

Press Release

Lyon, September 26, 2002



Extending the Reach of Information

First Semester Results & 2002 Outlook

A semester marked by new products' success in difficult markets

(M Euros)	Change			
	H1 2002	H2 2001	M Euros	%
Sales	15.17	15.79	-0.62	-3.9%
EBIT	-1.10	-0.89	-0.21	-23.1%
Financial income	0.12	0.19	-0.07	-38.4%
Pretax Income (before extraordinary items)	-0.98	-0.70	-0.28	-39.9%
Extraordinary item	-0.20	-0.27	+0.07	N/A
Income taxes	-0.37	-0.13	-0.24	N/A
Amortization of goodwill	-1.05	-0.14	-0.91	N/A
Net Loss	-2.59	-1.23	-1.36	-109.8%
Operating Cash flow	+0.40	+0.35	+0.05	+14.3%

First semester sales activity : in spite of difficulties on the high-tech market, new products give a strong showing.

The second quarter of 2002 was marked by the economic slowdown in high-tech markets, notably in North America. In spite of the unfavorable economic climate, Esker continued a good showing of its sales for its new electronic document delivery line (IID: Intelligent Information Delivery). IID products rose over 23% as compared to 2001 and in 2002 they represent half of total sales. Pulse, a multi-channel document server and the latest innovation of the IID line, confirmed its success. With an increase of over 229% in comparison with the first semester of 2001, Pulse already makes up 10% of Esker's business.

The traditional products (the Host Access line) suffered as a result of the high-tech market's slowdown and show a 20.9% semester decrease compared to H1 2001. Nevertheless, Esker believes that it can contain the negative effects of this trend during the second semester of 2002.

Overall, due to IID product growth, the drop in sales was limited to 3.9% while at the same time insuring the rebalancing of the company's portfolio in favor of newer products. With sales now balanced between mature products and growth products, Esker is in a prime position to benefit from its technical and sales investments made in the I.I.D. market.

Controlled cost structure and positive operating cash flow

Due to the uncertainties linked to the general economic climate, Esker continuously works to optimize both its productivity and efficiency. Thus, first semester operating expenses dropped globally by 3% compared with 2001, at the same time preserving the company's capacity to invest both commercially and technically. The negative operating income is therefore maintained below one million Euros and the operating cash flow remains positive, recording a 14% growth over 2001.

In consideration of the current softness of technology markets, Esker set up in the Summer of 2002 a new plan to reduce costs. The effects of this plan are expected to be noticeable as early as the beginning of the fourth quarter.

Conservative accounting policies considering current market conditions

Looking at first semester results and complying with both French accounting standards and the latest recommendations from the COB (French stock markets regulatory authority), Esker decided to systematically review goodwill (impairment test) and differed tax recognized as assets in its financial statements.

This analysis drove the company to record, in its H1 income statement, a write down of such goodwill in the amount of €910 K. The whole of this amount is related to mature products that are part of the Host Access line. Taking this write down into account, the net book value of goodwill on the balance sheet is now only €748 K and is tied at more than 62% to the IID Product Line. Consequently, annual goodwill amortization expenses will be reduced by €215 K in the years to come, therefore improving the company's profitability.

Furthermore, the company also decided, through conservative accounting, to fully depreciate all differed taxes assets that remained on its balance sheet. This translates into an additional tax charge of €217 K in the semester income statement. These assets will also reinforce the company's profitability once profits return to positive.

Extraordinary expenses recorded in the aforementioned context do not affect the company's cash position. As of June 30, 2002 Esker was holding more than €7.5 M of cash and cash equivalents, despite heavy investing activities having used over €650 K of liquidities during the semester.

2002 Outlook

For the 2002 financial year, Esker expects annual sales to range between 30 and 32 M€ with operating income between 0 and 2% of sales.

About Esker

Esker Software solutions enable intelligent access to and delivery of core business information. Organizations use Esker software to streamline information exchange, open new channels of communication, and achieve business objectives with new levels of speed and efficiency. The company's products include:

- Pulse™, Pulse™ for Fax, VSI-FAX®, and VSI-FAX® for Notes for Intelligent Information Delivery™
- SmarTerm®, Tun® Plus, and Persona® for host access.

Esker is traded on Euronext—the French Stock Exchange (Le Nouveau Marché/Euroclear: 3581). With offices in North America, Europe, and Asia/Pacific. Esker has shipped over 80,000 document servers and has a host-access installed base of two-million licensed users.

For more information, visit <http://www.esker.com>.

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