computer	Multi-user computers including computer applications and in most cases, databases.
HTML	A document format, primarily used by Internet.
Hybrid mail	Mail initiated by electronic file transmission via the Internet to the local Postal Service (eg. La Poste, in France) and then printed, inserted in an envelope, automatically stamped and received by its recipient as a traditional letter.
Internet	Worldwide network of computers communicating with each other through the TCP/IP protocol.
Intranet	An information network utilizing internet technologies (HTTP servers, messaging, etc.) confined to private access within an organization.
Java	A programming language developed by SUN destined to develop applications functioning on different platforms and operating systems.
LDAP	Initials standing for "Lightweight Directory Access Protocol". A recent Internet protocol permitting the consultation or update of electronic directories located on a host system. The information included in such a directory concerns primarily the names and references (electronic address) of company employees. But also all information pertaining to the resources of an organization (hosts, printers, fax.....) can be included.
Mainframe	A large computer (frequently an IBM) with significant calculation and backup capacity able to serve many users.
Middleware	Software component that links two environments (for example: database / user interface).

Network protocol	Format for transporting data via a network. One may compare the network protocol to a language: two people cannot understand each other unless they decide to speak a common language. In the same way, computer equipment cannot communicate with other equipment through the network unless they use the same protocol.
Open system	An adaptive operating system able to function on different computers. The most typical example is the UNIX system which can to function on PCs, RISC processors (IBM, HP, DEC....) and IBM mainframes.
Original Equipment Manufacturer (OEM)	Supplier of computer products including components produced by other suppliers.
PC-to-Host	All technologies enabling a PC to communicate with host computers.
Product Software	Software program packaged for licensed use usually comprising a CR-ROM and a user manual.
Relational Data Base Management System Sybase, (RDBMS)	A particular type of DBMS allowing information to be stored in table format following the entity-relationship model. Oracle, Informix, and IBM are the principal providers of this type of DBMS.
Software suite	A group of software applications produced by the same company, responding to related user needs.
Software application	A package of programs, processes and rules that enable a computing system to process data for specific user needs.
Terminal emulation	Software that allows a workstation to imitate the behaviour of a keyboard + screen type terminal (dumb terminal). A software emulation terminal thus enables the activation of one computer's applications from another.
TCP/IP	A communications protocol used between different machines (micro, mini or PC) regardless of the software environment (DOS, Windows, Netware, Unix). This protocol is the internet standard.
UNIX	An operating system developed in the '70s and able to be deployed on many different equipment platforms. The first open system, it was adopted by virtually all computer manufacturers in the area of departmental hosts and has become an industry reference.
VAR (Value added retailers)	A computer company proposing solutions through the assembly of components.

Vertical market software developers	A software company servicing a specific business segment or category of users (example: software for pharmacies, management of a firm of solicitors, etc.)
Web Browser	An application to search and consult information and execute Applets with Internet hosts.
Windows	Initially, a graphic interface (Windows 3.x) proposed by Microsoft. This product has become a full-fledged operating system with the products Windows 95, Windows 98, Windows NT and Windows 2000.
Workstation	Individual multifunction computer. In this document, PCs are considered workstations.
Web-to-Host	Technologies enabling communication between an intranet system and host computers. In this context, the intranet system consists of an HTTP host and workstations equipped with a Web browser.
3270 Terminal	A keyboard+screen type terminal used by IBM hosts
5250 Terminal	A keyboard+screen type terminal used by IBM AS/400 machines

4. Financial Data

4.1 Consolidated Financial Statements

AUDITORS' REPORT
Consolidated Financial Statements
Period ended December 31, 2000

In accordance with the terms of our appointment by your shareholders' meeting, we have audited the consolidated financial statements of the company Esker concerning the period ended December 31, 2000 established in French francs as presented herein in pages 53 to 68.

These consolidated financial statements have been approved by your Executive Board. It is our duty to express an opinion on these financial statements on the basis of our audit.

We have conducted our audit in accordance with generally accepted auditing standards. These standards call for the implementation of due diligence to obtain reasonable assurance that the consolidated financial statements do not include any important discrepancies. An audit consists in examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. It also consists in assessing the accounting principles applied and the significant estimates made to prepare these financial statements and evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for the opinion provided below.

In our opinion these consolidated financial statements, established according to generally accepted French accounting procedures, provide a true and fair picture of the assets, liabilities, net worth as well as the earnings of the group formed by the companies included in the consolidation.

We have also reviewed the information concerning the group provided in the management report. We have no comment to make regarding the sincerity and conformity with the annual financial statements of the information contained in this report.

Villeurbanne, May 4, 2001

The Statutory Auditors

S.A. Deloitte Touche Tohmatsu
represented by Joël JULLIEN and Dominique VALETTE

Yves FOURNAND

Consolidated balance sheet – assets

	Note	31-Dec-2000		31-Dec-1999		31-Dec-1998	
		' 000 €	FRF	' 000 €	FRF	' 000 €	FRF
Net intangible assets	(3)	2,984	19,571	3,801	24,931	2,343	15,369
Net tangible assets	(4)	1,369	8,977	1,404	9,212	654	4,292
Long-term investments	(5)	71	464	44	288	42	276
Fixed assets		4,424	29,012	5,249	34,431	3,039	19,937
Inventory and work in progress	(6)	280	1,833	387	2,539	315	2,064
Advances and prepaids							
Trade notes and account receivable	(7)	6,727	44,128	8,538	56,007	5,633	36,951
Other receivables	(8)	1,742	11,426	1,228	8,053	1,001	6,558
Deferred tax debits		646	4,238	857	5,621	666	4,371
Cash and near-cash	(9)	8,116	53,238	15,710	103,044	9,794	64,243
CURRENT ASSETS		17,511	114,863	26,719	175,264	17,409	114,187
Suspense accounts	(10)	694	4,554	787	5,164	465	3,050
TOTAL ASSETS		22,629	148,429	32,755	214,858	20,913	137,173
Share capital	(12)	5,702	37,403	5,255	34,473	4,004	26,268
Paid-in capital		9,496	62,290	9,042	59,305	7,397	48,521
Consolidated reserves		5,166	33,886	3,721	24,407	2,164	14,197
Translation differential		519	3,402	292	1,916	- 255	- 1,675
Net income-Group share		- 5,154	33,807	2,270	14,894	1,539	10,093
Shareholders' equity – Group share		15,729	103,175	20,580	134,995	14,849	97,404
Minority interests		1	6	1	6	1	4
Provisions for risks and charges	(13)	175	1,147	518	3,397	165	1,083
Advances on conditions				38	250	142	930
Long-term debt	(15)	204	1,338	4,494	29,479	258	1,691
Downpayments from clients		108	707	133	871	-	-
Trade notes and accounts payable		1,500	9,840	2,232	14,643	1,730	11,347
Tax and employee-related liabilities		2,365	15,509	3,361	22,050	2,723	17,859
Other payables		173	1,133	118	776	96	632
Differ tax credits				38	252	-	-
Total trade payables and other liabilities	(16)	4,146	27,189	5,882	38,592	4,549	29,838
Suspense accounts	(17)	2,374	15,575	1,241	8,139	949	6,224
TOTAL LIABILITIES		22,629	148,429	32,755	214,858	20,913	137,173

Consolidated income statement

	Note	31-Dec-2000		31-Dec-1999		31-Dec-1998	
		' 000 €	FRF	' 000 €	FRF	' 000 €	FRF
Sales from products		23,898	156,762	24,216	158,844	18,064	118,488
Product upgrades and services		3,480	22,824	3,501	22,967	1,252	8,216
RAP and other products		99	649				
Sales & other products		27,477	180,235	27,717	181,811	19,316	126,704
Cost of sales		- 2,524	- 16,559	- 1,915	- 12,565	- 1,423	- 9,339
Research and development costs		- 6,370	- 41,784	- 4,256	- 27,918	- 3,346	- 21,949
Commercial charges		- 11,013	- 72,240	- 9,227	- 60,520	- 6,403	- 42,003
Marketing costs		- 5,711	- 37,464	- 5,818	- 38,164	- 3,836	- 25,164
Administrative expenses		- 5,590	- 36,666	- 3,382	- 22,182	- 2,326	- 15,257
Operating profit		- 3,732	- 24,478	3,119	20,462	1,981	12,992
Financial profit	(22)	289	1,896	681	4,466	37	240
PRETAX INCOME BEFORE EXTRAORDINARY ITEMS OF CONSOLIDATED COMPANIES		- 3,443	- 22,582	3,800	24,928	2,017	13,232
Extraordinary items	(23)	- 1,065	- 6,985	- 6	- 39	- 287	- 1,884
Corporate income tax	(24)	- 400	- 2,627	- 1,283	- 8,421	- 81	- 531
INCOME OF CONSOLIDATED COMPANIES Before amortization of goodwill		- 4,908	- 32,194	2,511	16,470	1,649	10,817
Amortization of goodwill		- 246	- 1,614	- 240	- 1,574	- 110	- 722
Minority interests		-	-	-	- 2	-	- 2
TOTAL CONSOLIDATED NET INCOME		- 5,154	- 33,807	2,271	14,896	1,539	10,095
GROUP SHARE							
Earnings per share (in €)		- 1.61	- 10.59	0.86	5.65	0.70	4.62
Fully diluted earnings per share (in €)		- 1.32	- 8.64	0.82	5.40	0.68	4.45

Statement of consolidated cash flows

	Note	31-Dec-2000		31-Dec-1999		31-Dec-1998	
		' 000 €	FRF	' 000 €	FRF	' 000 €	FRF
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash flow		- 2,578	- 16,909	3,468	22,750	1,535	10,068
Net income – Group share		- 5,154	- 33,807	2,271	14,894	1,539	10,093
Net income – minority interests				-	2	-	2
Allowances for depreciation on fixed assets & goodwill		2,420	15,875	1,279	8,391	631	4,142
Deferred tax		156	1,023	- 82	- 537	- 636	- 4,169
Change in working capital requirement		- 534	- 3,501	587	3,850	- 354	- 2,325
Inventories		- 196	- 1,287	- 34	- 223	121	792
Operating receivables and suspense accounts		- 2,338	- 15,334	504	3,307	307	2,014
Increase in trade payables		- 2,000	- 13,120	- 117	- 766	782	5,131
NET CASH FLOWS RELATED TO OPERATIONS		- 2,044	- 13,408	2,881	18,901	1,889	12,392
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of intangible assets		581	3,810	1,178	7,725	375	2,461
Changes in goodwill (d)		- 46	- 304				
Cash flows allocated to acquisitions during the period (a)		- 67	- 437	- 952	- 6,246	630	4,132
Increase in expenses to carry forward		38	251	-	-	143	938
Net change in treasury stock		- 76	- 498	- 264	- 1,732	- 21	- 138
Net change in other long-term investments		27	176	2	12	- 18	- 120
NET CASH FLOWS FROM INVESTING ACTIVITIES		457	2,998	- 37	- 241	1,109	7,273
CASH FLOWS FROM FINANCING ACTIVITIES							
Increases in capital		387	2,536	183	1,202	204	1,336
Dividends paid by the parent company during the period				-	-	-	-
Other changes in shareholders' equity		0				- 131	- 862
Treasury stock			- 5,296				
Increase in long-term debt and other medium and long-term liabilities (b)		- 1,342	- 8,804	- 115	- 758	- 577	- 3,784
NET CASH FLOWS FROM FINANCING ACTIVITIES		- 956	- 11,564	68	444	- 505	- 3,310
CHANGE IN CASH		- 3,457	- 27,970	2,986	19,586	275	1,809
Cash at the beginning of the period		13,425	82,096	9,794	64,243	9,539	62,572
Reclassification of treasury stock (c)		- 910	- 5,969	- 1,174	- 7,701	- 1,195	- 7,839
Change in the period		- 4,264	- 27,970	2,986	19,586	276	1,809
Impact of foreign exchange fluctuations		212	1,389	198	1,300	121	792
CASH AT THE END OF THE PERIOD (c)		8,251	48,157	11,606	76,128	8,620	56,542

Cash items correspond to assets and liabilities with maximum maturities of three months as of the closing date of the period under review.

(a) The item "Investments allocated to acquisitions of companies included in the consolidation scope during the period" breaks down as follows for the 2000 financial period (EUR 000):

Cash component of the acquisition of VSI (FRF 000)	- 1,798
Acquisition charges and other incidental expenses (FRF 000)	- 672
Cash on the date of the acquisition (FRF 000)	2,907

(b) All long-term debt has been considered as cash, corresponding to periodic overdrafts and an advance on conditions payable at less than one year.

(c) For reasons of accuracy, cash holdings for the last three financial periods have restated treasury stock which is presented separately under cash flows from investing activities.

(d) The change in goodwill reflects the provision for reorganization expenses recorded in 1999 under goodwill for Alcom and Persoft.

Notes to the Consolidated Financial Statements

Note 1: Significant accounting policies

• Authoritative accounting pronouncements

The consolidated financial statements have been prepared in accordance with French accounting principles and the new provisions of regulation 99-02 of the *Comité de la Réglementation Comptable* concerning consolidated financial statements, approved on June 22, 1999. These new provisions concern primarily the application of a special consolidation method for the acquisition of VSI Inc. Pursuant to the application of section 5 of this regulation 99-02 concerning the first year of application, acquisitions carried out before the beginning of the period have not been restated. In consequence, pro forma financial statements have not been presented.

• Principles of consolidation

The consolidated financial statements have been presented according to the principle of full consolidation, as each company included in the scope of consolidation is a wholly-owned subsidiary of the parent company Esker SA.

Assets and liabilities of foreign subsidiaries are converted at the year-end exchange rate and income statement items at the average exchange rate for the six-month period. Translation differentials resulting from exchange rate variations are recorded under consolidated shareholders' equity. To improve the quality of the financial information, and to coincide with the publication dates of results, since 2000, Esker converts the income statements of its subsidiaries at the six-month average exchange rates instead of the average exchange rate for the full year period. The impact of this change on the results of the 1999 and 2000 financial periods is not significant.

All significant transactions between consolidated companies as well as internal results not recognized, included under fixed assets and inventories of the consolidated companies, are eliminated.

• Presentation of the Group consolidated financial statements

Starting in the 1999 financial period, Esker decided to present its consolidated financial income statement on the basis of the classification of expenses by function and no longer by nature. The purpose of this change was to improve the quality of the financial information presented and comply with the reporting requirements of the international environment in which the company operates. The financial statement for 1998 was restated to ensure comparability with the 1999 and 2000 financial statements. This restatement had no impact at the level of earnings reported for these periods.

• Sales

Sales are recognized as income according to the completed sales basis, i.e. on the date of product's delivery. Since the second half of 1998, Esker sells upgrade contracts associated with the products. These contracts confer a right to receive all the major versions of the software which may be issued for one year. The income related to this category of service is carried forward on a straight-line basis over the lifespan of the contract.

• Intangible assets

➤ Goodwill on consolidation

Upon acquisition of controlling interests of a new company, the identifiable assets and liabilities of the acquired subsidiary are recorded in the consolidated balance sheet for their value as re-estimated on this date.

The residual value between the acquisition cost of the shares and the share in the re-estimated net assets is recorded under “Goodwill” which is amortized over a period of 10 years, which is deemed reasonable and prudent, in light of the Group’s business.

➤ Goodwill including business

In accordance to its economic nature, business goodwill acquired by the Australian subsidiary is depreciated over a ten-year period.

➤ Other intangible assets

Other intangible assets consist primarily of trademarks and software recorded in the balance sheet at acquisition cost.

Software is depreciated on a straight-line basis over 1 to 5 years. Trademarks are not depreciated.

Additional technology assets made in 1998 (software) are recorded under intangible assets and depreciated over five years.

• Tangible assets

Tangible assets are recorded in the balance sheet at the Group’s acquisition cost.

Depreciations are recorded on a straight-line or accelerated basis applied over the following estimated periods of use:

- General installations	Straight-line/5-8 years
- Transport equipment	Straight-line/3-5 years
- Office and computer equipment	Straight line or Accelerated /2.5-8 years
- Furniture	Straight-line/ 5-10 years

Most acquisitions of equipment and software are recorded under fixed assets of the Group. The parent company has only marginal recourse to lease financing. Past and current finance leases have not been restated in consolidation as this item is nonsignificant.

• Long-term investments

The gross value of nonconsolidated equity interests includes the acquisition cost of these shareholdings. When the balance sheet value is less than the gross value, a provision for charges is recorded.

The balance sheet value is calculated on the basis of the net worth of the investment at the end of each period, eventually weighted to take into account the sales and earnings prospects.

- **Inventory and work in progress**

This item includes:

- consumables (CD ROM and packaging),
- intelligent fax cards,
- marketing material (brochures, ..).

They are recorded at acquisition cost.

Provisions are recorded when the sale value is less than the acquisition cost.

- **Trade notes and account receivable**

Trade notes and account receivable are recorded at face value. A provision for loss is recorded on the basis of the age of the receivable.

- **Short-term investment securities**

The gross value of this item consists of the acquisition cost excluding charges. When the balance sheet value is less than the gross value, a provision for charges is recorded for the difference.

- **Treasury shares**

Treasury shares destined specifically for share price stabilization or employee stock purchase plans are recorded under short-term investment securities.

Treasury shares not destined for these two purposes are deducted from consolidated shareholders' equity at their acquisition cost. Capital gains or losses on these shares are not included under consolidated income.

- **Deferred tax**

Deferred tax is calculated for all timing differences between the tax base and the book income. Deferred tax debits relating to timing differences and losses brought forward are only recorded to the extent that their recovery does not depend on future results, or if it is likely that the company concerned may be able to recover them in the eventuality of taxable income in future financial periods. Deferred tax debits and credits are offset in the balance sheet.

- **Translation of foreign currency items**

Payables and receivables stated in foreign currency are converted on the basis of the exchange rate in force on December 31.

Starting January 1, 1999, the Group records unrealized foreign exchange gains and losses on payables and receivables stated in foreign currency under income. This applies with the exception of unrealized foreign exchange gains and losses on payables and receivables considered to represent an integral part of company investments.

- **Calculation of earnings per share:**

- **Earnings per share:**

Earnings per share are calculated on the basis of net income of the consolidated entity and the average number of shares of the consolidating entity outstanding for the period under review.

➤ Fully diluted earnings per share:

Fully diluted earnings per share are calculated on the basis of net income of the consolidated entity, the forecasted yield on the Group cash assets on the basis of the average annual rate recorded, the amount of funds which could be raised on the basis of the total number of shares available for issuance shares, the average number of shares of the consolidating company taking into account the impact of potentially diluted securities (stock option plans destined exclusively for employees).

In the two cases treasury shares deducted from shareholders' capital were not taken into account to determine the average number of shares used for this calculation.

Note 2: Consolidation scope

Company	Registered office	Controlling interest (%)			Ownership interest (%)			Consolidation method
		2000	1999	1998	2000	1999	1998	
Esker S.A. France	Lyon	Parent company						
Esker Gmbh Germany	Essen	100%	100%	100%	100%	100%	100%	F
Esker Ltd U.K.	Derbyshire	100%	100%	100%	100%	100%	100%	F
Esker Srl Italy	Milan	100%	100%	100%	100%	100%	100%	F
Esker Iberica SI Spain	Madrid	99,80%	99,80%	99,80%	99,80%	99,80%	99,80%	F
Esker Inc. U.S.A.	Madison	100%	100%	100%	100%	100%	100%	F
INTERDOC, Oy Finland	Espoo	100%	100%		100%	100%		F
Esker Australia Pty Ltd Australia	Sidney	100%	100%	100%	100%	100%	100%	F
VSI Inc. U.S.A.	Lake Forrest	100%			100%			F

F: Full consolidation method

One subsidiary, Esker Asia Pte Ltd, located in Singapore and wholly-owned by Esker S.A., has not been included in the scope of consolidation since 1997. This company has ceased activity since December 1997. A provision was recorded by Esker S.A. to cover all risks related to the liquidation of this subsidiary.

Esker Ontario Inc., subsidiary of Esker Inc. has not been consolidated since 1998, as this company was closed in December 1997.

• Changes in the scope of consolidation

➤ Acquisition of VSI Inc:

October 13,, Esker acquired VSI Inc (located in Lake Forest, California, U.S.A.). For this acquisition, Esker applied the special accounting method provided under regulation 99-02 concerning the new consolidation standards. The acquisition cost of the VSI shares was substituted by the book value of VSI assets and liabilities restated according to Group accounting standards on the date of acquisition. The total amount of the goodwill resulting from the application of this method was posted to Group shareholders' equity, i.e. 5,549,000 €.

We also note that during the 1999 financial periods, the companies Persoft Inc and Alcom Inc were included in the scope of consolidation. These two companies were acquired by Esker Inc in the 2000 financial period.

Note 3: Intangible assets

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
Goodwill on acquisition	2,733	647	2,087	2,720	1,635
Start-up costs	8	6	2	-	1
Trademarks (a)	218	55	163	171	177
Business goodwill (b)	282	96	186	232	213
Software (c)	2,093	1,548	546	678	317
Total in '000s €	5,334	2,351	2,984	3,801	2,343
Total in FRF 000	34,991	15,421	19,571	24,931	15,369

• Goodwill on acquisitions:

Goodwill on acquisitions in the balance sheet breaks down as follows:

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net	Annual amortization
Repurchase of minority interests Esker Inc.	126	89	38	50	63	13
Teubner & Associates	1,669	431	1,238	1,406	1,572	167
Alcom	80	16	64	438	N/A	8
Persoft	858	111	747	826	N/A	86
Total in '000s €	2,733	647	2,087	2,720	1,635	274
Total (FRF 000)	17,929	4,241	13,688	17,842	10,725	1,795

It is noted that in 1998, goodwill generated by the acquisition of Teubner & Associates was allocated to paid-in capital following the capital increase resulting from this operation for EUR 9.1 million (FRF 59.7 million).

Similarly, in 1999, according to generally accepted accounting principles in France and the terms of the prospectus (*Note d'opération*) issued within the framework of the Persoft operation, Esker exercised the option of allocating to paid-in capital the goodwill resulting from the acquisitions of the companies, Alcom and Persoft. This decision was based primarily on the method of financing these acquisitions (issuance of new Esker shares).

These operations break down as follows:

In 000s €	Goodwill before allocation	Percentage financed through new shares	Amount charged to paid-in capital	Goodwill to be amortized	Annual allowance	Annual allowance excluding the allocation
Teubner	10,776	84.50%	9,107	1,669	167	1,078
Alcom	1,316	100%	1,236	80	8	132
Persoft	12,252	93%	11,394	858	86	1,225

- The trademarks include the trademarks and logos exploited by Esker and filed with the INPI (the French national Institute for industrial property) for the regions of France, EU, U.S.A., Canada and Asia; they are not amortized.
- 1997: acquisition of business assets of the Australian subsidiary. On 1/8/97, Esker Australia was incorporated. This latter entity acquired the business assets of our distributor Unitract for ASD 450,000. This business will be amortized over a ten-year period.
- Software acquisitions concerned primarily user licenses. They are depreciated over a period of 1 to 5 years.

Note 4: Tangible assets

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
Fixtures and improvements	281	38	243	24	18
Transport equipment	44	17	27	1	4
Office and computer equipment	4,500	3,669	831	1,276	518
Furniture	1,409	1,304	106	96	114
Other tangible assets	314	153	162	7	
Total (Euros 000s)	6,549	5,180	1,369	1,404	654
Total (FRF 000s)	42,957	33,980	8,977	9,212	4,292

Note 5: Long-term investments

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
Other equity interests (a)	68	68	-0	6	-
Others (b)	71		71	38	42
Total (€ 000s)	139	68	71	44	42
Total (FRF 000s)	911	447	464	288	276

- (a) Other equity interests concern primarily a stake of 14.5% in the company SCREENER Sarl, in official receivership since 1998, and the subsidiary Esker Asia, no longer included in the scope of consolidation (cf. section 2). These assets have been fully provisioned for since 12/31/97.
- (b) This item concerns primarily deposits and guarantees.

Note 6: Inventory and work in progress

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
CD Roms, packaging, marketing brochures...	253		253	184	315
Goods held for resale	183	157	27	203	-
Total ('000s €)	437	157	280	387	315
Total (FRF 000s)	2,864	1,027	1,833	2,539	2,064

The inventory of goods held for resale corresponds to intelligent fax cards sold with certain of our fax servers.

Note 7: Trade notes and accounts receivable

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
Receivables (€ 000s)	7,603	876	6,727	8,538	5,633
Receivables (FRF 000)	49,874	5,747	44,128	56,007	36,951

The amount of outstanding trade receivables which exceed one year is not significant.

Note 8: Other receivables

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
Personnel	42		42	44	9
Tax receivables (a)	1,614		1,614	854	980
Other receivables	123	38	85	329	12
Total (Euro 000s)	1,780	38	1,742	1,228	1,001
Total (FRF 000)	11,674	250	11,426	8,053	6,558

Tax receivables on 12/31/00 concern principally corporate income tax receivables for 1,002,000 € and 613,000 € for VAT. Corporate income tax receivables include a carry-back of 506,000 € concerning the parent company.

The amount of other receivables with maturities exceeding one year is nonsignificant.

Note 9: Cash and near-cash – short-term investment securities

	Gross	2000 Depreciations & provisions	Net	1999 Net	1998 Net
Treasury stock (a)	834	263	571	910	1,174
Marketable investment securities	6,002	23	5,979	12,227	5,892
Cash and near-cash	1,566		1,566	2,573	2,728
Total (Euro 000s)	8,402	286	8,116	15,709	9,794
Total (FRF 000)	55,113	1,874	53,238	103,044	64,243

(a) Treasury stock: Treasury stock destined specifically for share price stabilization or employee stock option plans.

A provision was recorded which was determined by comparing the book value with the average stock price for the last month of the financial period.

Changes in the 2000 financial period break down as follows:

	Number	Value Euro 000s
On January 1, 2000	76,322	911
Exercise of options	- 10,204	- 76
On December 31, 2000	66,118	834
Unrealized capital gains (provision)		263

(b) Short-term investment securities consist primarily of Negotiable Certificates of Deposit and money market funds.

On December 31, 2000, the closing value of these mutual funds was closed to the balance sheet value.

Note 10: Suspense accounts

	2000	1999	1998
Charges to be carried forward to future periods	49	67	115
Deferred charges	646	695	261
Unrealized losses on foreign exchange		25	88
Total (Euro 000s)	694	787	465
Total (FRF 000s)	4,554	5,164	3,050

Deferred charges concerned primarily the cost of trade shows and advertising, primarily in the U.S. and France.

Charges to be carried forward concerned the acquisition expenses of the company Teubner. The gross amount was transferred under expenses to be brought forward: 143,000 € amortized over three years (2000 allowance: 48,000 €) and training costs for a CRM (Customer Relations Management) application acquired by the parent company (38,000 € depreciated over two years). Since 1999, the acquisition expenses of new companies included in the scope of consolidation were taken into account to determine their acquisition cost. The amount of expenses recorded during 2000 totaled 172,000 €.

Note 11: Group shareholders' equity

	2000	1999	1998
Beginning of the period	20,580	14,849	12,675
Capital increase			
Nominal	447	1,251	640
Paid-in capital	6,092	14,186	9,234
Goodwill allocated to paid capital	- 5,630	- 12,542	- 9,107
Change in translation differential	227	548	- 131
Other changes in reserves	- 832	17	0
Profit for the period (Group share)	- 5,154	2,270	1,539
CLOSE OF THE PERIOD			
Total (Euro 000s)	15,729	20,580	14,849
Total (FRF 000)	103,175	134,995	97,404

Capital increases:

2000 : The principal capital increase concerned the issuance of shares in connection with the acquisition of VSI (6,267,000 € before amortization of goodwill). 272,000 € result from the exercise of options in the period. Other changes in reserves include 807,000 € for treasury shares recorded under fixed assets of the parent company and adapted from shareholders' equity.

1999 : This concerns, on the one hand, the paid-in capital from the capital increases resulting from the exercising of options and, on the other hand, the premium issued on the capital increases carried out upon the acquisitions of Alcom and Persoft, after the allocation of goodwill.

1998 : This concerns the paid-in capital on the capital increase resulting from the exercise of options of the period. The goodwill resulting from the purchase of Teubner was allocated to premium paid for capital contributions (9,107,000 €) recorded upon the capital increase carried out to finance the operation.

The capital increase of the nominal by 640,000 € corresponds for 563,000 € to the acquisition of Teubner shares and the balance from the options exercised in the period.

Note 12: Authorized capital

On 12/31/00, the capital of the parent company consisted of 3,400,296 shares conferring simple voting rights of a nominal value of FRF 11 per share, i.e. an authorized capital of FRF 37,403,000 (5,702,000 €).

	2000	1999	1998
SHARE CAPITAL (€ ' 000s)	5,702	5,255	4,004
Total (FRF 000)	37,403	34,473	26,268

During the 2000 financial period, the following capital transactions were carried out, corresponding to a capital increase of FRF 2,930,000 (447,000 €):

- Capital increase pursuant to the exercise of stock options: FRF 266,000 (41,000 €):
 - Issue of 24,216 shares with a nominal value of FRF 11
Additional information on this item is provided in paragraph 2-2 of chapter II.
- Capital increase in connection with the acquisition of VSI: FRF 2,664,000 (406,000 €):
 - Issue of 242,149 shares with a nominal value of FRF 11

Note 13: Provisions for risks and charges

	2000	1999	1998
Provision for foreign exchange losses	-	25	88
Provision for risks on Esker Asia	38	38	54
Accrued losses on foreign exchange options			15
Lawsuit contingency provisions	30	107	8
Other provisions for risks	99		
Provisions for reorganization	7	348	
Total (Euro 000s)	175	518	165
Total (FRF 000)	1,147	3,397	1,083

This provision corresponds to the reorganization of the newly acquired companies included in the scope of consolidation during the year under review.

Note 14: Long-term debt

	2000	1999	1998
Short-term credit and overdrafts	16	19	4
Bank borrowings (a)		4,232	55
Miscellaneous borrowings (b)	188	243	199
Total (Euro 000s)	204	4,494	258
Total (FRF 000s)	1,338	29,479	1,691

(a) This concerns a loan of EUR 3.4 million contracted by Esker SA within the framework of the acquisition of Persoft, and bank borrowings by the U.S. subsidiary. This loan was fully paid back in 2000.

(b) Primarily an advance on conditions contracted with COFACE (187,000 €). This advance is repayable on May 31, 2001 in the case of successful outcome.

Note 15: Analysis of long-term debt

On December 31, 2000	Less than 1 year	1-5 years	More than 5 years
Short-term credits and bank overdrafts	16		
Bank borrowings			
Miscellaneous borrowings	188		
Total (Euro 000s)	204	-	-
Total (FRF 000s)	1,338	-	-

Note 16: Analysis of trade payables

The portion of trade payables exceeding one year has not been significant.

Note 17: Suspense accounts - liabilities

	2000	1999	1998
Prepaid income (a)	2,374	1,241	800
Unrealized gains on foreign exchange transactions (b)		-	149
Total (Euro 000s)	2,374	1,241	949
Total (FRF 000s)	15,575	8,139	6,224

(a) : This relates primarily to product upgrade contracts marketed by the company for 2001.

(b) : Since 1999 unrealized foreign exchange gains have been recorded under financial income and shareholders' equity.

Note 18: Analysis of sales by region and sector

The Esker Group participates in the Host Access and IID markets (cf. Chapter 3). These two markets concern the same sector of activity, the development of software products, for which the company is organized. For this reason, the presentation of detailed information by sector of activities has been limited to the break down of sales by product line.

The presentation of information by region is based on the analysis of operating activity provided by the company's internal reporting. Each region represents a profit center to which are allocated only costs related directly to this region (example: marketing cost, sales costs, etc.).

Corporate expenses concern expenses relating to the entire Group and not managed directly by the profit centers (example: R&D expenses, strategic marketing, corporate financing, etc.).

Given the date of consolidation of VSI (Oct. 2000) the two U.S. entities were grouped together as were European entities accounting for less than 5% of Group sales.

In 000s €	France	U.K. & Benelux	Germany	Other European Countries	Australia	U.S.A.	Corporate expenses	Esker Total
Sales	3,180	5,079	2,613	1,724	878	13,904		27,378
% of total sales	12%	19%	10%	6%	3%	51%		100%
of which:								
Host Access	2,828	4,595	2,479	1,384	605	8,704		20,595
I.I.D.	352	484	134	340	273	5,200		6,783
Operating expenses	- 1,852	- 3,331	- 1,608	- 1,115	- 966	- 12,816	- 9,421	- 31,110
Operating profit (loss)	1,328	1,748	1,004	609	- 88	1,089	- 9,421	- 3,732
Net fixed assets (excluding goodwill)	482	88	55	37	225	1,380		2,266

Note 19: Income statement data on a like-for-like basis

In light of acquisitions carried out by the Group in 1999 and 2000, and to ensure the comparability of Group financial data, we present below the key income statement figures restated on a like-for-like consolidation basis. Because information concerning balance sheet variations related to acquisitions has been presented in the different notes related to the specific items concerned, it has not been considered necessary to present a complete pro forma balance sheet, as this would not provide significant additional information.

For the preparation of these pro forma financial statements, the following items have been restated. Expenses incurred by the sellers to prepare for the sale and not related to the activity of the company were eliminated (Persoft: USD 3.6 million, VSI: USD 153,000). In the case of VSI, bonuses paid in 1999 to the principal manager of the company were also eliminated by being treated as dividends.

For this presentation, two methods were used.

➤ First method:

In this first approach, the comparable consolidation scope on which is based the comparison with the prior period includes Esker, Persoft and Alcom for the full 1999 financial period. Because VSI Inc was consolidated on October 13, 2000, the sales performance for 2000 was not representative of the management by Esker of this company. The impact of VSI on the 2000 financial period is consequently eliminated in the following table.

Millions of €	2000 PROFORMA		1999 PROFORMA	
Sales	26.21		37.00	
Other income	0.10			
Operating profit (loss)	- 3.76	- 14%	3.59	10%
Financial profit	0.29	1%	0.75	2%
Pretax income before extraordinary items	- 3.47	- 13%	4.34	12%
Extraordinary items	- 1.06	- 4%	- 0.01	0%
Tax	- 0.36	- 1%	- 1.28	- 3%
Amortization of goodwill	- 0.25	- 1%	- 0.25	- 1%
Net income	- 5.14	- 20%	2.80	8%

➤ **Second method:**

This method consists in adding back the financial data of VSI as from January 1, 2000 and for the 1999 financial period.

Millions of Euros	2000 PROFORMA		1999 PROFORMA	
Sales	31.31		43.79	
Other income				
Operating profit (loss)	- 4.78	- 15%	4.50	10%
Financial profit	0.30	1%	0.77	2%
Pretax income before extraordinary items	- 4.47	- 14%	5.28	12%
Extraordinary items	- 1.06	- 3%	- 0.01	0%
Tax	0.13	0%	- 1.60	- 4%
Amortization of goodwill	- 0.25	- 1%	- 0.25	- 1%
Net income	- 5.65	- 18%	3.42	8%

Note 20: Personnel

The number of personnel at the close of the last three financial periods was as follows:

	2000	1999	1998
Management and supervisory staff	62	65	62
Employees	22	24	18
FRENCH COMPANIES	84	89	80
Management and supervisory staff	24	33	16
Employees	169	195	86
FOREIGN COMPANIES	193	228	102
Management and supervisory staff	86	98	78
Employees	191	219	104
TOTAL GROUP	277	317	182

Note 21: Allowances for depreciation and reserves

	2000	1999	1998
Depreciation allowances for fixed assets	1,171	793	382
Depreciation allowances for current assets	633	200	25
Total (Euro 000s)	1,804	993	407
Total (FRF 000s)	11,834	6,511	2,669

Note 22: Financial profit

	2000	1999	1998
FINANCIAL INCOME	619	1,028	337
Other interest and similar income	0	210	176
Net proceeds from the sale of securities	403	211	97
Reserves written back to income and internal transfers			20
Currency gains	216	290	44
Unrealized foreign exchange gains		317	
FINANCIAL CHARGES	- 330	- 347	- 300
Allowances for amortization that reserves			- 104
Interest and similar expenses	- 44	- 183	- 73
Currency losses	- 285	- 164	- 124
Total (€ ' 000s)	289	681	37
Total (FRF 000s)	1,896	4,466	240

Note 23: Extraordinary items

	2000	1999	1998
On management operations (a)	- 443	11	- 69
From capital transactions	14	- 10	- 62
Extraordinary appropriations/reinstatements (b)	- 636	- 7	- 156
Total (€ ' 000s)	- 1,065	- 6	- 287
Total (FRF 000s)	- 6,985	- 39	- 1,884

Extraordinary items from management operations consisted primarily of reorganization expenses relating to Group subsidiaries in the U.S. and UK in July 2000 of 278,000 € and 112,000 € corresponding to redundancy indemnities.

Extraordinary appropriations and reserves include:

- U.S.A. - an extraordinary write-down of assets following the harmonization of Group accounting standards of 231,000 €;
- France - accrued losses on treasury shares of 311,000 €
- France - provisions for sundry risks of 94,000 €

Note 24: Corporate income tax

• Analysis of the tax on profit

For the 1998 financial period, a deferred tax debit was recorded to take into account tax losses brought forward for the U.S. subsidiary. In light of the taxable income of this subsidiary and the procedures for recovering the tax, this deferred tax debit was canceled in the 2000 financial statements. For this same reason, no deferred tax debit was recorded on the timing differences and the tax losses brought forward for the period for the U.S. subsidiary.

No deferred tax debits relating to the tax losses brought forward of the Australian subsidiary have been recorded.

	2000	1999	1998
Current tax expense	- 262	1,365	717
Deferred tax expense/income:			
Loss carryforwards (reinstatement) (a)	653	- 8	39
Timing differences & misc.	9	- 73	- 674
Total (€ ' 000s)	400	1,283	81
Total (FRF 000s)	2,627	8,421	531

• Analysis of the tax expense

The profit tax expense may be analyzed as follows:

Euro 000s	2000
Pretax income	- 4,754
Amortization of goodwill	246
Income before tax (Impôt taxable)	- 4,508
Tax rate of the parent company	36.66%
Theoretical tax	- 1,653
Impact of:	
- Reinstatement of U.S. tax loss carryforwards	653
- Different tax rates of foreign countries	81
- Tax losses not used (a)	1,375
- Consolidation reclassifications and related items	- 56
Group tax expense	400

(a) This concerns tax loss carryforwards of U.S. and Australian subsidiaries not applied to losses of the period.

Note 25: Off-balance sheet commitments

• Guarantees given

Finance lease commitments of Esker Australia Pty Ltd (Australia): 6,5 ,000 €.

Security for a loan taken out by Esker Inc: 2,98 6000 € (USD 3,000,000).

This loan was fully paid back in 2000.

Security granted by Esker SA in favor of HOME NATIONAL BANK as a guarantee of a line of credit of EUR 747,000 (USD 750,000 granted by this financial institution to Esker US Inc. This line of credit was fully repaid in September 1999.

Pledging of business assets of Esker SA in guarantee of the loan of 3 430,000 € (FRF 22,500,000) taken out by Esker SA. This loan was fully paid back in March 2000.

Commitment of Esker SA: 44,000 € in connection with the market making agreement with Wargny. This corresponds to the net asset value of the contract on December 31, 2000.

• Pension liabilities

In light of the age and seniority of the personnel, the amount of retirement indemnities is not deemed significant.

• Management of foreign exchange risks

To cover the foreign exchange risk on the British pound, the company carried out a forward sale on 12/31/00 of GBP 200,000.

4.2 Condensed Parent Company Financial Statements

Notes

The information presented as follows includes only the key financial data of the balance sheet and income statement.

The complete annual financial statements can be obtained from the company's headquarters.

The balance sheet and income statement of Esker S.A. have been prepared in accordance with French law and regulations and generally accepted accounting principles, applied uniformly from one period to another.

In the corporate financial statements, equity interests in foreign subsidiaries are recorded in the balance sheet under assets at acquisition cost. In most cases corresponding to start-ups, the acquisition cost corresponds to the share capital of the company.

At year-end, the balance sheet value is determined in relation to the net worth of the company and its growth prospects. A provision is recorded when the net worth of the company is less than the initial legal capital and the growth outlook is unfavorable.

Balance sheet – Assets

ASSETS	31-Dec-2000		31-Dec-1999		31-Dec-1998	
	€ 000	FRF 000	€ 000	FRF 000	€ 000	FRF 000
Intangible assets	299	1,964	349	2,288	185	1,215
Tangible assets	182	1,196	107	705	57	376
Long-term investments	26,840	176,056	28,203	184,997	11,245	73,764
FIXED ASSETS	27,321	179,216	28,659	187,990	11,488	75,355
Inventory and work in progress	61	398	56	365	33	216
Trade notes and account receivable	6,495	42,601	5,289	34,694	4,414	28,953
Other receivables	2,422	15,888	1,912	12,542	1,263	8,284
Cash and short-term investment securities	4,701	30,839	9,843	64,563	7,632	50,061
CURRENT ASSETS	13,679	89,726	17,099	112,163	13,341	87,514
Suspense accounts	739	4,849	574	3,764	308	2,021
TOTAL ASSETS	41,739	273,791	46,332	303,917	25,137	164,890

Balance sheet – Liabilities

LIABILITIES	31-Dec-2000		31-Dec-1999		31-Dec-1998	
	€ 000	FRF 000	€ 000	FRF 000	€ 000	FRF 000
Share capital	5,702	37,403	5,255	34,473	4,005	26,268
Paid-in capital	36,782	241,275	30,690	201,313	16,504	108,259
Other reserves	2,358	15,465	1,214	7,961	928	6,091
Profit of the period	- 9,224	- 60,503	1,144	7,504	285	1,870
Regulated reserves	131	857	73	480	0	0
SHAREHOLDERS' EQUITY	35,749	234,498	38,376	251,730	21,722	142,488
PROVISIONS FOR RISKS & CHARGES	282	1,850	93	613	165	1,083
OTHER EQUITY	0	0	38	250	142	930
PAYABLES	219	1,434	3,394	22,261	199	1,306
Trade notes and accounts payable	3,186	20,900	2,220	14,563	1,335	8,758
Tax & employee-related liabilities	972	6,376	1,223	8,023	972	6,378
Other payables	667	4,377	488	3,199	499	3,273
TOTAL PAYABLES	4,825	31,653	3,931	25,786	2,806	18,409
Suspense accounts	664	4,356	500	3,278	103	674
TOTAL LIABILITIES	41,739	273,791	46,332	303,917	25,137	164,890

Income statement

	2000		1999		1998	
	€ 000	FRF 000	€ 000	FRF 000	€ 000	FRF 000
Sales	9,422	61,803	10,932	71,709	9,168	60,135
Other operating income	1,062	6,969	920	6,034	702	4,603
OPERATING INCOME	10,484	68,772	11,852	77,743	9,869	64,738
SUPPLIES	5,788	37,969	5,095	33,422	4,605	30,207
GROSS MARGIN	4,696	30,803	6,757	44,321	5,264	34,531
Taxes	303	1,985	222	1,454	192	1,258
Personnel expenses	4,577	30,020	4,479	29,379	4,034	26,462
Allowances for depreciation and reserves	368	2,415	223	1,462	76	501
Other expenses	692	4,539	161	1,056	0	2
OTHER OPERATING EXPENSES	5,939	38,959	5,084	33,351	4,303	28,223
OPERATING PROFIT (LOSS)	- 1,243	- 8,156	1,672	10,970	962	6,308
NET FINANCIAL EXPENSE	- 7,438	- 48,790	889	5,829	121	794
PRETAX INCOME BEFORE EXTRAORDINARY ITEMS	- 8,681	- 56,946	2,561	16,800	1,083	7,102
EXTRAORDINARY PROFIT (LOSS)	- 1,039	- 6,815	- 856	- 5,612	- 768	- 5,038
NET INCOME BEFORE TAX	- 9,720	- 63,762	1,706	11,188	315	2,064
CORPORATE INCOME TAX	- 497	- 3,259	562	3,684	30	194
NET INCOME	- 9,224	- 60,503	1,144	7,504	285	1,870

Net income appropriation of the period

	2000 (1)		1999 (2)	
	€ 000s	FRF 000s	€ 000s	FRF 000s
Profit of the period	- 9,223.58	- 60,502.75	1,143.98	7,503.99
Appropriation to the legal reserve	n/a	n/a	57.20	375.20
Special reserve for long-term capital gains	n/a	n/a	n/a	n/a
Dividends	n/a	n/a	n/a	n/a
Retained earnings	- 9,223.58	- 60,502.75	1,086.78	7,128.79
Total appropriation	- 9,223.58	- 60,502.75	1,143.98	7,503.99

(1) Subject to the approval by the combined meeting of the shareholders of June 18, 2001

(2) Pursuant to the decision of the combined meeting of the shareholders of June 19, 2000

Management Report for period ending Dec. 31, 2000

Dear Shareholders,

We have called this Annual Shareholders' Meeting to report to you on the activity of our company and the operational results for the period ending December 31, 2000. These results are submitted as the period's annual financial statements for your approval.

We also submit the following items to your vote:

- a capital increase rendered necessary by the exercise of stock options during the period,
- a capital increase in connection with the conversion of the company's share capital into euros,
- authorization to trade in the company's shares when deemed necessary,
- issue of options to subscribe for shares with cancellation of preferential subscription rights in favor of the beneficiaries,
- a reserved capital increase in favor of the company employee savings plan (*Plan d'Épargne Entreprise*) in compliance with the provisions of Article L 225-129 VII of the French Commercial Code.

In their report, the auditors provide you with all information concerning the fair presentation of the accounts presented to you.

In turn, we will provide you with any details and additional information which you may deem useful.

Included with this report, in accordance with Article 148 of the decree of March 23, 1967, is a five-year financial summary of the company.

Summarised as follows is various information as legally required.

1 - Capital increase pursuant to the exercise of options to subscribe for shares

The following stock option plans resulted in the exercise of options:

- Plan implemented by the extraordinary shareholders' meetings of April 18, 1997 and July 19, 1996 (Plan No. 2 and its extension)

15,936 to options were exercised in 2000 at the following prices:

- 14,020 options at the exercise price of FRF 28.80,
- 1,916 options at the exercise price of FRF 137.10.

- Plan implemented by the extraordinary shareholders' meetings of March 19, 1999 (Plan No. 5)

8,280 options were exercised in 2000 at the following prices:

- 1 826 options at the exercise price of 19.10 Euros (FRF 125.29),
- 6 454 options at the exercise price of 20.98 Euros (FRF 137.62).

In consequence, we propose that capital be increased from FRF 37,136,880 to **FRF 37,403,256**, which represents a capital increase through shares issued for cash of FRF 266,376, i.e. 24,216 fully paid up shares with a nominal value of FRF 11 per share, and share premium of FRF 1,517,061.

Within the framework of this authorization, we request that you confer upon the Executive Board all powers to take any appropriate measures and decisions, to carry out the formalities that will ensure the capital increase, enter it on the record, and proceed with the corresponding modification of bylaws.

2 - Capital increase pursuant to Euro conversion

Esker S.A has prepared for the changeover of its accounting to Euros on January 1, 2001 and wishes to convert its capital into Euros, by converting the nominal value of its shares, pursuant to the authorization of this meeting.

The capital of the company on December 31, 2000 was FRF 37,136,80, corresponding to 3,376,080 shares with a nominal value per share of FRF 11, fully paid up and all of the same category. After the adoption by the combined meeting of the shareholders of June 18, 2001, the capital of the company will be FRF 37,403,256 corresponding to 3,400,296 shares with a nominal volume of FRF 11 per share.

The nominal value of the share will accordingly be increased to 2 Euros. A capital increase, through the capitalization of reserves, will be rendered necessary following the rounding off of the nominal value (+ 1,098,502.38 Euros).

The capital of the company will accordingly be 6,800,592 Euros (3,400,296 shares with a nominal value of 2 Euros).

3 - Authorization to trade in the company's own shares

It is proposed that you authorize the Executive Board to repurchase shares of the Company according to articles 225-209 of the French Commercial Code. The purpose of this authorization is as follows:

- share price stabilization,
- facilitation of financial operations or acquisitions of the company, with the thus acquired shares being able, in part or their entirety, sold, retained, lent, transferred or exchanged,
- allocation shares to Group employees,
- their cancellation within the maximum amount of 10% of the authorized capital.

The acquisition, sale, transfer or exchange of shares may be carried out by any means, and in particular the eventual use of derivatives.

The maximum purchase price shall be 100 Euros per share, and the minimum sale price 2 Euros. The maximum number of shares able to be acquired is limited to 10% of the authorized capital.

This authorization will be granted until the annual shareholders' meeting called to approve the financial statements for the period ending December 31, 2001.

Your Meeting will grant to the Executive Board, all powers, with the ability to delegate this authority, to place market orders, conclude all agreements, carry out all formalities and filings with the appropriate entities.

The Executive Board will inform the Annual Shareholders' Meeting of the transactions carried out in accordance to this authorization.

Under the authorization granted by the combined meeting of the shareholders of June 19, 2000, the Board acquired a total of 24,925 Esker shares in 2000 as follows:

- May 2000: 5,000 Esker shares at an average price of 39.75 Euros,
- December 2000: 19,925 Esker shares at an average price of 9.39 Euros.

As these shares were not destined for a specific use, they were recorded as fixed securities.

In addition, the company canceled no shares during the period under review.

The number of treasury shares held on December 31, 2000 was 108,281 for an average unit cost price of 15.16 Euros.

4 - Issue of equity warrants

Committed to ongoing improvement in assuring the transparency of corporate governance which applies to listed companies, Esker has for several years ensured a balance between its management bodies, key shareholders and independent members. To ensure the recruitment and loyalty of these members, the Executive Board proposes that the shareholders' meeting approves an equity warrant plan (*Bons de Souscription d'Actions*) in favor of its independent members providing for 20,000 warrants per each member concerned.

The key characteristics of this plan are as follows:

- Issuance of a maximum number of 40,000 equity warrants conferring a right to a maximum of 40,000 Esker new shares with a nominal value of 2 Euros, representing 1.18% of the existing capital.
- Cancellation of the preferential subscription right of existing shareholders in favor of beneficiaries designated by the combined meeting of the shareholders,
- Issue price per warrant: 0.01 Euro,
- Exercise schedule of the warrants:
 - 25 % exercisable on July 1, 2002,
 - from July 1, 2002 to July 1, 2005, 6.25 % additional warrants will become exercisable on the last day of each calendar quarter,
 - exercisable within a maximum period of five years following their date of issue.

5 - Capital increase in favor of participants in the company Employee Savings Plan (*Plan d'Épargne Entreprise*)

The Executive Board, in accordance with the provisions of law No. 2001-152 of February 19, 2001 concerning employee savings schemes modifying article L.225-129 of the French Commercial Code notes that any extraordinary shareholders' meeting which votes in favor of a capital increase must at the same time vote on a capital increase reserved to employees participating in the employee savings plan as provided for by article L.443-5 of the French Labor Law.

In consequence, the Executive Board proposes that the shareholders' meeting increase the capital by an amount which may not exceed 1% of the share capital of the company on this day, by issuing, through one or several transactions, new shares for cash subscription; with the cancellation of the preferential subscription right of existing shareholders in favor of company employees participating in the Esker employee savings plan (*Plan d'Épargne Entreprise FCPE*).

6 - Employee stock ownership

In accordance with the provisions of article L 225-102 of the French Commercial Code we inform you that employee stock ownership, under the Esker employee savings plan (*Plan d'Épargne Entreprise*) represented a total of 15,526.80 Euros as at December 31, 2000 (i.e. 2,280 shares of Esker S.A at 6.81 Euros).

On December 31, 2000, the Esker employee savings plan included 1,401.62 shares of the Esker FCPE fund with a nominal value per share of 11.78 Euros, representing a total amount invested of 16,513.56 Euros. This amount corresponds to:

- Esker S.A shares: 2,280 shares with a total value of 15,526.80 Euros,
- OPCVM French money market fund: 150.70 Euros,
- Deposit & misc. funds: 836.06 Euros.

The proportion of capital represented by shares held by employees of the company and affiliated companies as understood by article 225-180 of the French Commercial Code, within the framework of a collective investment scheme (employee savings plan, FCPE fund) on December 31, 2000 was 0.01%.

7 - Presentation of consolidated financial statements and subsidiary overview

7.1 - Group structure

On December 31, 2000 the Group structure was as follows:

In October 2000, the Group acquired VSI based in Lake Forest, California (USA). VSI

NAME	COUNTRY	Controlling interest (%)
Esker S.A.	France	Parent company
Esker GmbH	Germany	100 %
Esker Ltd.	U.K.	100 %
Esker Srl	Italy	100 %
Esker Ibérica S.I.	Spain	99.80 %
Esker Inc.	U.S.A.	100 %
V.S.I. Inc.	U.S.A.	100 %
Esker Australia Pty Ltd	Australia	100 %
Interdoc, OY	Finland	100 %

markets a range of fax server products, notably under UNIX, and is the market leader in this sector. Following this acquisition, VSI products have been included in the Esker fax product line.

This acquisition was financed through:

- a capital increase of Esker S.A. through the issuance of 242,149 new shares, immediately listed for trading (issue price: 25.88 Euros),
- a cash payment of USD 234,674.96 (FRF 1,799,956), i.e. a total acquisition price of FRF 42,909,000.

7.2 - Consolidated sales

Consolidated sales by sector of activity breakdown as follows:

Sector of activity	2000		1999	
	€ ' 000s	FRF 000	€ ' 000s	FRF 000
Product sales	23,898	156,762	24,216	158,844
Product updates and services	3,480	22,824	3,501	22,967
Total sales	27,378	179,586	27,717	181,811

Consolidated sales by region breaks down as follows:

Sector of activity	2000		1999	
	€ ' 000s	FRF 000	€ ' 000s	FRF 000
France	3,180	20,857	4,911	32,214
Other European countries	9,416	61,763	10,996	72,129
USA / Canada and Latin America	13,904	91,205	10,818	70,961
Australia / Asia	878	5,761	992	6,507
Total sales	27,378	179,586	27,717	181,811

The 2000 financial period was characterized by a 1.22% decline in consolidated book sales as follows:

- USA / Canada: + 28,53%
- Europe: - 20,82%
- Asia / Pacific: -11,46 %

• Analysis of Group growth on a like-for-like basis

In light of acquisitions carried out by the Group in 1999 and 2000, and in order to ensure the comparability of Group financial data, we present below the key income statement figures restated on a like-for-like consolidation basis. Because information concerning balance sheet variations related to acquisitions has been presented in the different notes related to the specific items concerned, it has not been considered necessary to present a complete pro forma balance sheet, as this would not provide significant additional information.

In preparing these pro forma financial statements, the following items have been restated. Expenses incurred by the sellers to prepare for the sale and not related to the activity of the company were eliminated (Persoft: USD 3.6 million, VSI: USD 153,000). In the case of VSI, bonuses paid in 1999 to the principal manager of the company were also eliminated by being treated as dividends.

For this presentation, two methods were used.

➤ First method:

In this first approach, the comparable consolidation scope on which the comparison with the prior period is based includes Esker, Persoft and Alcom for the full 1999 financial period. Because VSI Inc was consolidated on October 13, 2000, the sales performance for 2000 was not representative of the management by Esker of this company. The impact of VSI on the 2000 financial period is consequently eliminated in the following table.

Millions of Euros	2000 PROFORMA		1999 PROFORMA	
Sales	26.21		37.00	
Other income	0.10			
Operating profit (loss)	- 3.76	- 14%	3.59	10%
Financial profit	0.29	1%	0.75	2%
Pretax income before extraordinary items	- 3.47	- 13%	4.34	12%
Extraordinary items	- 1.06	- 4%	- 0.01	0%
Tax	- 0.36	- 1%	- 1.28	- 3%
Amortization of goodwill	- 0.25	- 1%	- 0.25	- 1%
Net income	- 5.14	- 20%	2.80	8%

➤ Second method:

This method consists in adding back the financial data of VSI as from January 1, 2000 and for the 1999 financial period.

Millions of Euros	2000 PROFORMA		1999 PROFORMA	
Sales	31.31		43.79	
Other income				
Operating profit (loss)	- 4.78	- 15%	4.50	10%
Financial profit	0.30	1%	0.77	2%
Pretax income before extraordinary items	- 4.47	- 14%	5.28	12%
Extraordinary items	- 1.06	- 3%	- 0.01	0%
Tax	0.13	0%	- 1.60	- 4%
Amortization of goodwill	- 0.25	- 1%	- 0.25	- 1%
Net income	- 5.65	- 18%	3.42	8%

• Sales by product line

Euro 000s	Like-for-like basis (1)					
	2000	% of sales	2000	% of sales	1999	% of sales
Host Access	20,595	65.78%	20,595	75.23%	21,710	78.33%
I.I.D	10,715	34.22%	6,783	24.77%	6,006	21.67%
Total sales	31,310	100.00%	27,378	100.00%	27,717	100.00%

(1) Including total sales of V.S.I. for 2000.

In 2000,:

- Host Access Product Sales Declined by 5% over the prior period. This line continues to represent the major portion of Group sales (75%)
- I.I.D. (Intelligent Information Delivery) products integrating fax servers registered a 13% increase in sales. This product line now accounts for 25% of Group sales. On a like-for-like basis, the I.I.D. product line, including fax server sales, accounts for one third of Group sales.

7.3 - Consolidated results

The key figures for this period are summarized below:

	2000		1999		1998	
	€ ' 000s	FRF 000s	€ ' 000s	FRF 000s	€ ' 000s	FRF 000s
Sales	27,378	179,586	27,717	181,811	19,316	126,704
Gross margin rate	90.8%		93.1%		92.6%	
Pretax income before extraordinary items	- 3,443	- 22,582	3,800	24,928	2,017	13,232
Net income	- 5,154	- 33,807	2,271	14,896	1,539	10,095
Self-financing	- 2,578	- 16,909	3,468	22,750	1,535	10,068

7.4 - Review of group operations

Group pre-tax income before extraordinary items fell sharply in 2000 from a profit of FRF 24,928,000 to a loss of FRF 22,582,000.

This deterioration reflects notably the impact of costs related to acquisitions in 1999 and 2000. In effect, fixed charges increased principally for the following departments:

- R&D: + 50 % (including the cost of Persoft on a full year basis),
- Administration: + 65% (several administrator sites in the U.S.).

This increase in fixed costs was unable to be offset by growth in sales which declined by 1.22% in 2000.

Cost reduction measures were developed and implemented in July 2000 contributed to achieving an operating profit in the second half of 2000.

7.5 - Subsidiaries

The performance of subsidiaries in 2000 may be summarized as follows:

- **Esker GmbH (Germany):**

Sales of the German subsidiary fell 18% in 2000 from 2,797,000 Euros to 2,293,000 Euros. The profitability of the subsidiary in turn declined with net income approaching zero, due to extraordinary items related to settlements with former employees of the Munich entity (closed in 1999).

- **Esker Ltd (UK):**

Sales of the UK subsidiary rose 16 % from 3,819,000 Euros to 4,433,000 Euros (reflecting as well the impact of the strengthened pound sterling and the historical importance of Smarterm product sales). The profitability of the subsidiary declined sharply, adversely affected by fixed costs (real estate rentals, leased vehicles, salaries; factors due to the coexistence of two offices until September 2000). As a result, net income was 161,000 Euros compared with 567,000 Euros in 1999.

- **Esker Srl (Italy):**

Sales of the Italian subsidiary deteriorated in 2000, falling 39% from 1,278,000 Euros in 1999 to 783,000 Euros in 2000. Because fixed costs remained at the same level, the subsidiary registered a net loss of 45,000 Euros (compared with a profit in 1999 of 63,000 Euros).

- **Esker Iberica Sl (Spain):**

Sales of the Spanish subsidiary declined from 1,084,000 Euros in 1999 to 867,000 Euros. As with the other subsidiaries, with fixed costs remaining high, net income deteriorated, showing a loss of 7,000 Euros compared with a profit in 1999 of 140,000 Euros.

- **Esker US, Inc. (USA):**

Sales of Esker Inc. (including the companies PERSOFT and ALCOM acquired in 1999) rose 16% to 13,377,000 Euros in 2000. Despite this performance, on a like-for-like basis, i.e. including sales of PERSOFT in 1999 on a full year basis, sales declined 27%. The year 2000 was characterized by significant restructuring efforts, increasing the synergies of the two existing production sites Stillwater, Oklahoma; and administrative sites in Madison, Wisconsin. These restructuring efforts followed recent acquisitions in the U.S. and will result in economies of scale. As a result of these measures, staff was downsized by 30 positions. This subsidiary recorded a net loss over the period of 3,286,000 Euros.

The company VSI, acquired in October 2000, registered sales of 1,185,000 for the period from October 10, 2000 to December 31, 2000 generating a net income of 57,000 Euros.

- **Esker Australia Pty Ltd (Australia):**

Sales in 2000 of the Australian subsidiary fell 13% to 876,000 Euros (compared with 1,008,000 Euros in 1999). Reflecting increased operating expenses (real estate rentals, accountancy fees, advertising...), earnings fell sharply with a net loss of 365,000 Euros compared to a profit of 156,000 Euros in 1999. It should nevertheless be noted that the 1999 profit includes the impact of extraordinary income of 232,000 Euros following the cancellation of a loan from Esker S.A.

7.6 - Group trends and outlook

Over the 2001 financial period, Esker will launch its new multi-channel electronic document server product, Pulse. Version 1.0 will be available from February 1 for large companies and the worldwide Faxgate installed base. In the course of 2001, Esker plans to launch several other versions of Pulse to extend the product's functionalities and adapt it to other types of clients, notably large company users of Lotus Notes, in synergy with VSI's VSI-FAX for Notes, or developers and solution integrators, the historical clients of Esker and VSI for their traditional products.

In 2000, investments in R&D and especially marketing and sales will be maintained at a significant level to support the launching of Pulse in an emerging market requiring significant promotional efforts. Esker's strategy will focus principally on the active pursuit of partnerships:

- techniques to constantly improve the capacities of the product;
- marketing and sales in order to share with other software companies experience of the market in the area of electronic document delivery and develop a commercial network for Pulse reinforcing Esker's existing worldwide network.

Following the successful completion Group restructuring in the summer of 2000, Esker considers that it is able to finance these investments on the basis of its own sales and cash resources.

Esker expects the decline in Host Access product sales to stabilize though at a pace considerably under the performance recorded in 2000. IID (Intelligent Information Delivery) product sales should increase significantly due to the combined impact of the technical leadership position of VSI's product VSI-FAX for Notes in the segment for fax servers under Lotus Notes (following the agreement concluded with Lotus period 2000 year-end), and the launch of Pulse. Due to these factors, the Group's financial stability should be maintained in 2001 before returning to profit in 2002.

7.7 - Significant events after year-end

From January 1, 2000, accounts of Esker S.A have been converted to euros. The changeover was carried out without any difficulty.

8. Presentation of the corporate financial statements of Esker S.A.

The financial statements presented below are based on the same methods of valuation as those used for the prior financial period. The accounting methods have not been modified.

8.1 - Situation and activity the company in the period

8.1.1 - Balance sheet

The situation of the company at year-end is summarized in the following table in comparison with the prior two financial periods:

ASSETS	31-Dec-2000		31-Dec-1999		31-Dec-1998	
	€ 000s	FRF 000s	€ 000s	FRF 000s	€ 000s	FRF 000s
Intangible assets	299	1,964	349	2,288	185	1,215
Tangible assets	182	1,196	107	705	57	376
Long-term investments	26,840	176,056	28,203	184,997	11,245	73,764
FIXED ASSETS	27,321	179,216	28,659	187,990	11,488	75,355
Inventory and work in progress	61	398	56	365	33	216
Trade notes and account receivable	6,495	42,601	5,289	34,694	4,414	28,953
Other receivables	2,422	15,888	1,912	12,542	1,263	8,284
Cash and short-term investment securities	4,701	30,839	9,843	64,563	7,632	50,061
CURRENT ASSETS	13,679	89,726	17,099	112,163	13,341	87,514
Suspense accounts	739	4,849	574	3,764	308	2,021
TOTAL ASSETS	41,739	273,791	46,332	303,917	25,137	164,890
LIABILITIES	31-Dec-2000		31-Dec-1999		31-Dec-1998	
	€ 000s	FRF 000s	€ 000s	FRF 000s	€ 000s	FRF 000s
Share capital	5,702	37,403	5,255	34,473	4,005	26,268
Paid-in capital	36,782	241,275	30,690	201,313	16,504	108,259
Other reserves	2,358	15,465	1,214	7,961	928	6,091
Profit of the period	- 9,224	- 60,503	1,144	7,504	285	1,870
Regulated reserves	131	857	73	480	0	0
SHAREHOLDERS' EQUITY	35,749	234,498	38,376	251,730	21,722	142,488
PROVISIONS FOR RISKS & CHARGES	282	1,850	93	613	165	1,083
OTHER EQUITY	0	0	38	250	142	930
PAYABLES	219	1,434	3,394	22,261	199	1,306
Trade notes and accounts payable	3,186	20,900	2,220	14,563	1,335	8,758
Tax & employee-relay liabilities	972	6,376	1,223	8,023	972	6,378
Other payables	667	4,377	488	3,199	499	3,273
TOTAL PAYABLES	4,825	31,653	3,931	25,786	2,806	18,409
Suspense accounts	664	4,356	500	3,278	103	674
TOTAL LIABILITIES	41,739	273,791	46,332	303,917	25,137	164,890

➤ Changes in shareholders' equity

Changes are the result of:

* the issuance of new shares, immediately listed for trading (issue price: 25.88 Euros):		
- Capital :	+ 406,000 Euros	(FRF 2,664,000 or 242,149 shares of FRF 11)
- Paid-in capital:	+ 5,861,000 Euros	(38,446,000 FRF)
Total =	+ 6,267,000 Euros	(41,109,000 FRF)

* a capital increase pursuant to the exercise of options in 2000 (cf. section 1 above)

Changes in the shareholders' equity of the parent company have been as follows:

	2000	
	€ ' 000s	FRF 000s
AT THE BEGINNING OF THE PERIOD	38,376	251,730
CAPITAL INCREASE	447	2,930
Acquisition of VSI	406	2,664
Exercise of stock options	41	266
INCREASE IN PAID CAPITAL	6,092	39,963
Acquisition of VSI	5,861	38,446
Exercise of stock options	231	1,517
NET PROFIT (LOSS) ON THE PERIOD	- 9,224	- 60,503
CHANGES IN REGULATED PROVISIONS	58	377
SHAREHOLDERS' EQUITY AT CLOSE OF PERIOD	35,749	234,497

The paid-in capital relating to the acquisition of VSI is not reflected in consolidated shareholders' equity, as the corresponding goodwill was charged in its entirety to paid-in capital.

➤ ANVAR grants

A repayable advance of FRF 600,000 was granted by ANVAR (a French organisation offering assistance to small business) to finance a specific development project, of which FRF 150,000 was repaid in 1997 and FRF 200,000 in 1998.

After reading our report on the commercial failure of the project, ANVAR decided to release us of our obligation to repay the balance. In consequence, FRF 250,000 was recorded under income in the 2000 financial period.

8.1.2 - Income statement

Key items of the income statement, compared with the prior two financial periods, are summarized below.

	2000		1999		1998	
	€ ' 000s	FRF 000	€ ' 000s	FRF 000	€ ' 000s	FRF 000
Sales	9,422	61,803	10,932	71,709	9,168	60,135
Other operating income	1,062	6,969	920	6,034	702	4,603
OPERATING INCOME	10,484	68,772	11,852	77,743	9,869	64,738
SUPPLIES	5,788	37,969	5,095	33,422	4,605	30,207
GROSS MARGIN	4,696	30,803	6,757	44,321	5,264	34,531
Taxes	303	1,985	222	1,454	192	1,258
Personnel expenses	4,577	30,020	4,479	29,379	4,034	26,462
Allowances for depreciation and reserves	368	2,415	223	1,462	76	501
Other expenses	692	4,539	161	1,056	0	2
OTHER OPERATING EXPENSES	5,939	38,959	5,084	33,351	4,303	28,223
OPERATING PROFIT (LOSS)	- 1,243	- 8,156	1,672	10,970	962	6,308
NET FINANCIAL EXPENSE	- 7,438	- 48,790	889	5,829	121	794
PRETAX INCOME BEFORE EXTRAORDINARY ITEMS	- 8,681	- 56,946	2,561	16,800	1,083	7,102
EXTRAORDINARY PROFIT (LOSS)	- 1,039	- 6,815	- 856	- 5,612	- 768	- 5,038
NET INCOME BEFORE TAX	- 9,720	- 63,762	1,706	11,188	315	2,064
CORPORATE INCOME TAX	- 497	- 3,259	562	3,684	30	194
NET INCOME	- 9,224	- 60,503	1,144	7,504	285	1,870

Sales for the year under review totaled FRF 61,803,000 compared with FRF 71,709,000 for the prior period representing a decline of 13.8%.

Sales break down as follows:

FRF 000	France	EXPORT	TOTAL
Sale of goods	18,945	27,372	46,317
Service sales	730	14,756	15,486
TOTAL	19,675	42,128	61,803

Personnel expenses, including social charges, rose 2% from FRF 29,378,000 to FRF 30,020,000, with the average number of employees increasing from 81 to 88.

Allowances for depreciation's and provisions totaled FRF 2,415,000 compared with FRF 1,460,000 in 1999. This increase reflects notably:

- an increase of FRF 334,000 in depreciation allowances for tangible and intangible assets (investments in 2000 financed by equity);
- an increase of FRF 330,000 in allowances for expenses to be carried forward (a full year for Persoft and Alcom and a portion of the year for VSI);
- allowances for inventory losses and uncollectibles of FRF 277,000.

The total impact of operating expenses was an **operating loss** of FRF 1,234,000 compared with an operating profit of FRF 6,308,000 in 1999. This decline reflects primarily the drop in sales combined with the level of our fixed costs which is not able to be reduced. In addition, royalties invoiced to us by our U.S. subsidiaries on fax sales increased in 2000 (FRF 4,416,000 in 2000 compared with FRF 1,046,000 in 1999) reflecting the increase in sales in the fax server segment.

The **net financial expense** was FRF 48,790,000 compared with a financial profit of FRF 5,829,000 in 1999. This loss includes the impact of a provision of FRF 52,034,000 for shares of subsidiaries of Esker S.A. (FRF 52,000,000 for shares of the U.S. company, Esker Inc reflecting the decline in sales of this subsidiary in 2000). Excluding the impact of this provision, this item would show a profit of FRF 3,244,000.

In consequence, **pretax income before extraordinary items** posted a loss of FRF 54,946,000 compared with a profit of FRF 16,800,000 on December 31, 1999.

Extraordinary items resulted in a loss of FRF 8,815,000 (compared with FRF 5,612,000 on 12/31/99) reflecting notably the following items:

- Accrued losses of FRF 4,799,000 on treasury shares,
- Provisions for risks and charges related to accounts receivable for FRF 616,000,
- FRF 919,000 for redundancy payments

Corporate income tax for the period resulted in tax income of FRF 3,259,000 reflecting the impact of the application of tax loss carrybacks generating a tax credit (1999 corporate income tax = FRF 3,684,000).

On the basis of total income and expenses, the period under review recorded net income after tax of FRF 60,503,000 compared with a profit of FRF 7,504,000 on December 31, 1999.

8.2 - Research and development

The company continued to pursue its R&D efforts with investments totaling FRF 41.8 million (compared with FRF 27.9 million in 1999) representing 23% of consolidated sales in 2000.

R&D costs are recorded under operating expenses.

8.3 - Allotment of options to subscribe for shares

In the 2000 financial period, options were allotted under various plans:

- **Plan No. 2** (voted by the extraordinary shareholders' meeting of 19/07/96)
The Executive Board meeting of October 13, 2000 granted 17,700 options to employees of the UK, U.S. and Italian subsidiaries at a price of 12.56 Euros (FRF 82.39).
- **Plan No. 5** (voted by the extraordinary shareholders' meeting of 19/03/99)
The following options were allotted in 2000 :
 - Executive Board meeting of 14 January 2000: 6,000 options allotted to employees of the U.S. subsidiary at 39.40 Euros (FRF 258.44),
 - Executive Board meeting of 16 June 2000: 11,200 options to employees of the U.S. and UK subsidiary at 27.25 Euros (FRF 178.75),
 - Executive Board meeting of 13 October 2000: 8,000 options granted to employees of the U.S. subsidiary at 12.56 Euros (FRF 18.39).

- **Plan No. 6** (voted by the extraordinary shareholders' meeting of 30/08/99)
No options were granted under this plan in 2000.
- **Plan No. 7** (voted by the extraordinary shareholders' meeting of 05/01/00)
The Executive Board meeting on January 10, 2001 granted 169,392 warrants (*Bons de Souscription de Créateur d'Entreprise*) at 40.06 Euros (FRF 262.78). Pursuant to the departure of employees in 2000, 122,096 remained exercisable on 12/31/2000 (The options which became available following the departure of certain employees were not re-allocated as a conference of the applicable legal allocation conditions).
- **Plan No. 8** (voted by the extraordinary shareholders' meeting of 10/10/00)
The following options were granted in 2000 :
 - Executive Board meeting of October 13, 2000: 103,600 options to employees of the U.S. subsidiary at 17.93 Euros (FRF 117.61),
 - Executive Board meeting of December 14, 2000: 2,500 options to employees of the Italian subsidiary at 13.20 Euros (FRF 86.57).

8.4 - Allocation of options to purchase shares

In the period, options to purchase shares were granted under two plans:

- **Plan No. 3** (voted by the extraordinary shareholders' meeting of 18/04/97)
The Executive Board meeting of October 13, 2000 granted 3,500 options at 12.56 Euros (FRF 82.39) to employees of the parent company Esker SA.
- **Plan No. 4** (voted by the extraordinary shareholders' meeting of 09/04/98)
The Executive Board meeting of October 13, 2000 granted 15,000 options at 12.56 Euros (FRF 82.39) to employees of the U.S., Australian, German, UK and Spanish subsidiaries.

8.5 - Analysis of share capital

In accordance with the provisions of the French law No. 85-705 of July 12, 1985, the record of attendance, for both this meeting and the meeting which approved the financial statements of the prior year, were filed with the committee of the meeting, it being specified that these documents, presenting the authorized capital, enable you to note the change from one period to another.

On December 31, 2000, the record of registered shareholders with *Crédit Lyonnais* indicated shareholdings:

- Shareholdings exceeding two-thirds of the authorized capital: none
- Shareholdings exceeding half the authorized capital: none
- Shareholdings exceeding one-third the authorized capital: none
- Shareholdings exceeding one-fifth of the authorized capital: none
- Shareholdings exceeding one-tenth the authorized capital: none
- Shareholdings exceeding one twentieth of the authorized capital: See table below

As of December 31st, 2000			
Shareholders	Number of shares	% of capital	% of voting rights
Jean-Michel Bérard	301 820	8,94%	9,24%
Thomas Wolfe	279 095	8,27%	8,54%
Russell Teubner	233 000	6,90%	7,13%
David Droman	217 821	6,45%	6,67%
Benoît Borrits	192 788	5,71%	5,90%
Esker S.A. (Registered + Shareholder)	108 281	3,21%	0,00%
Other registered	180 660	5,35%	5,53%
Public	1 862 615	55,17%	57,00%
Total	3 376 080	100,00%	100,00%

On December 31, 2000, the company held 108,281 treasury shares, (49,147 shares of which were registered shares), representing 3.21% of the share capital.

On December 31, 2000, the share capital of the company was FRF 37,316,880 divided by 3,376,080 shares with a nominal value of FRF 11 per share.

8.6 - Net income appropriation proposal

As can be noted, after deduction of all expenses and allowances for depreciation, the financial statements here presented show a loss of: FRF 60,502,745.88 (9,223,584.15 Euros).

We propose that this amount be ascribed as follows:

	2000 (FRF 000)	2000 (€ ' 000s)
Profit (loss) of the period.	- 60,502,745.88	- 9,223,584.15
Allocation to the legal reserve	-	-
Special long-term capital gains reserve	-	-
Dividends	-	-
Retained earnings (losses)	- 60,502,745.88	- 9,223,584.15
Total appropriation	- 60,502,745.88	- 9,223,584.15

8.7 - Dividends distributed in prior periods

In accordance with the provisions of article 243 bis of the French general tax code, we inform you that dividends distributed for the previous three financial periods were as follows: NONE.

8.8 - Nondeductible expenses

In accordance with the provisions of article 223 of the French general tax code, we inform you that for the period under review the financial statements of the period include expenses not deductible from the tax income under article 39-4 of this code totaling FRF 8,692 (1,325.09 Euros)

CONCLUSION

We inform you that the appointment of no Supervisory Board members have expired.

We hope that you will approve these propositions and the management of the Executive Board for the financial period ending DECEMBER 31, 2000.

The Executive Board

FIVE-YEAR FINANCIAL SUMMARY (Notes to the management report)

(Articles 133, 135 and 148 of the decree on corporations)

Nature of indications (FRF)	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
1/ SHARE CAPITAL BY YEAR-END					
a/ Share capital	5,598,000	22,071,720	26,267,879	34,473,241	37,136,880
b/ Number of common shares	311,000	2,006,520	2,387,989	3,133,931	3,376,080
c/ Number of preferred shares (without voting rights)					
d/ Maximum number of future shares to be issued					
- by conversion of bonds					
- by exercise of warrants	161,000	153,460	102,741	351,299	525,937
2/ OPERATIONS AND INCOME FOR THE YEAR					
a/ Sales ex-VAT	44,090,599	48,983,066	60,135,414	71,708,973	61,802,953
b/ Income pre-tax, employee profit-sharing, depreciation and provisions	7,003,121	3,140,259	2,212,251	12,659,732	-2,730,849
c/ Corporate income tax	1,547,308	-873,524	193,847	3,683,760	-3,258,783
d/ Profit-sharing for the period			0	0	0
e/ Income after tax, employee profit-sharing, depreciation and provisions	1,764,366	3,513,071	1,870,118	7,503,989	-58,502,745
f/ Dividends paid out (proposal for period N)	0	0	0	0	0
3/ EARNINGS PER SHARE					
a/ Earnings after-tax, employee profit-sharing but before depreciation and provisions	17.54	2.00	0.85	2.86	0.16
b/ Earnings after-tax, employee profit-sharing depreciation and provisions	5.67	1.75	0.78	2.39	-17.33
c/ Net payout (or proposal)			0	0	0
4/ PERSONNEL					
a/ Average number of employees for the period	40	58	74	81	88
b/ Payroll	10,063,632	14,119,208	18,657,322	20,720,096	20,682,047
c/ Amount paid out in benefits	3,929,213	5,837,821	7,805,052	8,658,712	9,337,861

4.3 Subsidiaries and Equity Interests

SUBSIDIARIES AND EQUITY INTERESTS	Share capital FRF	Percentage of equity owned FRF	Book value of shares owned (gross) FRF	Book value of shares owned (net) FRF	Loans & advances granted by company, outstanding FRF	Guarantees and sureties granted by the company FRF	Sales ex- VAT for last financial year FRF	Income for last financial year FRF	Dividends received by company during financial year FRF
A. DETAILED INFORMATION CONCERNING SUBSIDIARIES AND EQUITY INTERESTS									
1. Subsidiaries (more than 50% of the capital owned)									
Esker Inc.	2,641,443	100%	176,046,663	124,046,663	3,327,126	19,590,000	101,891,491	- 21,547,566	-
Esker GmbH	186,405	100%	169,885	169,885	-	-	15,039,560	18,703	1,591,486
Esker Ltd	12,129,671	100%	886	886	-	-	29,084,788	1,056,564	-
Esker SRL	1,136,705	100%	65,562	65,562	-	-	8,383,091	413,476	-
Esker IBERICA	2,997,818	99.80%	20,248	20,248	-	-	5,674,609	- 48,575	-
Esker Australia Pty Ltd (1)	100,028	100%	4,669,000	3,034,850	-	-	5,744,075	2,478,735	-
VSI	7,049,882	100%	42,909,164	42,909,164	-	-	7,753,554	376,647	-
INTERDOC Oy (Finland)	-147,343	100%	-	-	-	-	0	- 19,329	-
Esker Asia Pte Ltd	(2)	100%	410,999	0	-	-	-	(2)	-
B. INFORMATION RELATING TO OTHER SUBSIDIARIES AND EQUITY INTERESTS									
1. French interests (0 to 50% of the capital owned) SCREENER SARL	(3)	14.50%	36,250	0			Approx. FRF 1,069,000	(2)	

(1) The capital of the Australian subsidiary includes the portion of capital not paid up (FRF 3,034,850).

(2) The subsidiary Esker ASIA Pty Ltd has been inactive since December 31, 1997.

(3) The company SCREENER SARL has been in official receivership since June 22, 1998.

4.4 Report of the Auditors on the Parent Company Financial Statements of Esker SA.

AUDITORS' REPORT

Annual Financial Statements - Period ended December 31, 2000

In accordance with the terms of our appointment by your shareholders' meeting, we hereby present our report concerning the period ended 31 December 2000, concerning:

- the audit of the accompanying annual financial statements of Esker prepared in French francs,
- specific verifications and information as required by law.

The financial statements have been approved by the Executive Board. It is our duty to express an opinion on these financial statements on the basis of our audit.

1. OPINION ON THE FINANCIAL STATEMENTS

We have conducted our audit in accordance with generally accepted accounting standards. These standards require that we plan and perform the audit to obtain reasonable assurance that these consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements, prepared according to accounting practices generally accepted in France, present fairly the results of the operations of the period under review as well as the net worth, assets and liabilities of the company at the end of this period.

2. SPECIFIC VERIFICATIONS AND INFORMATION

In accordance with the standards of our profession, we have also carried out specific verifications provided for by law.

We have no comment to make regarding the sincerity and conformity with the annual financial statements of the information contained in the report of the Executive Board and the documents sent to shareholders concerning the financial situation and annual financial statements.

As required by law, we have assured that the information concerning acquisitions of equity and controlling interests and the identity of the holders of capital and voting rights have been communicated to you in the management report.

Villeurbanne, May 4, 2001

The Auditors

Yves FOURNAND

DELOITTE TOUCHE TOHMATSU

Dominique VALETTE

Joël JULLIEN

SPECIAL REPORT OF THE AUDITORS

ON REGULATED AGREEMENTS

Period ended December 31, 2000

As the Auditors of your company, we hereby report to you on regulated agreements.

In accordance with the provisions of article 225-88 of the French Commercial Code, we have been informed of the agreements previously approved by your Supervisory Board.

It is not our responsibility to identify the eventual existence of other agreements, but to inform you, on the basis of the information you have provided us, of the main characteristics and terms of the agreements brought to our attention, without being required to provide an opinion concerning their utility or justification. It is your responsibility, according to the terms of article 117 of the decree of March 23, 1967, to evaluate the interest in concluding these agreements in view of their approval.

We have conducted our assignment according to the standards of the profession. These standards call for the implementation of due diligence to obtain reasonable assurance that there do not exist discrepancies between the information you provided to us and the documents on which they are based.

1. Agreement concluded with Esker Inc.

Supervisory board members concerned: Messrs. Russel Teubner and Tom Wolf

Executive board members concerned: Messrs. Pierrick Bayle and Dan Speer

1.1 Nature and purpose: Guarantee of Esker Inc. financial commitments

Procedures:

Guarantee granted by your company in favor of HOME NATIONAL BANK for a credit line of \$750,078 granted by this financial institution to Esker Inc.

This credit line was not use during the period.

1.2 Nature and purpose: Guarantee of Esker Inc. financial commitments.

Procedures

First demand guarantee granted by your company to FIRSTAR BANK WISCONSIN for amounts owed by its subsidiary PERSOFT Inc. to this financial institution for up to \$3 million, plus LIBOR increased by 1.75%.

Following the repayment of advances to PERSOFT by this financial institution, this guarantee was removed in 2000.

In addition, in accordance with the decree of March 23, 1967, we were informed that the following agreements, concluded in prior financial periods, remained in force in the period under review.

1. Agreement concluded with Esker Inc.

Nature and purpose: Advance of funds to Esker Inc.

Procedures

Advance on December 31, 2000 of FRF 10,474,703 (\$1,485,879).

Subject to interest of 6.03% corresponding to total financial income of FRF 654,991 for the financial period.

2. Agreement concluded with Esker Australia Pty Ltd

Nature and purpose: Advance of funds to Esker AUSTRALIA Pty Ltd

Procedures

Advance of FRF 111,020 (AUD 27,596) fully paid back in December 31, 2000.

Subject to interest of 6.03% corresponding to total financial income of FRF 3,478 for the financial period.

We present you with our report on the agreements covered by article L.225-90 of the French Commercial Code.

In accordance with article L. 225-240 of this Code, we inform you that these agreements were not submitted for prior authorization of your Supervisory Board.

It is our duty, on the basis of the information provided to us, to inform you, in addition to the principal characteristics and procedures of these agreements, of the reasons why the authorization procedure was not complied with.

1. Agreement concluded with INTERDOC.OY

Executive board members concerned: Messrs. Jean-Michel BÉRARD and Pierrick BAYLE

Nature and purpose: Advance of funds to INTERDOC.OY.

Procedures

Advance on December 31, 2000 for FRF 167,651 (FIM 160,773).

Subject to interest of 6.03% corresponding to total financial income of FRF 8,184 for the financial period.

The amounts concerned by agreements not authorized by the Supervisory Board are not significant.

Villeurbanne, May 4, 2001

The Auditors

Yves FOURNAND

DELOITTE TOUCHE TOHMATSU

Dominique VALETTE

Joël JULLIEN

5. Directors and Management

5.1 Directors and Management

On December 31, 2000 the composition of the company's management bodies and key management was as follows:

- Supervisory board:
 - ➔ Benoît BORRITS Chairman of the Supervisory Board
 - ➔ Kleber BEAUVILLAIN
 - ➔ Russell TEUBNER (2)
 - ➔ Thomas WOLFE (2)

- Executive Board:
 - ➔ Jean-Michel BERARD (1) Chairman of the Executive Board
 - ➔ Daniel SPEER (2)

- Senior Management:

Nom	Fonction
Jean-Michel Bérard (1)	Chairman of the Executive Board
Emmanuel Olivier	Chief Financial Officer
Jean-Jacques Bérard	Vice President of Research & development
Daniel Speer (2)	Chief Operating Officer, Americas.
Lynn Weatherby	Vice President of Marketing
Mitchel Baxter (3)	Chief Operating Officer, V.S.I.

(1) Jean-Michel BÉRARD : manager of Esker Ltd (UK), Esker Iberica Sl, Esker Italia Srl, Esker GmbH (Germany) / co-manager of Esker Inc, Esker Australia Pty Ltd and Interdoc Oy (Finland).

(2) Russel Teubner / Thomas Wolfe / Daniel Speer: members of the management team of Esker Inc.

(3) Mitchel Baxter: manager of VSI (USA)

5.2 Compensation of Directors and Officers

For the financial period ended December 31, 2000 (1):

- The total compensation granted to the Executive Board was 315,000 Euros. This amount consisted entirely of fixed compensation.
- Total compensation granted to Senior Management was 836,000 Euros, including a variable compensation based on the sales performance of the Group of 54,000 Euros.
- The total compensation granted to Mr. Jean-Michel Bérard was 98,000 Euros. This amount represented entirely fix compensation.

(1) The amount indicated above are presented on a twelve-month basis for individuals joining the Group during the year.

5.3 Policy Regarding the Allotment of Options for the Subscription and Purchase of Shares

Stock options granted to members of the management team:

- Esker's policy is to distribute stock options to all Group employees with seniority of six months or more.
- 137,500 stock options were granted to members of the management team (options to subscribe for and purchase shares).

Mr. Jean-Michel Bérard is not the beneficiary of any stock option plan.

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