2016
ANNUAL REPORT

ESKER®

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This registration document was filed with the French financial market authority (*Autorité des Marchés Financiers or AMF*) on May 15, 2017 in compliance with Article 212-13 of the AMF General Regulation.

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

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

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

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

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

- The consolidated financial statements and the auditors' report thereon for the period ended December 31, 2015 as presented on pages 35 to 53 of the original French language version of the registration document filed with the AMF on May 9, 2016 (No. D.16-0469);

- The consolidated financial statements and the auditors' report thereon for the period ended December 31, 2014 as presented on pages 36 to 53 of the original French language version of the registration document filed with the AMF on May 19, 2015 (No. D.15-0516);

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

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

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1. PRESENTATION OF THE GROUP AND ITS BUSINESS

1.1. Financial highlights

Revenue

Net sales (€ thousands)	
2016	65,990
2015	58,457
2014	46,060
2013	41,116

Operating profit

Operating profit (€ thousands)	
2016	9,734
2015	9,054
2014	5,700
2013	3,883

Net income

Net income (€ thousands)	
2016	6,325
2015	6,473
2014	4,650
2013	3,188

Basic earnings per share

Earnings per share (€)	
2016	1.20
2015	1.30
2014	0.97
2013	0.68

(€ thousands)	2016	2015
Cash flows after net financial expense	11,410	10,984
Change in operating working capital	1,476	1,136
Net cash provided by operating activities	**14,361**	**13,226**
Net cash used in investing activities	**-7,956**	**-15,654**
Net cash used in investing activities	**-1,050**	**468**
Net change in cash and cash equivalents	**5,355**	**-1,960**

(€ thousands)	2016	2015
Non-current assets	28,334	25,184
Current assets	42,024	36,110
Shareholders’ equity	**34,402**	**29,188**
Provisions for contingencies and expenses	554	567
Borrowings	7,657	7,317
Other payables	27,745	24,222

1.2. Group profile and milestones

1.2.1. General overview

- **In 1985,** Esker was founded by Jean-Michel Bérard and Benoît Borrits after completing computer science degrees from INSA of Lyon. In its start-up phase, the company initially specialized in providing computer services that enabled it to develop experience in the markets for Unix and PC.

- **In March 1989,** Esker marketed its first host access software products, notably TUN which fueled the company's expansion over the following years. Management decided to position the Company as a developer of software products and opened up its capital to outside investors. The first contracts were signed with European distributors.

- **In 1991,** Esker opened its first subsidiary in the U.S. (San Francisco), rapidly followed by subsidiaries in Germany, the U.K., Italy and Spain. In 1997, Esker acquired its main distributor in Sydney providing a commercial platform for its operations in Australia.

- **On July 2, 1997,** Esker was listed on the *Nouveau Marché* of the Paris stock exchange to strengthen its equity to accelerate its expansion in North America and the diversification of its product portfolio.

- **In 1998,** Esker acquired Teubner & Associates (Stillwater, Oklahoma, U.S.).

- **In 1999,** Esker acquired Alcom (Mountain View, California, U.S.) and Persoft (Madison, Wisconsin, U.S.).

- **In 2000,** Esker acquired VSI (Lake Forest, California, U.S.)

  These acquisitions gave Esker access to significant customer bases and North American distributors and diversified its activities to include fax servers. From 1998 to 2004, the contribution of the U.S. to sales increased from 15% to 53%.

  In response to a sustained decline in host access sales (-35% in 2000), Esker introduced automation solutions adapted to the evolving needs of companies. This led to the launch of Esker DeliveryWare in 2001. This was accompanied by significant measures to optimize its workforce and reduce investments devoted to its historical products in favor of this new project.

- **In 2003,** document process automation solutions accounted for 15% of Group sales, marking a successful beginning of the company's repositioning in this market. Esker completed its automation offering by adding document archiving and production functions. A services offering was also introduced to provide large accounts with support when installing the Esker DeliveryWare solution.

- **In 2004,** a return to growth highlighted the success of the Group's new strategy. In 2004, the contribution of automation solutions increased 80% over the prior period to account for 25% of total Esker sales. More than 900 customers including Microsoft Corp., Whirlpool, France-Telecom and Groupama use these services on a daily basis.

- **In 2005,** Esker completed its document process automation line with the addition of FlyDoc making the on-demand benefits of the Esker DeliveryWare platform available to smaller size companies and users that do not have special IT expertise. Following the major success of this launch, at the end of 2005 the company raised capital to finance hardware and software expenditures to assure the development of this new service. During this same year, Esker formed a joint venture with the Lippo Group. Based in Singapore, this entity covers all of the Chinese market in Asia. In 2005, document process automation accounted for 35% of Group sales.

- **In 2006,** the return to profitability marked the end of the strategic reorganization of the Group. Version 4.0 of Esker DeliveryWare was launched, adding value of with enhanced inbound document capture capabilities (fax and scan). This version represents the culmination of a project launched in 2000 to provide fully integrated document process automation solutions. Through this approach, the average size for sales was multiplied 1.5 times. In 2006, the Group's different document automation solutions (Esker DeliveryWare and FlyDoc) registered combined growth of 59% to account for 51% of the total sales mix.

- **In 2007,** Group sales grew 8% at constant exchange rates, a marginal deceleration in relation to 2006. This result reflects a 4% decline in U.S. sales as large accounts adopted a wait-and-see approach in the wake of the country's credit crisis. In contrast, sales in Europe and Australia that benefited from normal economic conditions expanded 21%. Document process automation increased its share of total revenue to 64% on robust growth in the period (+31%). Strong expansion of this segment again this year was fueled by a 50% increase in the average value of transactions and sustained growth of on-demand document process automation solutions such as FlyDoc.

- **In 2008,** Group sales grew 7% at constant exchange rates. This performance highlights the Group's ability to maintain steady growth in sales even in an environment of global economic crisis. Esker's document process automation solutions provide companies tools to strengthen their competitiveness while reducing operating costs. Through its new functionalities, Version 5.0 of Esker DeliveryWare launched in September 2008 further reduces the time and cost of processing customer orders and supplier invoices. In addition, the Esker "on-demand" service offering (SaaS: Software as a Service) facilitates access to the solutions by reducing investments required for their implementation. Revenue from on-demand services expanded 66% in consequence over the period and currently accounts for 25% of total Group revenue.

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

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

  In August 2010, the shares of Esker were transferred from Segment C of NYSE Euronext Paris to the NYSE Alternext equity trading market.

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

- **In 2012,** the Group maintained its forward momentum, with another record performance on gains in both sales (+11%) and earnings (+14%) from its market positioning and cloud computing model. At constant exchange rates Group revenue rose 6% to reach €40.3 million. This period was marked by a very strong acceleration in the adoption of the cloud model by companies at the expense of the traditional software licensing activity that experienced a slowdown.

- **In 2013,** confirming the success of SaaS solutions, sales revenue grew 4% at constant exchange rates to €41.1 million. Revenue in 2013 from contracts in production rose 16%, representing €25.2 million or more than 61% of total sales. Cloud-based solutions have become the preferred business model for new IT investments at the expense of traditional license sales.

- **In 2014**, growth momentum was driven by the continuing success of cloud-based solutions. On that basis, the company achieved its best annual performance to date with €46.1 million in sales. In light of a €2 million loan from BPIFrance, the group's cash position was largely positive at €17.6 million. This level of cash ensures the group has financial autonomy which will provide it with the resources to pursue the acquisitions planned in 2015.

- **In 2015,** Esker acquired the US startup TermSync (Madison, Wisconsin, U.S.) and the Paris-based company CalvaEDI (France). These acquisitions combined with dynamic growth driven by the success of cloud-based solutions and a favorable currency effect fueled growth in Group sales that reached €58.5 million, up 13% like-for-like (i.e. constant structure and exchange rates).

Bolstered by this performance, operating profit rose 59% to more than €9 million. Cash flow was also up, providing the Group with the ample resources to finance its capital expenditures.

- **In 2016,** Esker achieved record growth of 13% driven by the success of its cloud-based solutions, changes in the international regulatory environment, and strategic partnerships and acquisitions. To support this growth, Esker recruited more than 96 employees worldwide.

- **In 2017,** Esker joined the list of companies distinguished by the Great Place to Work® Institute. A successful first participation in this competition, with Esker ranking in the top 30 companies of Best Workplaces France 2017 in the category of companies with 50 to 500 employees.

1.2.2. Organization

Legal structure of the Esker Group as of December 31, 2016

All subsidiaries are wholly-owned and fully controlled by Esker S.A., with the exception of the 99.8%-controlled Spanish subsidiary.

Business relations between Esker Group companies

Business relations between Esker Group companies are defined in the list of freely contracted agreements (transactions relating to ordinary operating activities concluded under normal conditions) for fiscal 2016, established by the Supervisory Board. Amounts invoiced by the Group consisted of the following:

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

In fiscal 2016, Esker S.A. invoiced on this basis a total of €10,287,000 to all subsidiaries (€10,161,000 in 2015). These subsidiaries in turn invoiced the parent company €1,005,000 (€786,000 in 2015). Income and expenses relating to intercompany billings are eliminated in consolidation. As such, they have no financial impact on the Group's consolidated financial statements.

Regulated agreements concluded between Group companies are presented in the corresponding report of the Statutory Auditors included in *Section 5.5* of this document. *Segment information is provided in note 1 to the consolidated financial statements in Section 4.1. of this document and information on related parties in note 21 herein.*

1.3. Business Overview

1.3.1. Market and strategies

Sales by product segment

	2016		2015	
In thousands of euros	**Amount**	**%**	**Amount**	**%**
Document automation	61,538	93%	53,030	91%
Fax servers	2,875	4%	3,511	6%
Host access	1,577	2%	1,916	3%
TOTAL	**65,990**	**100%**	**58,457**	**100%**

Sales by product sub-segment

	2016		2015	
In thousands of euros	**Amount**	**%**	**Amount**	**%**
Licenses	2,600	4%	2,827	5%
Maintenance	8,645	13%	9,336	16%
Hardware	726	1%	925	2%
Traffic	43,382	66%	36,637	63%
Service	10,637	16%	8,732	15%
TOTAL	**65,990**	**100%**	**58,457**	**100%**

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

Sales by country

	2016		2015	
In thousands of euros	**Amount**	**%**	**Amount**	**%**
France	25,756	39%	21,680	39%
United Kingdom	3,434	5%	3,512	6%
Germany	2,110	3%	1,861	3%
Italy	1,108	2%	1,149	2%
Spain	2,114	3%	1,841	3%
Australia	2,265	3%	2,233	4%
Asia	1,197	2%	1,149	2%
Americas	28,006	42%	25,032	46%
TOTAL	**65,990**	**100%**	**58,457**	**100%**

Sales outside of France account for 61% of revenue, with the United States alone accounting for 42%.

Document process automation

Esker DeliveryWare

Competitors in the Esker DeliveryWare product segment include:

Company	2016 sales (1)	Products or product families
Basware	€143.3m	
Open Text	€1,677m	
ITESoft	€23.2m	

(1): Total sales of the company rather than for the product line in question

In its opinion, Esker is the only provider in this segment offering solutions for both inbound and outbound document delivery and through such an extensive range of channels. Esker is unique in proposing a comprehensive on-demand offering for solutions in this category. On this basis, it is able to propose solutions covering the full range of needs of large groups to the smallest companies.

Esker on Demand

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

FlyDoc

Only Maileva (a subsidiary of La Poste) proposes a viable alternative to the FlyDoc service for the delivery of mail on demand. According to Esker, FlyDoc offers better integration with Windows applications than its French competitor. FlyDoc is also less expensive and does not impose an annual fee.

Basis of statements made by the issuer regarding its competitive position

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

1.3.2. Research and development, patents and licenses

Research and development expenses

Esker has historically devoted significant resources to research and development. In 2016, the R&D budget represented nearly 9% of total Group sales. This policy ensures that Esker maintains its technological advance, the only effective means of meeting challenges from competitors. On December 31, 2016 at the site located in Lyon, a team of 79 computer engineers began working on developing Esker software programs. The R&D department also has a new team based in Madison, Wisconsin, U.S., of seven engineers developing the TermSync solution. In addition, a team of 34 engineers is devoted to producing documentation and providing second line technical support.

The following table provides a breakdown of R&D expenses by major product lines before and after the capitalization of development expenditures (*additional information on this subject is provided in notes 2 and 14 to the consolidated financial statements presented in Section 4.1 of this document*):

In thousands of euros	**12/31/2016**	**12/31/2015**	**12/31/2014**
R&D expenses for the period	-6,754	-5,583	-5,003
Capitalized development expenditures	4,774	3,836	3,343
Amortization of capitalized development expenditures	-3,010	-2,509	-2,127
RESEARCH AND DEVELOPMENT EXPENSES NOT CAPITALIZED	**-4,990**	**-4,256**	**-3,787**

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

Development expenditures recognized as assets in 2015 concern mainly SaaS solutions (Esker on Demand and FlyDoc), capitalized every six-month period.

Patents

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

- U.S. 6906817 B1: Network system for directing the transmission of facsimiles
- U.S. 8094976 B2: One-screen reconciliation of business document image data, image data, optical character recognition extracted data, and enterprise resource planning data
- U.S. 8108764 B2: Document recognition using static and variable strings to create a document signature
- U.S. 8396854 B2: Digital document management system
- U.S. 8577826 B2: Automated document separation

Trademarks

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

- Esker
- CalvaEDI
- FlyDoc
- VSI-Fax
- FaxGate
- Green Doc
- Greener Doc
- Smarterm
- Smartmouse
- TermSync
- Tun
- Persona
- Pulse

- Quit Paper

Independence of the issuer

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

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

1.3.3. Capital expenditures

Most of the Group's capital investments (e.g., R&D, computer equipment, etc.) are self-financed.

Automobiles are in contrast acquired through leases.

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

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

Major capital investments in 2015 and 2016

(€ thousands)	**2016**	**2015**
Acquisitions	1,063	4263
Esker on Demand	5,060	4,631
Of which finance leases recognized under assets	*619*	*1,132*
Other fixed assets	1,960	1,497
TOTAL	**8,083**	**10,391**

The Company's capital investments are focused primarily on SaaS solutions (Esker on Demand and FlyDoc), capitalized every six months, and printers and mail folding and inserting machines for the production facility in France.

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

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

Principal current and future investments

Capital investments are currently being made to develop the Esker on Demand infrastructure, necessary to support the new Esker on Demand requirements and including notably:

- Increasing the processing capacity of its existing production centers over the next three years
- Creating new mail production facilities
- Improving cloud-based document automation processes to accelerate their deployment and parameterization for key accounts

These changes require the acquisition of new data processing and storage servers, numerous fax boards, printing and mail machines.

Information on methods of financing these capital investments are presented in *paragraph 1.4.5.* of this document.

Principal future investments subject to firm commitments by Management bodies

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

1.4. Management discussion and analysis

1.4.1. Overview of the company's activities

Esker designs and produces software application for companies and is a worldwide provider of document management solutions. Esker software products are sold in the form of on-demand online services or user licenses. In 2016, sales of software licenses and on-demand services accounted for 66% of revenue. The balance represented revenue from services (e.g., training and installation assistance, re-invoicing of transport, etc.), maintenance and product upgrades, and hardware parts (fax boards) associated with these products.

The company has three main product families:

Document process automation solutions

- Esker on Demand
- Esker DeliveryWare
- FlyDoc
- TermSync
- CalvaEDI

Fax server products

- Esker Fax
- VSI-Fax

Host Access products

- Tun
- SmarTerm

DOCUMENT PROCESS AUTOMATION SOLUTIONS

Overview

Document process automation contributes to eliminating use of or manual handling of paper in business processes such as invoicing, collection, customer order management, accounts payable management or simply sending a letter from a workstation.

Functionalities and benefits

To achieve ongoing productivity gains, over the last 20 years companies have integrated management software applications. The purpose of these applications are to automate administrative processes such as accounting, order-taking, production runs, and even human resource management. However, whenever these processes need to communicate with the outside world (e.g., customers, suppliers, public sector, etc.) or with other departments within the company, obstacles are generally encountered requiring reverting to a printed document (e.g., invoice, reminder, purchase order, etc.). Handling such printed documents involves numerous operations such as printing, folding, stamping, faxing, archiving, photocopying, and distributing to internal departments. These manual operations contribute to a loss in productivity and the risk of frequent errors while excessively adding to processing time.

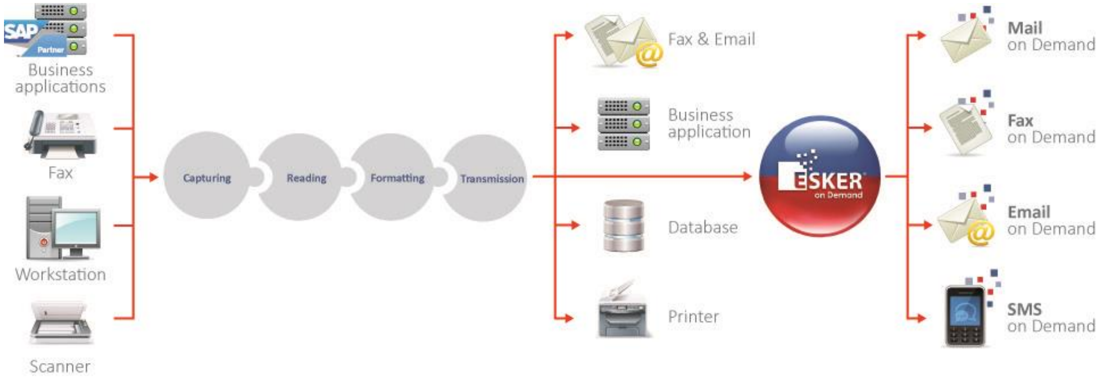
Esker considers that only a part of the productivity gains related to automated management processes have been obtained with the implementation of computerized management applications (e.g., ERP, CRM, etc.). The document process automation solutions developed by Esker makes it possible to fully automate the processes by taking over all tasks connected with document delivery inside or outside companies. These document process automation solutions capable of reading and interpreting management documents replace traditional printers for delivery through modern delivery channels today accessible by the Internet (e.g., email, web publishing, mail on demand, SMS, electronic archiving, automatic faxing, etc.).

Automating processes linked to paper contribute to significant savings in working capital requirements, productivity gains by administrative departments, fewer errors, reduced costs (relating to paper, ink, postage, telephone, etc.) and improved customer service (via responsiveness, customization, etc.). Esker believes its customers double the productivity of their business administrative services.

Moreover, companies have progressively implemented a number of one-off solutions to partially support the manual document processing tasks. These include equipment such as folder-inserters, photocopiers, printers, stamping machines, fax machines, filing cabinets, staplers, carbon paper, etc., that take up space in company offices and often represent costly investments. Esker believes its automation solutions can eliminate all or part of these systems while at the same time streamlining technical infrastructure and freeing up IT and technical teams from the associated maintenance tasks.

Esker automation technologies

To respond to the document automation needs, Esker's technologies are deployed as follows:



- Our software products can capture documents regardless of their source (any company application, workstation, fax connection or a scanner).
- Our applications then "read" the documents, extracting the content and converting it into a format able to be exploited by the computer.
- The document and its content are then enhanced by the inclusion of data or images that can be added as a background object, an enclosure or data originally omitted.
- Depending on the content and routing procedures, the documents are then delivered to one or more electronic media such as a fax or email device, printers or business application.
- Eliminating the requirement to use printers, folding inserting machines or costly telecommunications systems, documents can be delivered through Esker on Demand that assures the delivery of the documents through the selected media (i.e., mail, fax, SMS or email).

The first four points constitute the heart of the Esker document process automation technology. This solution has been patented by the USPTO under number 6,906,817. In 2005, on-demand document delivery services by mail, fax, SMS or email were recognized as among the top eight "coolest" solutions of the year by the Gartner Group.

Example: Purchase order processing

> **Today:** A company receives purchase orders from customers by fax. They are then printed on a fax machine and company personnel enter the data included in the order on the ERP. An order confirmation is then sent by fax or email to the customer before copying the purchase order several times to be archived in different files. When the shipment of goods has been completed, company personnel request the printout of an invoice that is then folded and inserted in an envelope mailed to the customer. Several copies of the invoice are issued for archiving purposes.

> **Esker's solution:** Our software electronically receive the customer purchase orders sent by fax. The information included in the orders is automatically extracted to be presented to an operator for validation. After being confirmed, the information is transformed to be automatically and directly integrated in the management application. At the same time, the purchase order is electronically stored and confirmation of the order automatically sent to the customers by fax or email. When the shipment is completed, company personnel request issuance of an invoice to be transmitted to Esker on Demand to be converted in the form of a letter and mailed. A copy of this invoice will also be stored electronically.

In this example, with Esker's document process automation solution, all paper handling is eliminated even if the customer continues to manually fax and receive invoices by mail.

The Esker document process automation

Esker's document process automation offering is organized as follows:

The **Esker on Demand** service captures inbound and outbound documents on the basis of recognition and routing rules. These applications are hosted and managed directly by Esker. Customers use the service on a remote basis through a secure Internet connection and are not required to install software at their site. Esker on Demand is sold in the form of a monthly subscription at times associated with the provision of services (i.e., consulting, installation, formation). The monthly charge is based on the volume of transactions per month.

FlyDoc is a simplified version of Esker on Demand. It is destined for all users or small companies that simply wish to send mail or a fax from their workstation or small business applications. It represents an electronic post office.

CalvaEDI is an Internet-based service for sending and receiving Electronic Data Interchange (EDI) messages for the transfer of data from one computer system to another using a standardized message formatting.

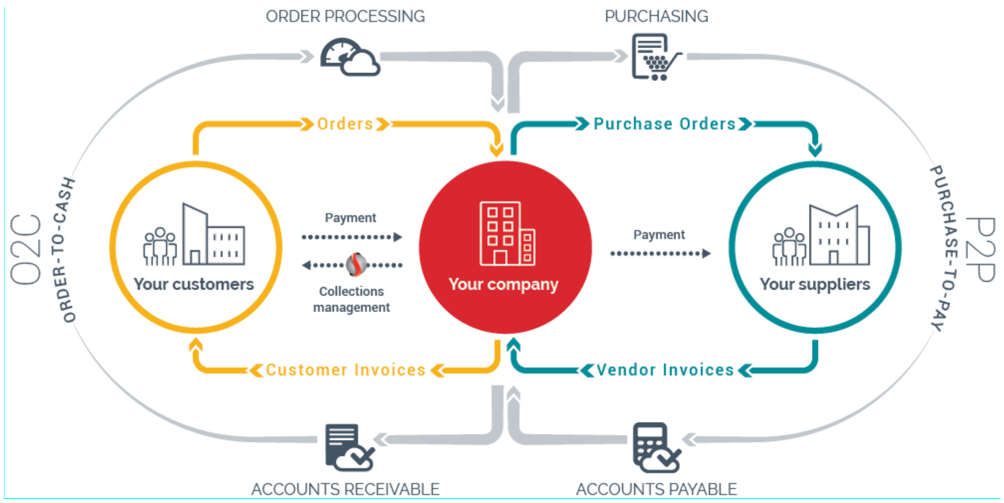
TermSync is a cloud-based accounts receivable platform for managing the collection process using the Esker on Demand solution or any other third-party solution.

Esker DeliveryWare offers the same functionalities as Esker on Demand but is integrated as an on-premises automation software platform. Esker DeliveryWare is sold in a traditional manner. The package includes a software license installed by the user customer and sold in conjunction with the service, training, a contract for product maintenance and upgrades and in some cases hardware (fax boards).

Esker on Demand

The Esker on Demand service offering provides a platform to access automated document process solutions on an on-demand basis. This platform provides outsourcing solutions to process and automate all types of business documents (e.g., collection letters, invoices, orders, etc.). It offers companies with a means to eliminate or reduce use of paper.

The main services offered by Esker on Demand include:



- **Purchase requisition automation**: All company employees can submit purchase requisitions, whether by filling out a form or downloading a quote. The purchase requisition is then introduced into the approval cycle resulting in the creation of a purchase order to be sent to the supplier. When the vendor invoice is received, it is automatically crosschecked against the purchase order. This method offers better visibility and real-time tracking for purchase commitments and prevents unpleasant surprises when the vendor invoice is received.
- **Supplier invoicing automation**: Invoices are received electronically, scanned by an accountant, and sent in digital format to the Esker on Demand platform that then reads their content and presents useful data on a webpage. The accountant then approves, corrects or modifies the data that was automatically inputted. The same webpage is circulated from one user to the next to obtain authorization for payment or recognition in the accounts. Data that has been validated is then inputted directly in the company's management system. The invoice received is published on an online platform allowing the supplier to consult its status at any time (e.g., received, approved, paid, etc.).
- **Sales order automation:** Sales orders are delivered by fax, email or EDI to the Esker on Demand platform that then reads their content and presents pertinent data on a webpage. The sales department then approves, corrects or modifies the data that was automatically inputted. The same webpage is circulated from one user to the next to obtain authorization to deliver the services or products. Data that has been validated is then inputted directly in the company's management system and the corresponding documents are automatically archived on the platform. The purchase order is published on an online platform allowing the customer to consult its status at any time (received, registered, delivered, etc.).
- **Sales invoicing automation:** The Esker on Demand service replaces company printers, capturing the flow of print jobs for invoices to be relayed to the Group's mail platforms where they are converted back to paper form and posted prior to transmission to the postal distribution network. For customers who want to receive their invoices in digital format, they are electronically signed (in compliance with the provisions of tax laws throughout the world) by the department and sent to the recipient through a portal that retains archived copies for 10 years.
- **Outbound Mail on Demand:** Letters are sent to the Esker on Demand platform in the form of an email. Depending on their destination, they are forwarded to the closest mail center, which prints, folds, stamps and mails them in real time.
- **Outbound Fax on Demand:** Faxes to be sent are delivered to the Esker on Demand platform in the form of an email. Depending on their destination, they are forwarded to the nearest fax server that completes the delivery in real-time.
- **Inbound Fax on Demand**: A telephone number is assigned to each user. Every fax received at this number is automatically transferred by email to the inbox of the user.
- **Automatic document archiving:** Documents submitted to the platform to be sent by fax or mail can be archived for up to eleven years.
- **Outbound SMS on Demand**

The Esker on Demand architecture consists of a cluster of secure servers located in Lyon (France), Madison (U.S.) and Sydney (Australia). These resources are housed in clean rooms monitored 24/7 and equipped with redundant electronic power supplies, telephone feed and Internet access. The network is managed on a remote basis by Esker personnel 24 hours a day (with the U.S. and Australia assuring relay when the working day in France is completed) accompanied by a system providing standby service for weekends and holidays.

To send and receive faxes, Esker on Demand is supported by a platform with several hundred telephone lines.

For sending mail, Esker on Demand is linked to several mailing centers located in France, the U.S., U.K., Spain, Belgium, Singapore and Australia. These centers have significant print capacity, folding machines and automatic postage systems.

Esker DeliveryWare

The Esker DeliveryWare application offers the same functionalities as the Esker on Demand solution as it is installed in the customer's infrastructure; Esker DeliveryWare is sold in a traditional manner. The package includes a software license installed by the user customer and sold in conjunction with the service, training, a contract for product maintenance and upgrades and in some cases hardware (fax boards). Given the popularity of the Esker on Demand solution, Esker DeliveryWare license sales have become marginal for the Group whose activity is accordingly limited to updating the software for those customers continuing to use it.

FlyDoc

This online mail service provides a complete range of delivery solutions from the user's desktop and enterprise applications via email, fax, postal mail or SMS.

FlyDoc is accessible from any workstation with an Internet connection. Through a web interface, it is possible to download a document (Microsoft Word for example), indicate a fax number or postal address, select certain options (e.g., color/black-and-white, recto-verso, postal rate category, priority, etc.) and then send the document with the click of a button. The document received by the FlyDoc platform is converted into the appropriate format and then routed to the Esker on Demand platform that assures the actual delivery (by mail or fax).

In the more advanced mode, FlyDoc provides for a specific print driver. When the user requests a print job for a document on this virtual printer a Web page is displayed to select the document delivery options. When this information has been provided, the user can then request delivery by clicking on a special button. The FlyDoc printer provides for the delivery of documents in any application operating under Windows. It can consequently be used by a word processor or a small business application. No software needs to be installed to use the FlyDoc service. The only component (optional) to be installed is the print driver for users wishing to take advantage of the advanced functions.

CalvaEDI

This is an on-demand service for decision-makers in transport (manufacturers, freight forwarders, logistic services providers as well as the haulers themselves) used for exchanging transport orders in real time and on a fully automated basis in the EDI format.

TermSync

TermSync is a cloud-based service for managing the accounts receivable collections process for customer invoices issued by Esker on Demand or any other third-party solution. TermSync makes it possible to customize collections procedures for individual customers (for example: trigger payment reminder levels), generate automatic alerts if payment deadlines are missed, and provides visual tools for tracking aged trial balances in real time and a wide range of the statistics on payment delays. This solution provides a platform available 24/7/365, enabling customers to pay their invoices directly or negotiate payment installments.

LEGACY PRODUCTS

Fax server products

At the end of the 1980s, fax had become one of the most widely used means of business communication. Since then, the volume of pages that companies send via fax has been regularly increasing. Today, and despite the emergence of electronic mail, fax remains, along with traditional mail, one of the most reliable and the most legally accepted means for the exchange of business documents.

With the development of the PC, word processing tools, and local networks, users wanted to be able to avoid printing documents before faxing them and to send faxes directly from their workstations. The concept of the fax server was born. Software products today, such as Esker Fax, enable users to send faxes without interrupting their work by standing in line at the fax machine or performing other actions related to manual faxing. With a fax server, the facsimile is sent directly via a word processing program simply by using the program's "Print" command. For incoming traffic, fax servers receive facsimiles automatically transmitted to the recipient's inbox according to the number of the caller or called party. This technology consequently contributes to very significant gains in employee productivity.

The development of the Internet has been accompanied by increasing use of fax transmission of documents originating from business applications (e.g., purchase orders, delivery slips, quotations, invoices, contracts, reminders, etc.). Fax offers indisputable advantages over other means of communications:

- Instantaneous transmission;
- Universal application (usable in virtually all environments around the world);
- Confirmation of documentary delivery (transmission receipt);
- Accurate presentation of the documents transmitted (page formatting is not modified by fax transmission);
- Confidentiality of document transmission through a proprietary network (the telecommunications network) and not through the Internet;
- Integrity of document content because a fax is not easily modified;
- Less expensive than mail

These benefits constitute important factors for the selection of the fax to transmit company documents of a confidential or critical nature.

Esker Fax

Esker Fax is a versatile fax server that works on a Microsoft server and is sold primarily to large companies.

VSI-Fax

This fax server was developed by the U.S. company VSI that was acquired by Esker in October 2000.

VSI-Fax is a production fax server operating under UNIX and Linux offering approximately the same features as Esker Fax for these environments. VSI-Fax is very frequently integrated into vertical applications (i.e. destined for a specific division or economic sector). The majority of VSI-Fax product customers are companies creating management software for small- and medium-sized firms.

CONNECTIVITY PRODUCTS

Most management applications (e.g., accounting, inventory management, sales management, etc.) developed in the 1970s and 1980s are centralized on servers. They run on multi-station computers (IBM, UNIX, HP, SUN) and communicate with passive terminals (keyboard and screen) which enable dialog with users.

With the massive influx of PCs into the office environment in the early 1990s, companies progressively began replacing passive terminals with PCs running under Windows operating systems. To continue using legacy applications on these new workstations, businesses were required to install applications that imitated the older passive terminals. Such applications called "terminal emulators" constitute the primary function of the host access product line.

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

- File exchange with host systems (FTP client and host protocol);
- Sharing of disks or portions of disks with host systems (NFS client and host protocol);
- Use of the host system printers (LPR protocol);
- Host system access to workstation printers (LPD protocol);
- Remote execution of commands on the host system (RSH/REXEC)

Tun Plus

The Tun Plus product line is marketed mainly for SCO Unix, Linux, IBM AIX, HP-UX, IBM 390 and IBM AS/400 servers. Traditional clients of this line are large accounts equipped with IBM systems and software editors offering management solutions running on UNIX or Linux. The attractiveness of this product line is based on the rich offering of emulations proposed (more than 20 today) and its flexibility and ability to incorporate global solutions developed by software companies or other value-added retailers.

SmarTerm

SmarTerm was developed by Persoft (acquired in 1999). This product has leadership positions in U.S. administrations as well as the health service and industrial sectors. SmarTerm products are marketed primarily for Digital (VAX Open VMS), Data General and IBM servers. Traditional users of this line include companies and administrations of all sizes equipped with these servers. Compared to Tun Plus, advantages of this product line include its ability to provide solutions adapted to large accounts including, in particular, its high-quality integration with Digital VT environments.

1.4.2. Material contracts

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

1.4.3. Financial position of the Group

The operating and financial review is presented in the management discussion and analysis of the Executive Board summarized below. This information concerns the consolidated financial statements as presented in *paragraph 4.1* of this document. The reader is also invited to consult the information on trends in *section 1.4.3* and the notes to the consolidated financial statements in *paragraph 4.1*.

Analysis of Group revenue

Esker's annual revenue for 2016 grew 13% (12% at constant structure and exchange rates) to reach €66 million. This performance was largely driven by the continuing success of cloud-based document process automation solutions representing nearly €51 million (77% of total revenue), and up 20% from 2015.

The traditional document process automation activities (license-based) have retreated (€7.7 million, -3%). The historic products declined 17% and now account for less than 7% of total sales.

Accelerating growth investments and commercial successes

Beyond this growth in sales revenues, 2016 was also a record year in terms of sales performance. The minimum guaranteed value for the Group of contracts signed in 2016 (order intake) increased significantly by 33% in relation to 2015, significantly outpacing this topline growth.

In addition, the level of development expenditures presented in the income statement was also impacted by the capitalization of a portion of these expenditures and their amortization. In the period, €4,774,000 were recognized under intangible assets (€3,836,000 in 2015) relating mainly to developments for SaaS solutions (Esker on Demand and FlyDoc), capitalized every six months.

The net impact of capitalized development expenditures in the period, after deducting amortization expenses, was €1,765,000 (versus €1,314,000 at December 31, 2015). Since the acquisition of the startup TermSync, Esker once again has R&D operations in the U.S. in addition to those in France. In France, Esker is a beneficiary of Research Tax Credits.

After taking into account capital expenditures in the period and costs associated with preparing for the Group's future growth, operating profit rose significantly (+8%) to more than €9.7 million in 2016, up from €9.1 million in 2015. The operating margin remains at 15%, reflecting the company's commitment to combining sustainable growth with profitability.

Net financial expense amounted to €108,000, up from net financial expense of €6,000 in 2015, reflecting primarily foreign exchange results and net interest expense.

Non-recurring items in 2016 and net income

Net exceptional items in 2016 included significant non-reoccurring expenses amounting to €474,000. These include the impact of a change in assumption in the calculation used to measure the provision for retirement severance benefits in France. This change, which has no impact on cash, resulted from a decision to adopt a more conservative evaluation of the company's obligations to employees.

Net exceptional items also include accelerated depreciation and the non-recurring moving costs for two of the Group's main offices in Madison (U.S.) and Lyon (the company's registered office).

In light of the increase in operating profit, the non-recurring items mentioned above and an effective tax rate approaching the standard rate (32%), net income of the period amounted to €6.3 million, down marginally 2% from 2015.

1.4.4. Business trends, outlook and significant post-closing events

Business trends and outlook

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

In conjunction with this trend, the weight of the legacy products (Host Access and Fax) as well as Esker DeliveryWare licenses in the revenue mix will mechanically diminish, though excluding the first half of 2017 due to an important comparison base effect.

The sizable percentage of the recurrent business (79%) allows the company to look to the year ahead with confidence. The acquisition of the company e-integration in early 2017 will boost organic growth that is expected to exceed 10%. Esker is actively exploring acquisition opportunities in northern Europe focusing in preference on companies active in the EDI sector. In addition, Esker is strengthening its consulting and business development teams and also R&D without impacting operating profit with profitability expected to remain at the same level as in 2016. In absolute value, further improvement in operating profit is expected.

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

Esker's main objectives for 2017 are as follows:

- Integrate the company e-integration GmbH
- Grow the cloud platform in order to accommodate a growing number of customers
- Secure the cloud platform in order to obtain more demanding certifications
- Add new payment and invoice financing (factoring) functionalities
- Acquire an EDI specialist in the U.K. or an expense or purchase voucher management specialist.

Significant post-closing events

In a press release dated October 27, 2016, Esker announced the conclusion of an agreement to acquire 100% of the capital of e-integration GmbH. This acquisition was completed at the end of January 2017 and the company will be consolidated by the Group as of January 1, 2017.

1.4.5. Capital resources

Capital of the issuer

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

Sources, amounts and description of cash flows

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

The analysis of changes in cash in the period is presented above in *section 1.4.3.*

At December 31, 2016, the Group's U.S. and U.K. subsidiaries had positive cash balances. In this respect, the Euro's appreciation in relation to the U.S. dollar or the pound sterling constitutes an impediment to the transfer of funds from the U.S. and U.K. to France.

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

The investments made by the Group are primarily in short-term capital-guaranteed financial products with no risk for the Group.

Borrowing requirements and funding structure

As indicated above in *section 1.4.3.* and in *note 12 of the consolidated financial statements,* presented in *paragraph 4.1.* of this document, financial liabilities at year-end amounted to €7,657,000 and included the following items:

- €2,757,000 in financial debt in connection with finance leases capitalized in the period and concerning two printing and inserting machines used for outsourced on-demand mail delivery services.
- €4.9 million in bank borrowings to finance external growth.

Restrictions on the use of capital resources

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

Anticipated sources of funds

Two additional loans of €3 million and €5 million are expected in the 2017 first half to finance acquisitions.

1.4.6. Presentation of the financial statements and appropriation of earnings

It is proposed that the profit of the period of €2,541,323.01 be appropriated as follows:

€29,248.60 will be allocated to the "legal reserve", increased accordingly from €1,049,623.00 to €1,078,871.60, as follows	€29,248.60
€1,649,809.83 would be distributed to the shareholders, as dividends (including the bonus dividend), it being noted for the record that treasury shares held by the Company do not confer a right to dividends, and the amounts corresponding to dividends not paid on these shares will be allocated to "Retained earnings",	€1,649,809.83
with the balance of €862,264.58 to be allocated to "Retained earnings", which would be increased accordingly to a total amount of €22,739,038.78	€862,264.58
Total equaling the profit of the period	€2,541,323.01

The dividends will be payable as of the date of the general meeting within the statutory time limits in the amount of €0.30 per share.

In accordance with article 26 of the articles of association, shares held without interruption in registered form since December 31, 2014 and in the name of the same shareholder until the dividend payment date for 2016, will benefit from a maximum supplemental dividend amount of 10%.

In consequence, the general meeting decides to set the amount of the resulting bonus dividend at €0.33 per share for eligible shares.

1.4.7. Information on dividends

The company distributed its first dividend for fiscal 2010. The Executive Board will propose a dividend of €0.30 per share at the annual general meeting of June 22, 2017.

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

FY (French GAAP)	**Net dividend** (€)	**Net dividend / earnings per share**
2015	0.30	23%
2014	0.24	26%
2013	0.18	26%

2. CORPORATE GOVERNANCE

2.1. Corporate governance bodies

2.1.1. Composition of corporate governance bodies

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

		OFFICES EXERCISED IN OTHER COMPANIES					
Name	**Office or position exercised in Esker S.A.**	Company	Nationality	Office / Position	Year of initial appointment	Expiration of appointment: General Meeting ruling on the financial statements for the fiscal year ending in	Professional address (primary position)
M.C. Bernal	Chair of the Supervisory Board	• Esker S.A.	French	Chair of the Supervisory Board	2001	2018	10 Rue des Emeraudes 69006 Lyon - France
		• Potentia Pharmaceuticals	US	Director	2005	N/A	6400 Westwind Way, Crestwood, KY 40014 - USA
		• GNUBIO	US	Director	2010	N/A	1 Kendall Square, Cambridge, MA 02139 - USA
		• Exel Industrie	French	Director and Chair of the Audit Committee	2012	2018	54 rue Marcel Paul, 51200 Epernay - France
K. Beauvillain	Vice Chair of the Supervisory Board	• Esker S.A.	French	Vice Chair of the Supervisory Board	1999	2016	10 Rue des Emeraudes 69006 Lyon - France
T. Wolfe	Member of the Supervisory Board	• Esker S.A.	French	Member of the Supervisory Board	1999	2016	Esker Inc. – 1850 Deming Way, Suite 150 – Middleton, WI 53562 - USA
J.M. Bérard	Chair of the Executive Board	• Esker S.A.	French	Chair of the Executive Board	2000	2017	10 Rue des Emeraudes 69006 Lyon, France
		• Esker Inc.	US	Vice President	2001	N/A	1850 Deming Way, Suite 150 – Middleton, WI 53562 - USA
		• Esker U.K. Ltd.	British	Vice President	1999	N/A	Durham House, Wyvern Business Park, Stanier Way, Derby, Derbyshire DE21 6BF – U.K.
		• Esker GmbH	German	Director	1999	N/A	Dornacher Str. 3a D-85622 Feldkirchen - Germany
		• Esker Italia Srl	Italian	Director	2001	N/A	Via Guido Gozzano 45, 21052 Busto Arsizio - Italy
		• Esker Iberica Sl	Spanish	Director	2001	2100	Peru 6, Planta baja, Oficina 1 Edificio Twin Golf B, 28290 Las Rojas, Madrid - Spain
		• Esker Australia Pty Ltd.	Australian	Vice President	1997	N/A	219-227 Elizabeth Street, Sydney NSW 2000 - Australia
		•Esker Document Automation Asia Pte Ltd.	Singapore	Vice President	2007	N/A	47 Scott Road, Goldbell Tower, Singapore 228233

		•Esker Document Automation (M) Sdn. Bhd.	Malaysia	Vice President	2009	N/A	Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong SG Besi Bkt Jalil, 57000 Kuala Lumpur - Malaysia
		• Esker Solution Canada Inc.	Canadian	Director	2012	N/A	630 René-Lévesque Blvd West, Suite 2800 Montréal,(Quebec) H3B 1S6 - Canada
		• CalvaEDI	French	Chair	2015	N/A	6 rue du Docteur Laurent 75013 Paris - France
E. Olivier	Member of the Executive Board	• Esker S.A.	French	Member of the Executive Board	2003	2017	10 Rue des Emeraudes 69006 Lyon - France

- **Marie-Claude Bernal** has served as Chair of the Supervisory Board of Esker since 2000. Graduated from the HEC-JF School of Management in 1967, followed by an MBA from the University of Chicago in 1971, she joined the Banque de Neuflize where she became one of the first women in France to manage a mutual fund. In 1977, she joined Wellington Management in Boston, one of America's oldest and largest independent investment management firms, where she helped launch and grow the international department of this fund, becoming a partner in 1994. She pursued her collaboration with this company until 2000. Marie-Claude Bernal is also a director of a privately held U.S. company and a French public company.

- **Kléber Beauvillain** has served as Vice Chair of the Supervisory Board since 2000. He was Managing Director of Hewlett Packard France for more than 20 years before becoming the Chair of the Supervisory Board. He currently serves on the boards of several companies including the Alpha Mos group listed on the Paris stock exchange.

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

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

2.1.2. Practices of corporate governance bodies and conflicts of interest

Practices of corporate governance bodies

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

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

In fiscal 2016 the Executive Board met five times at the company's registered office. The average rate of attendance at these meetings was 100%.

To the best of the company's knowledge:

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

Information on Executive Board practices

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

- **Jean Michel Bérard** (Chair of the Executive Board), appointed by the Supervisory Board on August 31, 1999, and then reappointed by the Supervisory Board on June 18, 2000, June 24, 2003, June 22, 2005, June 28, 2007 June 26, 2009 June 10, 2011 June 13, 2013 and June 16, 2015.
- **Emmanuel Olivier** (Chair of the Executive Board), appointed by the Supervisory Board on January 27, 2003, and then reappointed by the Supervisory Board on June 24, 200, June 22, 2005, June 28, 2007 June 26, 2009 June 10, 2011 June 13, 2013 and June 16, 2015.

Information about service contracts between directors and officers with the issuer

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

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

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

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

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

2.1.3. Special Committees

Audit committee and remuneration committee

The audit committee has two members from the Supervisory Board: Ms. Bernal and Mr. Beauvillain. This committee met once in 2016 in the presence of all members (100% attendance rate).

The compensation committee is comprised of Supervisory Board members. This committee met twice in 2016 in the presence of all members (100% attendance rate).

2.2. Compensation and benefits of executive officers and directors

Compensation of Supervisory Board members

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

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

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

Corporate officer	Office or position exercised in Esker S.A.	Company having paid the compensation	Compensation paid in 2015 (gross)	Nature of compensation paid for fiscal 2015			
				Fixed salary, fees	Variable compensation	Benefits in kinds	Attendance fees
Marie Claude Bernal	Supervisory Board Chair	Esker S.A.	€39,000	€30,000			€9,000
K. Beauvillain	Supervisory Board Vice-Chair	Esker S.A.	€24,000	€15,000			€9,000
T. Wolfe	Supervisory Board member	Esker Inc.	€21,000	€15,000			€6,000
TOTAL			**€84,000**	**€60,000**	**€0**	**€0**	**€24,000**

Compensation of executive corporate officers

(in €)	2016		2015	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Jean-Michel Bérard – Chair of the Executive Board				
Fixed compensation	187,620	187,620	181,620	181,620
Variable compensation	188,000	186,000	186,000	172,969
Attendance fees	None	None	None	None
Benefits in kinds	6,466	6,466	7,102	7,102
Total	**382,086**	**380,086**	**374,722**	**361,691**
Mr. Emmanuel Olivier, Chief Executive Officer				
Fixed compensation	156,625	156,625	140,850	140,850
Variable compensation	74,843	119,829	119,829	87,406
Attendance fees	None	None	None	None
Benefits in kinds	6,982	6,982	6,132	6,132
Total	**238,450**	**283,436**	**266,811**	**283,436**

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

Since 2017, compensation paid to the Chair of the Executive Board includes a variable portion linked to the achievement of Group objectives. This variable compensation was accrued for in the financial statements at December 31, 2016.

Similarly, compensation paid to Mr. Emmanuel Olivier in 2016 includes variable compensation linked to achievement of commercial objectives relating to fiscal 2016. Variable compensation linked to achieving objectives defined for fiscal 2016 was not paid in 2016 though was accrued for in the accounts at December 31, 2016.

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

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

(in €)	2016	2015
Jean-Michel Bérard – Chair of the Executive Board		
Compensation due for the year	382,086	374,722
Measurement of options granted in the period	None	None
Measurement of performance shares granted in the period	77,175	53,020
Total	459,261	427,742
Mr. Emmanuel Olivier, Chief Executive Officer, Executive Board member		
Compensation due for the year	238,450	266,811
Measurement of options granted in the period	None	None
Measurement of performance shares granted in the period	61,740	48,602
Total	300,190	315,413

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

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

None.

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

In fiscal 2016, Mr. Emmanuel Olivier, Executive Board member, exercised 7,000 stock options.

Restricted shares awarded in the period to each company officer

In fiscal 2016, Esker SA's Executive Board's meeting of July 1, 2016, granted 9,000 restricted shares to Mr. Jean-Michel Bérard, Chair of the Executive Board and 7,200 restricted shares to Mr. Emmanuel Olivier, Executive Board member.

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

Restricted shares vesting in the period for each company officer

In the period, the number of restricted shares vesting in the period amounted to 10,000 shares for Mr. Jean-Michel Bérard and 5,000 for Mr. Emmanuel Olivier.

Summary of award of stock options subscribe for or purchase shares

Stock options to subscribe for (SO) or purchase (PO) shares and share warrants (W) not yet exercised having been awarded to Supervisory Board members and Mr. Emmanuel Olivier, Chief Executive Officer, in prior periods break down as follows:

Plan No.	**B**	**10**	**10**	**11**	**11**	**13**	**13**
Stock options to subscribe for (SO) or purchase (PO) shares	**PO**	**SO**	**SO**	**SO**	**SO**	**SO**	**SO**
General Meeting date	**06/23/2004**	**06/22/2005**	**06/22/2005**	**06/26/2008**	**06/26/2008**	**06/14/2012**	**06/14/2012**
Executive Board meeting date	**06/30/2004**	**01/09/2006**	**01/02/2007**	**07/08/2008**	**04/03/2009**	**10/01/2012**	**10/01/2012**
Maximum number of options able to be granted by virtue of the AGM	200,000	350,000		200,000		200,000	
Maximum number of options able to be awarded in 2016 based on the number of awards already made	0	0		0		0	80,000
Total number of options awarded in 2016	0	0		0		0	0
Total number of stock options able to be awarded at December 31, 2016	0	0		0		0	0
Number of options awarded to company officers:							
Marie Claude Bernal	10,000	0	0	0	0	0	0
Kleber Beauvillain	10,000	0	0	0	0	0	0
Emmanuel Olivier	36,000	45,500	7,500	7,500	3,750	8,000	0
Commencement of the option exercise period	06/30/2005	01/09/2010	01/02/2011	07/08/2012	04/03/2013	10/01/2016	04/01/2018
Expiry date	06/29/2014	01/08/2016	01/01/2017	07/07/2018	04/02/2019	09/30/2022	03/31/2024
Subscription or purchase price	3.88	4.96	7.21	4.07	2.74	9.44	16.32

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

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

	Total number of options granted	**Weighted average price**	**Plan 10**	**Plan 11**	**Plan 12**	**Plan 13**	**Plan 14**
Options granted in the period	0	None	None	None	None	None	None
Options exercised in the period	16,416	7.51	11,916	None	4,500	None	None

In 2016 the Executive Board decided in its meeting of July 1 to award 23,800 stock options of the company. The Executive Board also decided at the meetings of July 1 to award 62,600 restricted shares of the company. These awards are described in the special reports concerning the award of restricted shares and stock options.

Additional information

Stock options and restricted share awards

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

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

Grant of attendance fees

The general meeting of June 16, 2016 decided to grant all Supervisory Board members for the period ending December 31, 2016 a total annual gross amount of attendance fees of €30,000.

In addition, the Executive Board decided on March 23, 2017 to propose to the general meeting a total gross annual amount of attendance fees of €30,000 to be allocated to all Supervisory Board members for the period beginning on January 1, 2017.

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

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

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

None

2.3. Chair's report on corporate governance and the Statutory Auditors' reports on the chair's report

None.

3. EMPLOYMENT-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION

None

4. FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

4.1. Consolidated financial statements for the year ended December 31, 2016

CONSOLIDATED BALANCE SHEET

ASSETS *(€ thousands)*	**Notes**	**12/31/2016**	**12/31/2015**
Goodwill	2	5,522	4,321
Intangible assets	3	16,859	15,282
Property, plant and equipment	4/5	5,168	4,985
Financial assets		785	596
Non-current assets		**28,334**	**25,184**
Inventories		101	161
Trade receivables		16,060	13,203
Deferred tax assets		1,062	1,581
Other receivables and accruals	6	3,463	4,870
Cash and marketable securities	7	21,338	16,295
Current assets		**42,024**	**36,110**
TOTAL ASSETS		**70,358**	**61,294**

SHAREHOLDERS' EQUITY AND LIABILITIES *(€ thousands)*	**Notes**	**12/31/2016**	**12/31/2015**
Share capital		10,789	10,496
Additional paid-in capital		18,972	18,485
Consolidated income (loss)		6,325	6,473
Reserves and retained earnings		-1,684	-6,266
Shareholders' equity	8	**34,402**	**29,188**
Attributable to the parent		*34,402*	*29,188*
Attributable to non-controlling interests		*0*	*0*
Provisions for contingencies and expenses	11	**554**	**567**
Borrowings and financial liabilities	12	7,657	7,317
Trade payables		4,765	4,221
Tax and employee-related payables		11,142	9,792
Deferred tax liabilities		304	105
Other payables and accruals	13	11,534	10,104
Payables		**35,402**	**31,539**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**70,358**	**61,294**

CONSOLIDATED INCOME STATEMENT

(€ thousands)	Notes	12/31/2016	% of sales	12/31/2015	% of sales
Sales	**14**	**65,990**	***100.0%***	**58,457**	***100.0%***
Own production of goods and services capitalized	15	4,774	*7.2%*	3,836	*6.6%*
Other operating income		966	*1.5%*	1,401	*2.4%*
Purchases consumed		-1,365	*-2.1%*	-1,430	*-2.4%*
Change in inventory		-36	*-0.1%*	54	*0.1%*
Other operating expenses		-18,326	*-27.8%*	-16,038	*-27.4%*
Staff costs	16	-36,185	*-54.8%*	-31,954	*-54.7%*
Tax and similar expenses		-916	*-1.4%*	-896	*-1.5%*
Net allowances for amortization and depreciation		-5,137	*-7.8%*	-4,326	*-7.4%*
Net allowances for provisions		-31	*0.0%*	-50	*-0.1%*
Operating profit		**9,734**	***14.8%***	**9,054**	***15.5%***
Net financial income /(expense)	**17**	**-108**	***-0.2%***	**-6**	***0.0%***
Current operating income of consolidated operations		**9,626**	***14.6%***	**9,048**	***15.5%***
Net exceptional items	**18**	**-474**	***-0.7%***	**-245**	***-0.4%***
Income taxes	19	-2,950	*-4.5%*	-2,292	*-3.9%*
Share of income from equity-accounted associates		123	*0.2%*	61	*0.1%*
Allowances for goodwill amortization			*0.0%*	-99	*-0.2%*
Net income		**6,325**	***9.6%***	**6,473**	***11.1%***
Basic earnings per share in euros	20	*1.20*		*1.30*	
Diluted earnings per share in euros	20	*1.14*		*1.22*	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Capital stock	Additional paid-in capital	Translation difference	Annual profit/(loss)	Reserves and retained earnings	Equity attributable to the parent
Balance as of December 31, 2014	**10,192**	**18,115**	**377**	**4,650**	**-11,828**	**21,506**
Retained earnings/(accumulated deficit)				-3,442	3,442	0
Annual profit/(loss)				6,473		6,473
Currency translation adjustments			729			729
Stock options	304	370				674
Treasury shares					1,200	1,200
Dividends				-1,208		-1,208
Other changes					-186	-186
Balance as of December 31, 2015	**10,496**	**18,485**	**1,106**	**6,473**	**-7,372**	**29,188**
Retained earnings/(accumulated deficit)				-4,923	4,923	0
Annual profit/(loss)				6,325		6,325
Currency translation adjustments			-322			-322
Stock options	293	488				781
Treasury shares					-211	-211
Dividends				-1,550		-1,550
Other changes					191	191
Balance as of December 31, 2016	**10,789**	**18,973**	**784**	**6,325**	**-2,469**	**34,402**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€ thousands)	**12/31/2016**	**12/31/2015**
Consolidated net income	**6,325**	**6,473**
Adjustments to reconcile non-cash items to cash generated from operations :		
Net allowances for depreciation and provisions	5,129	4,500
- Carrying value of assets sold	60	145
- Proceeds from the disposal of assets	-104	-134
Cash flows after net financial expense	**11,410**	**10,984**
Tax liabilities	2,950	2,292
Taxes paid	-1,456	-1,165
Interest expense and income	-19	-21
Change in operating working capital	**1,476**	**1,136**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**14,361**	**13,226**
Acquisition of intangible assets	-7,021	-11,528
Acquisition of property, plant and equipment	113	181
Proceeds from the disposal of PPE and intangible assets	13	-45
Change in non-current investments	-1,061	-4,262
NET CASH USED IN INVESTING ACTIVITIES	**-7,956**	**-15,654**
Dividends paid to shareholders of the parent company	-1,550	-1,208
Capital increases or contributions		
Issuance costs for capital increases		
Amount received from the exercise of stock options	779	583
Change in treasury shares		
Repayment of borrowings – finance leases	-2,279	-1,907
Change in borrowings	2,000	3,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	**-1,050**	**468**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**5,355**	**-1,960**
Effect of exchange rate changes on cash	-312	696
Cash and cash equivalents at beginning of year	**16,295**	**17,559**
Cash and cash equivalents at end of year	**21,338**	**16,295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies, basis of consolidation

Adoption and approval of the accounts

The consolidated financial statements of Esker Group at December 31, 2016 were adopted by the Executive Board and submitted for approval to the Supervisory Board on March 23, 2017.

Statement of compliance

The consolidated financial statements were presented on the basis of French law and French GAAP and notably the accounting policies set out in Regulation 2014-03 of April 29, 1999 on the French General Chart of Accounts (*Plan Comptable Général*) of France's Accounting Regulations Committee (*Comité de Reglementation Comptable* or "CRC") and the subsequent updates resulting from CRC Regulations 2005-05 and 2000-06.

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

Change in accounting methods

In connection with the implementation of regulation 2015-07 relating to the consolidated financial statements, transposing the Accounting Directive 2013/34/EU, the Group has performed an analysis of the goodwill existing at January 1, 2016 with regards to its useful life. After completing this analysis, it opted, in accordance with the measures provided for by the new regulation for first-time application, to establish prior amortization schedule as they existed on the previous closing date.

For acquisitions completed after January 1, 2016, a specific analysis is produced documenting the relevant characteristics of each acquisition, and notably the technical, economic and legal aspects. This analysis may result, according to the circumstances, in recognition in the consolidated balance sheet under assets of:
- Non-amortizable goodwill if their useful life is considered indefinite: this unamortized goodwill is then subject to mandatory impairment testing every year;
- Amortizable goodwill for a defined period it is considered that these intangible assets have a finite useful life.

For all this goodwill, the Group continued, as in the past, to test for impairment at December 31, 2016. No impairment losses were recorded in consequence.

Basis of consolidation

Companies in which the Group directly or indirectly exercises exclusive control are fully consolidated. Exclusive control is defined as an ability to exercise directly or indirectly authority in managing the financial and operating policies of a company so as to obtain benefits from its activities.

Equity interests in companies in which Esker Group does not have a controlling interest but exercises a material influence are recognized according to the equity method.

Intercompany receivables, payables, income and expenses of fully consolidated subsidiaries are eliminated.

The list of subsidiaries and associates included in the consolidation scope is presented in *section 2* of these notes

Foreign currency translation methods

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

Preferred methods

The following preferential methods have been applied:

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

Use of estimates

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

The main Management estimations concern assumptions relating to:

- The measurement and depreciation of property, plant and equipment and intangible assets (*notes 3, 4*);
- The calculation of deferred taxes (*note 19*);
- The measurement of pension obligations (note 11);
- The measurement of provisions (note 11)

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

Goodwill

All identifiable assets, liabilities, and contingent liabilities are measured initially by the acquirer at their fair values on the date of transfer of control in favor of the Group (acquisition date), independently of consideration of any non-controlling interest.

The cost of a business combination equals the purchase price, plus directly attributable acquisition costs. Any difference in the acquisition cost at fair value of acquired assets and assumed liabilities and contingent liabilities is recognized in the balance sheet under assets as goodwill.

Goodwill is recorded under intangible assets and amortized according to a previously defined plan over a specific period according to the objectives adopted at the time of acquisition. Furthermore, if the objectives adopted at the time of acquisition are materially modified, an exceptional amortization expense or a modification of the amortization plan is recognized above the amortization amount applied.

Intangible assets

Development expenditures

Under the preferred method, development expenditures are recorded as intangible assets when the company can demonstrate that the following criteria have been met:

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

Development expenditures incurred by Esker Group concern two types of applications and are destined to be tracked on an individual basis. These expenditures consist primarily of staff costs.

Group development activities are divided into two categories:

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

Development expenditures recorded as intangible assets are amortized over useful lives of one to five years. The corresponding expenditures of projects not yet completed on the closing date are recorded as intangible assets and tested for impairment (see below the note on the impairment of fixed assets).

Other research and development expenditures that do not meet the criteria of the standard defined above are expensed in the period incurred.

Other intangible assets

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

Property, plant and equipment

Property, plant and equipment

The gross value of property, plant and equipment represents the historical acquisition cost. This cost comprises directly attributable costs of transferring the asset to its place of operation and bringing the asset to working condition for its intended use.

Depreciation of property, plant and equipment reflects the pattern of consumption of the expected economic benefits on the basis of the acquisition cost, after deducting when applicable the residual value (as a general rule considered as zero). The straight-line method is applied over the following useful lives:

- General installations: 5-8 years
- Transportation equipment: 3-5 years
- Office and computer equipment: 2.5-8 years
- Furniture: 5 years

Leases

In compliance with the preferred method, leases that transfer to Esker the risks and rewards incidental to ownership (finance leases) are recorded as fixed assets with the corresponding financial liability recognized at fair value or, if lower, the present value of the minimum lease payments.

The corresponding fixed assets are depreciated according to the procedures described above.

The cost of repairs and maintenance are expensed when incurred except where they serve to increase productivity or to prolong the asset's useful life.

Impairment of fixed assets

Intangible and tangible fixed assets are subject to impairment tests once there is an indication of loss in value. Indefinite life fixed assets and intangible assets in progress (development projects) are tested for impairment at least once a year.

Intangible assets and property, plant and equipment are tested for impairment when, in connection with events or circumstances occurring in the period, it is considered that the recoverable amount over a sustained period will remain lower than the carrying value.

The recoverable amount of an asset is measured at the higher of its fair value less costs to sell and value in use. Value in use is determined on the basis of the present value of future operating cash flows expected over a five-year period and a terminal value based on a perpetuity growth rate for cash flow.

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

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

Inventory and work in progress

Inventory is measured at the lower of acquisition cost determined according to the method of weighted average cost per unit or the net realizable value.

Trade receivables

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

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

Treasury shares

Long-term shares of the parent company held directly or indirectly through consolidated subsidiaries are deducted from shareholders' equity at their purchase price, after deducting acquisition expenses. Changes in fair value during the period treasury shares are held are not recognized. Gains and losses from the disposal of the shares are recognized directly under equity and do not impact profit or loss.

Cash and marketable securities

Cash comprises cash at banks and on hand.

Marketable securities have short-term maturities, are readily convertible to cash and subject to an insignificant risk to changes in value.

Securities held for trading are measured at fair value and resulting losses and gains recognized in the income statement.

Changes in cash and cash equivalents are analyzed in the statement of cash flow presented on the basis of the indirect method.

Provisions

Provisions are recorded when Group management considers that it has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation without receiving equivalent consideration in exchange and the amount of the obligation can be reliably measured.

Provisions for lawsuit contingencies may be recorded notably in connection with litigation known to the Group to which it is a party. A review of this litigation is undertaken on the balance sheet date by management and outside counsel, if necessary, to determine the amount required to cover these estimated risks.

Employee benefits

Retirement benefits

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

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

- Estimated age of retirement;
- Seniority of personnel on retirement date;
- Probability of continued presence at the retirement age;
- Salary escalation rate;
- A discount rate

No other commitments have been recognized for retirement benefits for other subsidiaries of the Group because they are not material or there does not exist a legal obligation.

Other long-term benefits

In accordance with local laws and regulations, the Italian subsidiary must pay employees a severance benefit when leaving the company regardless of the reason (resignation, retirement, etc.). This benefit is calculated on the basis of annual salary and seniority and subject to annual increases indexed on the rate of inflation issued by the Italian government.

Income taxes and deferred taxes

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

Deferred taxes are recognized when recovery is considered probable within a reasonable period. Reductions in future taxes resulting from the use of tax loss carryforwards (including amounts that can be carried forward indefinitely) are recognized only if their recovery is considered probable.

Deferred tax assets and liabilities are not discounted and are offset within the same tax entity. Deferred taxes calculated allocated to equity items are recognized under shareholders' equity.

Research tax credit

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

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

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

Revenue

As a general rule revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably, notably on the date the significant risks and rewards of ownership of the goods are transferred to the buyer.

Group sales originate primarily from the sale of licenses, maintenance-related services (training and installation assistance), on-demand services available online (outsourcing of fax and mail services) and equipment (fax boards).

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

Other services are recognized on the date of performance.

The CICE wage tax credit

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

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

- Capital investments
- Research, innovation
- Training and recruitment

2. Group structure for consolidation

There were no changes in the Group structure with respect to consolidation in fiscal 2016.

Company	Head office	2016		2015		Consolidation method (1)
		Controlling interest (%)	Ownership interest (%)	Controlling interest (%)	Ownership interest (%)	
Esker	Lyon (France)	**Parent company**				
Esker GmbH	Essen (Germany)	100.0%	100.0%	100.0%	100.0%	F
Esker Ltd	Derbyshire (United Kingdom)	100.0%	100.0%	100.0%	100.0%	F
Esker Srl	Milan (Italy)	100.0%	100.0%	100.0%	100.0%	F
Esker Iberica Sl	Madrid (Spain)	99.8%	99.8%	99.8%	99.8%	F
Esker Inc	Madison (United States)	100.0%	100.0%	100.0%	100.0%	F
Esker Australia Pty Ltd	Sydney (Australia)	100.0%	100.0%	100.0%	100.0%	F
Esker Documents Automation Asia Pte Ltd	Singapore	100.0%	100.0%	100.0%	100.0%	F
Esker Documents Automation (M) Sdn Bhd	Kuala Lumpur (Malaysia)	100.0%	100.0%	100.0%	100.0%	F
Esker Solution Canada Inc.	Montreal (Canada)	100.0%	100.0%	100.0%	100.0%	F
CalvaEDI SAS	Paris (France)	100.0%	100.0%	100.0%	100.0%	F
TermSync	Madison (United States)	100.0%	100.0%	100.0%	100.0%	F
Neotouch Cloud Solution	Dublin (Ireland)	30.0%	30.0%	30.0%	30.0%	E.M.

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

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

NOTE 1: Segment information

Segment information relating to products and services

In thousands of euros	12/31/2016	12/31/2015
Software sales	2,600	2,827
Fax card sales	727	925
Contracts for product updates and maintenance	8,645	9,336
Services	10,637	8,732
Traffic	43,380	36,636
NET SALES	**65,990**	**58,457**

Information relating to geographical areas

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

As of December 31, 2015 *In thousands of euros*	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	Total Group
External sales	21,680	1,861	3,512	2,990	3,382	25,032	**58,457**
Property, plant and equipment and intangible assets	19,240	3	42	94	42	846	**20,267**

Information relating to key customers

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

In fiscal 2015 the largest customer represented 4.7% of total Group revenue.

NOTE 2: Goodwill

	12/31/2016			12/31/2015
In thousands of euros	**Gross**	**Amortization**	**Net**	**Net**
TermSync	5,487	101	5,386	4,186
CalvaEDI	137	2	135	135
TOTAL GOODWILL	**5,624**	**103**	**5,522**	**4,321**

There were no acquisitions or disposals in 2016.

The increase in the gross value of goodwill of the subsidiary, TermSync, reflects the change in the exchange rate and the purchase price adjustment after receiving an earnout payment in early 2017.

NOTE 3: Intangible assets

	12/31/2016			12/31/2015
In thousands of euros	**Gross**	**Amortization**	**Net**	**Net**
Development expenditures	23,301	15,098	8,203	6,936
Trademarks	1,083		1,083	1,067
Software	1,439	1,015	424	468
Customer-related intangible assets	4,963	295	4,668	4,845
Intangible assets in progress	2,481		2,481	1,966
TOTAL INTANGIBLE ASSETS	**33,267**	**16,408**	**16,859**	**15,282**

Development expenditures recorded under intangible assets include:

- Costs incurred for the development of document process automation applications;
- Costs for the development of on-demand services for our complete offering of solutions.

■ Changes in the fiscal year ended December 31, 2016

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

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

■ Changes in the fiscal year ended December 31, 2015

As of 12/31/2015 *In thousands of euros*	Opening balance	Increases	Decreases	Changes in Group structure [1]	Other changes	Closing balance
Development expenditures	15,480	117			3,424	19,021
Trademarks	0			1,049	18	1,067
Software	880	119	-6	363	52	1,408
Customer-related intangible assets	0			4,963		4,963
Intangible assets in progress	1,668	3,718			-3,420	1,966
INTANGIBLE ASSETS – GROSS VALUE	**18,028**	**3,954**	**-6**	**6,375**	**74**	**28,425**
Development expenditures	9,564	2,521				12,085
Software	755	79	-6	85	27	940
Customer-related intangible assets	0			118		118
INTANGIBLE ASSETS – AMORTIZATION	**10,319**	**2,600**	**-6**	**203**	**27**	**13,143**
INTANGIBLE ASSETS – NET VALUE	**7,709**	**1,354**	**0**	**6,172**	**47**	**15,282**

1. First-time consolidation of CalvaEDI and TermSync

NOTE 4: Property, plant and equipment

In thousands of euros	12/31/2016 Gross	12/31/2016 Amortization	12/31/2016 Net	12/31/2015 Net
Office and computer equipment	3,783	2,544	1,239	1,141
Fixtures and improvements	1,369	795	574	431
Equipment and tooling	6,920	3,965	2,955	3,293
Transport equipment	53	16	37	25
Furniture	512	149	363	94
TOTAL PROPERTY, PLANT AND EQUIPMENT	**12,637**	**7,469**	**5,168**	**4,984**

Changes in the fiscal year ended December 31, 2016

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

Changes in the fiscal year ended December 31, 2015

As of 12/31/2015 *In thousands of euros*	Opening balance	Increases	Decreases	Changes in Group structure [1]	Other changes	Closing balance
Office and computer equipment	2,858	566	-369	81	180	3,316
Fixtures and improvements	1,163	153	-137	44	-54	1,169
Equipment and tooling	5,271	1,414	-491	7	34	6,235
Transport equipment	48	9	-6			51
Furniture	419	32	-46	26	36	467
PROPERTY, PLANT AND EQUIPMENT – GROSS VALUE	**9,759**	**2,174**	**(1,049)**	**158**	**196**	**11,238**
Office and computer equipment	2,144	455	-310	73	-137	2,225
Fixtures and improvements	678	109	-143	30	14	688
Equipment and tooling	2,106	942	-363	6	251	2,942
Transport equipment	12	15	-1			26
Furniture	349	26	-48	14	32	373
PROPERTY, PLANT AND EQUIPMENT – DEPRECIATION	**5,289**	**1,547**	**-865**	**123**	**160**	**6,254**
PROPERTY, PLANT AND EQUIPMENT – NET VALUE	**4,470**	**627**	**-184**	**35**	**36**	**4,984**

1. First-time consolidation of CalvaEDI and TermSync

NOTE 5: Finance leases

In thousands of euros	Gross	Accumulated amortization	Net
As of December 31, 2014	**4,836**	**-1,730**	**3,106**
Increase	1,132	-891	241
Decrease	-491	363	-128
Translation difference	0	0	0
As of December 31, 2015	**5,477**	**-2,258**	**3,219**
Increase	619	-987	-368
Decrease	0	0	0
Translation difference	0	0	0
As of December 31, 2016	**6,096**	**-3,245**	**2,851**

Finance lease commitments for the periods ended December 31, 2016 and 2015 break down as follows:

	12/31/2016				**12/31/2015**			
In thousands of euros	**Less than 1 year**	**2 - 5 years**	**More than 1 year**	**TOTAL**	**Less than 1 year**	**2 - 5 years**	**More than 1 year**	**TOTAL**
Total value of future minimum lease payments	930	1,806	0	**2,736**	925	2,140	0	**3,065**
Discounted value of future minimum lease payments	907	1,615	0	**2,522**	902	2,069	0	**2,971**

NOTE 6: Other receivables and accruals

In thousands of euros	**Net 12/31/2016**	**Net 12/31/2015**
Tax receivables	1,682	2,386
Other tax receivables	366	1,047
Other receivables	92	106
Prepaid expenses	1,323	1,331
TOTAL OTHER RECEIVABLES AND ACCRUALS	**3,463**	**4,870**

NOTE 7: Cash and marketable securities

At December 31, 2016, cash included the following items:

In thousands of euros	**Net 12/31/2016**	**Net 12/31/2015**
Marketable securities	5,721	3,571
Cash at banks and on hand	15,617	12,724
TOTAL CASH AND MARKETABLE SECURITIES	**21,338**	**16,295**

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

NOTE 8: Shareholders' equity

	Amount (€ thousands)	Number of shares
Capital stock at 12/31/2014	**10,192**	**5,095,840**
Capital increase	93	46,300
Exercise of stock options and warrants	212	105,975
Capital stock at 12/31/2015	**10,497**	**5,248,115**
Capital increase	108	54,000
Exercise of stock options and warrants	184	92,243
CAPITAL STOCK AT 12/31/2016	**10,789**	**5,394,358**

The Company is subject to no specific regulatory or contractual obligations in respect to the share capital. The Group does not have a specific policy concerning share capital. The balance between recourse to external financing and equity financing through capital increases by the issue of new shares is assured on a case-by-case basis according to the transactions under consideration. Share capital monitored by the Group includes the same components as consolidated shareholders' equity.

A dividend of €0.30 per share was paid for the period.

NOTE 9: Treasury shares

Changes in treasury shares held by the Group in fiscal 2016:

	FY 2016	FY 2015
Opening balance	**189,847**	**268,528**
Purchase of own shares (liquidity agreement)	103,889	125,469
Sale of own shares (liquidity agreement)	-100,113	-133,769
Purchase of own shares (for external growth transactions)		
Sales of own shares (for external growth transactions)		-70,381
Closing balance	**193,623**	**189,847**

NOTE 10: Stock option, bonus share and warrants plans

Highlights of plans for stock options, stock purchase options and warrants outstanding at December 31, 2016 are presented below:

Type	Dates		Exercise price in euros	Number of options			Balance
	Grant	Expiry		granted	exercised	matured or forfeited	
Stock option plan	01/02/2007	01/01/2017	7.21	88,796	50,560	37,724	512
Stock option plan	07/02/2007	07/01/2017	10.12	69,606	32,596	21,660	15,350
Stock option plan	07/08/2008	07/07/2018	4.07	68,600	41,200	0	27,400
Stock option plan	04/03/2009	04/02/2019	2.74	118,300	70,623	16,095	31,582
Stock option plan	06/01/2010	05/31/2020	6.37	48,000	15,656	2,344	30,000
Stock option plan	09/12/2011	09/11/2021	5.44	67,400	23,062	4,688	39,650
Stock option plan	04/10/2012	04/09/2022	8.26	19,750	8,591	2,782	8,377
Stock option plan	10/01/2012	09/30/2022	9.44	56,000	7,000	8,000	41,000
Stock option plan	04/19/2013	09/18/2023	13.04	27,500	7,687	1,000	18,813
Stock option plan	04/01/2014	03/31/2024	16.32	12,000	2,310	1,312	8,378
Stock option plan	04/01/2015	03/31/2025	19.62	24,500	999	375	23,126
Stock option plan	07/01/2016	06/30/2026	32.92	23,800	0	0	23,800
TOTAL STOCK OPTION PLANS				**624,252**	**260,284**	**95,980**	**267,988**
Bonus share issues	06/19/2015	06/18/2017		42,750			42,750
Bonus share issues	10/12/2015	10/11/2017		1,800			1,800
Bonus share issues	07/01/2016	06/30/2018		62,600			62,600
TOTAL BONUS SHARES				**107,150**	**0**	**0**	**107,150**

Changes in the number of stock options, bonus shares and warrants granted to Group employees in the fiscal year ended December 31, 2016 break down as follows:

	Stock options		Bonus shares granted, not issued	
	Quantity	Weighted average exercise price in €	Quantity	Weighted average exercise price in €
Balance exercisable at December 31, 2015	**337,870**	**8.12**	**98,550**	**21.03**
Granted	23,800	32.92	62,600	34.30
Exercised	-92,243	7.28	-54,000	17.83
Matured or forfeited for reason of departure	-1,439	10.18		
Balance exercisable at December 31, 2016	**267,988**	**10.60**	**107,150**	**30.39**

NOTE 11: Provisions

In thousands of euros	12/31/2015	Increases, allowances of the period	Payments in the period	Reversals of provisions unused in the period	Other changes	12/31/2016
Provisions for contingencies and expenses	3			-3		0
Pension liabilities	564	31	-33	-8		554
TOTAL PROVISIONS	**567**	**31**	**-33**	**-11**	**0**	**554**

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

Retirement scheme in France

In France, a change in estimation was made to commitments relating to retirement severance benefits for employees of Esker S.A. On top of the customary assumptions was added a probability of remaining until retirement increasing with the age of employees.

On that basis, assumptions used to estimate pension obligations at December 31, 2016 were as follows:

Assumptions for the measurement of pension obligations in France	
• Discount rate	1.00%
• Rate of salary increases	0.73%
• Retirement age	65 years
• Turnover rate applied to employees under 40	7.33%
• Probability of remaining - employees > 40 years	40.00%
• Probability of remaining - employees > 45 years	55.00%
• Probability of remaining - employees > 50 years	70.00%
• Probability of remaining - employees > 55 years	80.00%
• Probability of remaining - employees > 60 years	90.00%

The impact of this change in estimate for fiscal 2016 was an additional charge of €222,000 that was recognized under exceptional items.

In addition, in 2016, a portion of the pension obligations was partially covered by an external plan destined to be gradually increased through premium payments. These premium payments were included in expenses of the period and amounted to €350,000. Net obligations of the fund are accrued for and stood at €328,000 at December 31, 2016.

Retirement scheme in Italy

Amounts payable to employees of the subsidiary Esker Italy totaled € 228,000 at December 31, 2015 and break down as follows:

In thousands of euros	12/31/2015	Increases in the period	Payments in the period	Other changes	12/31/2016
Severance benefits – Esker Italy	228	31	-33		226

NOTE 12: Borrowings and financial liabilities

In thousands of euros	**12/31/2016**	**12/31/2015**
Finance leases	2,757	3,072
Bank borrowings	4,900	4,245
TOTAL BORROWINGS	**7,657**	**7,317**

Finance leases

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

NOTE 13: Other payables and accruals

In thousands of euros	**12/31/2016**	**12/31/2015**
Deferred revenue	6,012	6,051
Customer deposits and guarantees	2,385	2,009
Other payables	3,137	2,044
TOTAL OTHER PAYABLES AND ACCRUALS	**11,534**	**10,104**

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

Other debt is comprised of €3,074,000 in contingent consideration (earnout) and retention payouts on the TermSync acquisition.

NOTE 14: Net sales

In thousands of euros	**12/31/2016**	**12/31/2015**
Software sales	2,600	2,827
Fax card sales	727	925
Contracts for product updates and maintenance	8,645	9,336
Services	10,637	8,732
Traffic	43,380	36,636
NET SALES	**65,990**	**58,457**

NOTE 15: Research and development expenses

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

An analysis of development expenditures recorded under intangible assets in the fiscal period ended December 31, 2016 is presented in note 2.

NOTE 16: Staff costs

In thousands of euros	12/31/2016	12/31/2015
Employee compensation	27,649	24,071
Social security expenses	8,536	7,883
STAFF COSTS	**36,185**	**31,954**

Breakdown of personnel by country:

	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL
Headcount at 12/31/2016	243	5	14	21	28	116	**427**
Headcount at 12/31/2015	209	7	14	17	29	99	**375**
Headcount at 12/31/2014	180	6	14	15	22	83	**320**

NOTE 17: Net financial income

In thousands of euros	12/31/2016	12/31/2015
Financial income	64	54
Net currency gains/(losses)	-93	16
Financial expenses	-78	-76
NET FINANCIAL INCOME / (EXPENSE)	**-107**	**-6**

NOTE 18: Exceptional items

In thousands of euros	12/31/2016	12/31/2015
Exceptional income from non-capital transactions	-420	-351
Exceptional income from capital transactions	80	106
Exceptional allowances and reversals	-134	0
NET EXCEPTIONAL ITEMS	**-474**	**-245**

NOTE 19: Income taxes

Analysis of tax expenses

In thousands of euros	12/31/2016	12/31/2015
Current tax income / (expense)	-2,224	-2,667
Deferred tax income / (expense)	-726	375
TOTAL TAX EXPENSES/INCOME	**-2,950**	**-2,292**

Deferred tax assets and liabilities

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

In thousands of euros	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Balance at December 31, 2014	1,132	(38)
Deferred taxes in the period recognized under profit or loss	436	-61
Effect of exchange rate fluctuations	13	-6
Balance at December 31, 2015	**1,581**	**(105)**
Deferred taxes in the period recognized under profit or loss	-539	-187
Effect of exchange rate fluctuations	20	-12
Balance at December 31, 2016	**1,062**	**(304)**

As of December 31, 2016, the Group had tax loss carryforwards not resulting in the recognition of deferred tax assets for the following amounts presented by date of expiration:

Reconciliation of tax

In thousands of euros	12/31/2016	12/31/2015
Net income	6,325	6,473
- Share of income in equity-accounted associates	123	61
- Allowances for goodwill amortization	0	-99
- Tax expense/income recognized (-/+)	-2,950	-2,292
Net income before tax	**9,152**	**8,803**
Ordinary tax rate of the parent company	33.33%	33.33%
Theoretical tax expense/income (-/+)	**-3,050**	**-2,934**
Permanent tax differences	671	244
Tax savings on loss carryforwards	-187	534
Non-recognition of deferred tax assets from loss carryforwards	-160	-294
Temporary tax differences	-322	71
Tax base differences	98	-157
Other	-1	243
- TAX EXPENSE/INCOME RECOGNIZED (-/+)	**-2,950**	**-2,292**

NOTE 20: Basic earnings per share

Basic net earnings per share and diluted net earnings per share are calculated by dividing the portion of net income reverting to the Group by the appropriate number of shares. For basic net earnings per share, this is the weighted average number of ordinary shares outstanding after excluding treasury shares held by the company.

For diluted net earnings per share, the calculation is based on the weighted average number of potential shares outstanding in the period. This includes notably shares taken into account to calculate basic net earnings per share plus dilutive stock options, warrants and bonus shares.

	12/31/2016		12/31/2015	
	Net earnings (in euros)	Weighted average number of shares	Net earnings (in euros)	Weighted average number of shares
Basis of calculation for basic earnings per share	**6,325,000**	**5,287,202**	**6,473,000**	**4,975,593**
Dilutive stock options		186,355		228,475
Dilutive bonus shares		81,350		64,575
Basis of calculation for diluted earnings per share	**6,325,000**	**5,554,907**	**6,473,000**	**5,268,643**
Basic earnings per share	**1.20**		**1.30**	
Diluted earnings per share	**1.14**		**1.23**	

NOTE 21: Transactions with related parties

Commercial relations between majority-owned Esker Group companies

In connection with commercial relations between Esker Group member companies, amounts are invoiced for the following:

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

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

Other transactions with related parties

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

As of 12/31/2016 In thousands of euros	**Compensation paid (gross)**	**Nature of compensation paid**			
		Fixed salary, fees	**Variable compensation**	**Benefits in kinds**	**Attendance fees**
Executive Board members	672	331	328	13	0
Supervisory Board members	78	60			18
TOTAL	**750**	**391**	**328**	**13**	**18**

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

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

Contractual obligations *(€ thousands)*	**TOTAL**	**Payables by maturity**			**Expense of the period**
		Less than 1 year	**1 - 5 years**	**More than 1 year**	
Long-term debt	-				
Lease finance obligations	Information disclosed in *note 4*				
Operating leases	9,209	2,258	6,584	367	3,321
Irrevocable purchase obligations	-				
Other long-term obligations	-				
TOTAL	**9,209**	**2,258**	**6,584**	**367**	**3,321**

Most lease agreements concern premises occupied by Group companies. Lease terms (from three to ten years), price index clauses and renewal conditions are specific for each country.

Other leases concern inserting and postage machines in France and a fleet of vehicles.

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

* Undrawn authorized credit lines: €500,000

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

	Deloitte & Associés				**Orfis Baker Tilly**				**Other**			
	2016		**2015**		**2016**		**2015**		**2016**		**20145**	
	€ ex-VAT	**%**	**€ ex-VAT**	**%**	**€ ex-VAT**	**%**	**€ ex-VAT**	**%**	**€ ex-VAT**	**%**	**€ ex-VAT**	**%**
AUDIT												
Work as statutory auditors and certification of separate and consolidated financial statements												
- for the Issuer	39,740	54%	38,740	55%	33,260	46%	32,260	45%	0	0%	0	0%
- for fully consolidated subsidiaries	0	0%	0	0%	45,324	71%	46,173	69%	18,847	29%	20,404	31%
Ancillary assignments												
- for the Issuer												
- for fully consolidated subsidiaries												
Subtotal / Audit	**39,740**	**29%**	**38,740**	**28%**	**78,584**	**57%**	**78,433**	**57%**	**18,847**	**14%**	**20,404**	**15%**
OTHER SERVICES												
Legal, tax and employee-related services												
- for the Issuer												
- for fully consolidated subsidiaries									13,668	100%	14,291	100%
Other												
- for the Issuer												
- for fully consolidated subsidiaries												
Subtotal / Other Services	**0**		**0**		**0**		**0**		**13,668**	**100%**	**14,291**	**100%**
TOTAL	**39,740**	**26%**	**38,740**	**26%**	**78,584**	**52%**	**78,433**	**52%**	**32,515**	**22%**	**34,695**	**23%**

NOTE 24: Post-closing event

In a press release dated October 27, 2016, Esker Group announced the conclusion of an agreement to acquire 100% of the capital of e-integration GmbH. This acquisition was completed at the end of January 2017 and the company will be consolidated by the Group as of January 1, 2017.

4.2. Statutory auditors' report on the consolidated financial statements

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

In accordance with our appointment as statutory auditors at your Annual General Meeting we hereby report to you for the year, ended December 31, 2016 on:

- The audit of the accompanying consolidated financial statements of Esker;
- The justification of our assessments;
- The specific procedures and disclosures required by law.

The consolidated financial statements have been adopted by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Without qualifying the opinion expressed above, we draw your attention as an emphasis of matter to paragraph 1 "Significant accounting policies, basis of consolidation — change in accounting methods" in the notes to the financial statements that presented a change in accounting method resulting from the application of a new regulation the ANC, the French national standard setter, on intangible assets.

II. JUSTIFICATION OF ASSESSMENTS

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

- As mentioned in the first part of this report, paragraph 1 "Significant accounting policies, basis of consolidation – change in accounting methods" in the notes to the financial statements" presents a change in method resulting from the new accounting regulation on intangible assets. Similarly, the paragraph "Goodwill" of note 1 hereto describes the accounting rules and methods for the measurement and recognition of goodwill. As part of our assessment of the rules and principles followed by your company, we have verified that the change in accounting regulation was correctly applied, the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.
- The paragraph "Intangible assets" of note 1 hereto describes the accounting rules and methods for recognition, amortization and measurement of development expenditures. With respect to our assessment of the accounting policies adopted by your company, we analyzed the appropriateness of these rules and methods and their implementation and verified that Note 1 provides appropriate disclosure in this regard.
- The paragraph "income tax and deferred tax" of Note 1 describes the accounting rules and methods for recognizing deferred tax assets arising from tax loss carry-forwards. We analyzed the appropriateness of these rules and methods and assessed the data and assumptions on which these estimates were based.

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

III. SPECIFIC PROCEDURES

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

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

Paris, April 20, 2017
The Statutory Auditors
[*French original signed by*]

Orfis Baker Tilly	Deloitte & Associes
Valérie Malnoy	Nathalie Lorenzo Casquet

5. INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

The share capital is set at ten million seven hundred eighty thousand seven hundred and sixteen euros (€10,788,716) and divided by five million three hundred ninety-four thousand three hundred and fifty-eight (5,394,358) ordinary shares of two euros (€2) per share, fully paid up.

5.1. Five-year summary of changes in the share capital

Date	Corporate action	Amount of changes in share capital		Successive capital amounts	Cumulative number of shares	Nominal value per share
		Nominal value	Share premium			
2011	Exercise of stock options and warrants	32,364	36,541	9,163,314	4,581,657	€2
06/02/2012	Capital increase through the capitalization of reserves	83,000		9,246,314	4,623,157	€2
2012	Exercise of stock options and warrants	167,180	197,295	9,413,494	4,706,747	€2
07/04/2013	Capital increase pursuant to stock dividend payments	34,178		9,447,672	4,723,836	€2
09/13/2013	Capital increase through the capitalization of reserves	59,000		9,506,672	4,753,336	€2
2013	Exercise of stock options and warrants	294,380	674,709	9,801,052	4,900,526	€2
04/11/2014	Capital increase through the capitalization of reserves	57,000		9,858,052	4,929,026	€2
2014	Exercise of stock options and warrants	333,628	400,546	10,191,680	5,095,840	€2
04/20/2015	Capital increase through the capitalization of reserves	92,600		10,284,280	5,142,140	€2
2015	Exercise of stock options and warrants	211,950	370,708	10,496,230	5,248,115	€2
04/02/2016	Capital increase through the capitalization of reserves	108,000		10,604,230	5,302,115	€2
2016	Exercise of stock options and warrants	184,486	486,963	10,788,716	5,394,358	€2
2016				**10,788,716**	**5,394,358**	**€2**

5.2. Major shareholders

At December 31, 2016, the shareholder base was as follows:

Shareholders	As of 12/31/2016			As of 12/31/2015		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jean-Michel Bérard	396,508	7.4%	12.3%	401,378	7.4%	13.2%
Thomas Wolfe	270,895	5.0%	8.7%	270,895	5.0%	9.0%
Marie Claude Bernal	19,000	0.4%	0.7%	19,000	0.4%	0.5%
Emmanuel Olivier	74,432	1.4%	1.8%	78,756	1.5%	1.5%
Kleber Beauvillain	7,100	0.1%	0.2%	7,100	0.1%	0.1%
TOTAL MANAGEMENT	**767,935**	**14.2%**	**23.7%**	**777,129**	**14.8%**	**24.4%**
Odyssée Venture	100,855	1.9%	1.6%	485,208	9.0%	8.1%
Treasury shares	193,623	3.6%		189,847	3.5%	
Registered shares	762,891	14.1%	9.3%	689,024	12.8%	9.7%
Free float	3,569,054	66.2%	57.1%	3,106,907	57.6%	51.8%
TOTAL	**5,394,358**	**100.0%**	**100.0%**	**5,248,115**	**100.0%**	**100.0%**

To the best of the company's knowledge, there are no other shareholders other than those mentioned above that held directly or indirectly or in concert more than 5% of the share capital or voting rights at December 31, 2016.

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

Changes in the shareholder structure in 2016

By letter dated July 4, 2016, Sycomore Asset Management (14 avenue Hoche, 75008 Paris), reported having crossed above the threshold of 3% of Esker's share capital and voting rights on June 30, 2016.

By letter dated October 14, 2016, Sycomore Asset Management (14 avenue Hoche, 75008 Paris), reported having crossed above the threshold of 3% of Esker's share capital on October 13, 2016.

5.3. Memorandum of incorporation and articles of association

Corporate purpose

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

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

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

The articles of association updated on January 2, 2016 describe the operation of the Company's corporate governance bodies. The rules governing the Executive Board and Supervisory Board are those established by the French commercial code.

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

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

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

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

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

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

General Meetings

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

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

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

The crossing of an ownership threshold

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

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

Procedure for changing the capital

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

5.4. Statutory information on Esker S.A.

Corporate name

Esker

Place of incorporation and registration number

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

APE code: 5829 C

Date of incorporation and term

Date of incorporation: February 7, 1985

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

Registered office and legal form

Registered office: 10 rue des Emeraudes, Immeuble "GEO CHAVEZ" - 69006 Lyon – France - +33 (0)4 72 83 46 46

Legal form: *Société Anonyme* (a French corporation) incorporated under French law with an Executive Board and a Supervisory Board, governed by the provisions of the French commercial code.

Country of origin: France

5.5. Employees

Executive Board

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

- **Jean-Michel Bérard**,
  55, Chair of the Executive Board
  Jean-Michel Bérard received his computer engineering degree in 1984 from the Lyon Institut National des Sciences Appliquées. Shortly thereafter, he co-founded Esker. Since the founding, he has been primarily responsible for product strategy, implementing development programs that respond quickly to changing technology trends and creating comprehensive, market-ready products. In his current role as president of the board of directors and Worldwide Chief Executive Officer, Jean-Michel is responsible for defining and executing Esker's business plan. He also represents Esker to potential partners, the European technological community, IT analysts and the trade press. Ernst & Young named Jean-Michel Bérard European Entrepreneur of the Year in 2000. He was named as one of the Top Technology Visionaries by Start magazine in 2002.

- **Emmanuel Olivier**,
  49, Chief Operating Officer and Executive Board member
  Emmanuel is leading Esker's operations worldwide, covering sales, marketing and consulting activities. He also supervises Esker finances and is in charge of the company's financial communication and investor relations. Emmanuel joined Esker in 1999 as Chief Financial Officer and was promoted to his current role in 2003. Prior to joining Esker, he worked as an audit manager for the international firm Ernst & Young for seven years, including two years in Philadelphia, PA, USA. Emmanuel was awarded a Master's degree in Business Administration in 1991 from the Ecole Supérieure de Commerce of Nice Sophia Antipolis and earned the CPA (Certified Public Accountant) qualification from the state of Pennsylvania.

- **Jean-Michel Bérard**,
  51, Executive Vice President, Research and Development and invited Executive Board member
  Jean-Jacques Bérard received his engineer's degree in 1988 from Lyon Institut National des Sciences Appliquées. Before coming to Esker, he was research and development (R&D) team manager at Andersen Consulting in Lyon. He joined Esker in 1995, first as Project Leader for the SQL team and then advancing to R&D manager in November 1997. In 1998, he was named Executive Vice President, Research and Development. In this capacity, Jean-Jacques Bérard implements product strategy and oversees product planning and development.

- **Eric Bussy**,
  42, Director of Marketing and Product Management and invited Executive Board member
  Eric Bussy received his master's degree in business administration from the Ecole Supérieure de Commerce IDRAC Lyon, France. Before joining Esker, he spent three years as an International Product Manager working on projects for France Air and Melink Corporation in Cincinnati, OH, USA. He then served as Field Marketing Manager for Seal's and Cdtel in France during two years. He joined Esker in 2002 as the Director of Marketing and Communication. His current activities include development of strategic products, services and solutions. In 2005, his responsibilities were expanded as Director of Product Management.

- **Steve Smith**,
  55, US Chief Operating Officer and invited member of the Executive Board
  Steve Smith joined Esker in 2003 as the Director of Sales and is currently responsible for all operations in North and Latin America. Upon graduating in 1984 from the University of Wisconsin - Whitewater with bachelor's degrees in Marketing and in Finance, Steve spent two years in sales at Pitney Bowes, and 17 years at Equitrac Corporation where he was the Senior Vice President of Worldwide Sales.

- **Eric Thomas**,
  50, Vice President of Business Development and invited Executive Board member
  Eric Thomas joined Esker in 1997 and started as Managing Director for France and then South European Director during three years. When Esker launched Esker DeliveryWare, in 2001, Eric's mission changed to

Director of European Business Development. In this position, Eric actively participated in the successful launch of Esker SaaS offer today called FlyDoc / Esker on Demand. After studying business administration in the U.S., Eric started his career at France Telecom EGT where he successfully held various positions in sales and sales management.

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

Esker personnel

	France	Germany	United Kingdom	Southern Europe	Australia, Asia	United States, Canada	TOTAL
Headcount at 12/31/2016	**243**	**5**	**14**	**21**	**28**	**116**	**427**
Headcount at 12/31/2015	209	7	14	17	29	99	**375**
Headcount at 12/31/2014	180	6	14	15	22	83	**320**

6. ADDITIONAL INFORMATION

6.1. Responsibility for the French version of the registration document

Jean-Michel Bérard – Chair of the Executive Board

Responsibility statement

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

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

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

Jean-Michel Bérard
Chair of the Executive Board

6.2. Statutory auditors

Principal Statutory Auditors

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

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

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

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

Alternate Statutory Auditors

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

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

Jean-Louis Fleche
149 Boulevard Stalingrad
69100 Villeurbanne

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

6.3 Documents on display

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

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

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

- The company's website: http://www.esker.fr
- Alternext site: http://www.alternext.com

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